

Oregon City, Oregon

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2019



The cover photograph is courtesy of Jason Faucera.

CITY OF OREGON CITY, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2019

Prepared by

City of Oregon City
Finance Department

Available at: www.orcity.org



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INTRODUCTORY SECTION





December 30, 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, 2019.

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, 2019. 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 35,570.

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

Oregon City's economy is strongly connected 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.

The Portland Metropolitan Area continues to grow, albeit at a slightly slower pace than last year. It should be noted that most sectors in Oregon are adding jobs at the same pace, and the slowdown is driven by specific industries. Durable goods manufacturing, including subsectors such as wood products, semiconductors, metals and machinery, has been negatively impacted by trade wars and weakened global growth. The restaurant industry is slowing down as well. On the other hand, construction employment and professional and technical service industries have remained strong. In addition, overall population in the area has continued to grow and increase the labor supply.

Oregon remains near full employment with an estimated unemployment rate of 4.1%. The Portland Metropolitan Area unemployment rate is 3.5%, which is consistent with the national average of 3.5%. The current median household income in Clackamas County is estimated at \$71,186, compared to \$61,937 nationwide.

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. The median home value in Oregon City was estimated at approximately \$423,600 in October, an increase of 2.9% 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.

The City is operating 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 Beaver Creek Employment Area. The City is also investing 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 first phase of The Riverwalk, an expansive public walkway along the Willamette River to the Falls, is under design. The Willamette Falls Legacy Project partners (Oregon City, Metro, the State of Oregon, and Clackamas County) are collaborating on the project with the Confederated Tribes of Grand Ronde who purchased the industrial site in August.

The Beaver Creek Employment Area is a marketing initiative established by the City, Clackamas Community College and other agencies. The project goal is to attract development on more than 80 acres of industrial land along Beaver Creek Road. The City recently completed construction of a major sanitary sewer line to service the location. In addition, staff have completed the Water System Capital Improvement Plan update, which includes water system needs for the Beaver Creek Road Concept Area. Completion of infrastructure, as well as incentives and amenities offered in the Area provide competitive advantages to meet the needs of growing industries such as advanced manufacturing, high technology, agriculture and software production.

The City has planned carefully to invest in public facilities to better serve residents. Recently, the community celebrated the grand opening of the Oregon City Public Library renovation. The Library project was accomplished using existing property tax revenue sources. The Police, City Commission and Municipal Court Facility is under construction and is expected to be finished next summer. Voters approved financing for the facility, to be repaid with a Community Safety Advancement Fee. In addition, 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 last year for the facility and renovation considerations for the existing building are currently under design.

The City has also dedicated General Fund reserves to address park improvements at D.C. Latourette Park, the McLoughlin Promenade parking lot and Park Place Park. Funds have also been allocated 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.

During the year, the City completed implementation of entirely new planning/permitting and Enterprise Resource Planning systems and information technology platforms. The two-year implementation project is an investment that allows 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.

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 during tough economic conditions, until enough revenues become available 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 eighth 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, 2018. 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

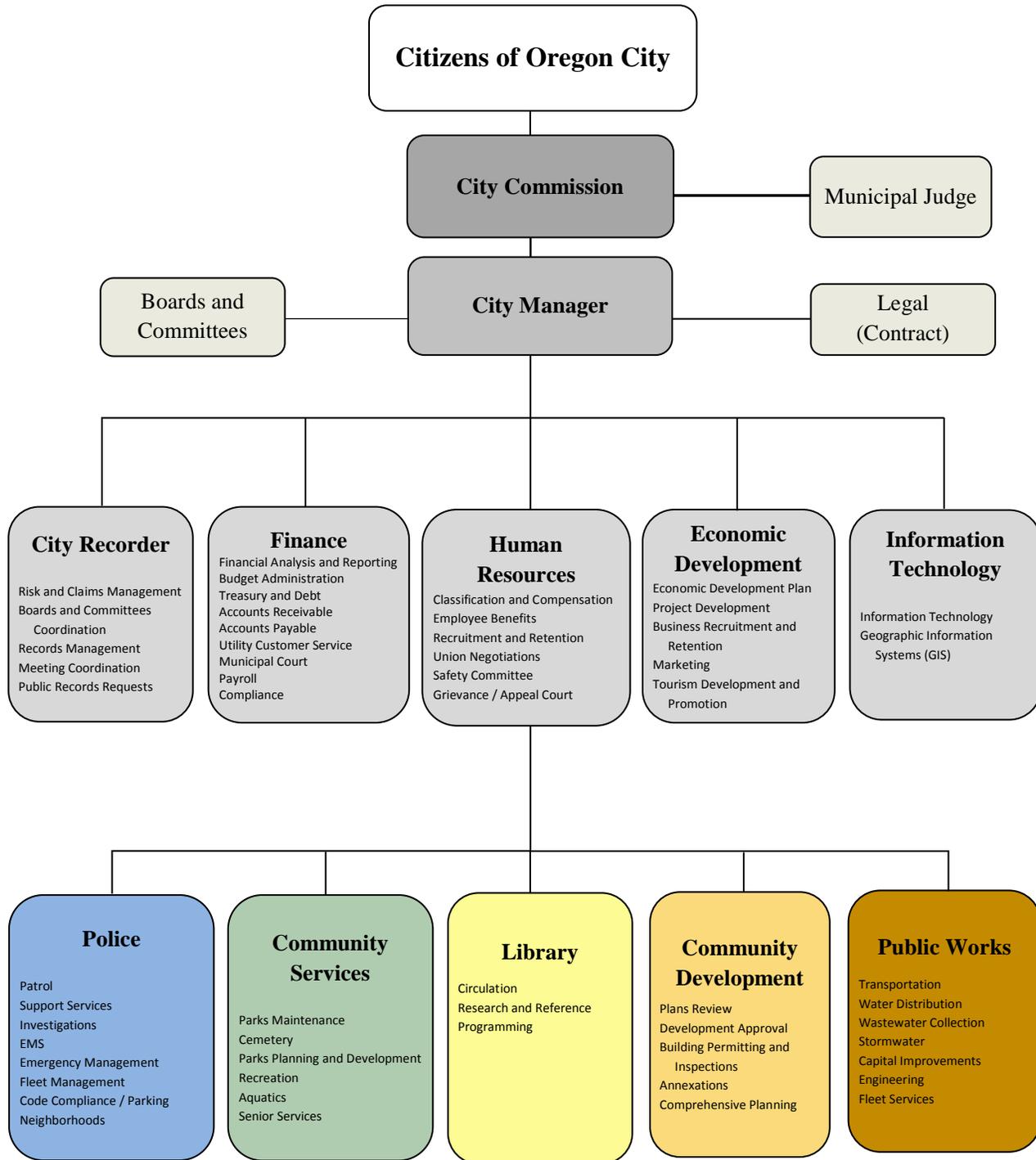
ELECTED OFFICIALS

<u>Name</u>	<u>Term Expires</u>
Mayor Dan Holladay	December 31, 2022
Commission Members	
Rocky Smith, Jr.	December 31, 2022
Denyse McGriff	December 31, 2020
Frank O'Donnell	December 31, 2020
Rachel Lyles Smith	December 31, 2022

MANAGEMENT TEAM

<u>Name</u>	<u>Position</u>
Tony Konkol III	City Manager
James Band	Chief of Police
Maureen Cole	Library Director
Patrick Foiles	Human Resources Director
John Lewis	Public Works Director
Phil Lewis	Community Services 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, 2019





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, 2018

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 the City of Oregon City, Oregon, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Oregon City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

City of Oregon City'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, as of June 30, 2019, 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. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. 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 schedule of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, 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, and schedule of contributions – PERS, as listed in the table of contents under required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplemental and Other Information

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

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and 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 December 30, 2019, on our consideration of City of Oregon City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.



For Merina+Co
Tualatin, Oregon
December 30, 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, 2019. 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 \$242.60 million (reported as net position). Within the net position, \$34.26 million is unrestricted and may be used to meet the City's general obligations to citizens and creditors.
- Total assets are \$313.74 million, an increase of \$20.21 million, or 6.89%. Governmental type activities provided an increase of \$12.37 million while business-type activities increased \$7.84 million. Approximately half of the increase came from capital assets such as roadway reconstruction and water and sewer improvements. The largest increase in other assets is from an increase in cash and investments due to the accumulation of resources for upcoming projects such as the Police and Municipal Court Building, the Public Works and Parks Operations Facility, Meyers Road Extension and Molalla Avenue Improvements.
- The City's liabilities totaled \$76.04 million at June 30, 2019, an increase of approximately \$0.35 million. Liabilities consist of \$67.53 million in long-term liabilities and \$8.51 million in accounts payable and other liabilities. The City's total outstanding bonded debt decreased by \$2.48 million from regular debt service payments. Accounts payable increased by approximately \$0.67 million due to construction contracts accrued at year-end.
- For its governmental activities, the City generated \$12.82 million in charges for services and \$11.67 million in operating and capital grants and contributions. Direct operating expenses and interest on long-term debt for governmental activities totaled \$37.32 million for the year. General revenues of \$24.60 million and \$0.21 million of transfers in, governmental activities resulted in a \$11.98 million increase in net position. Increases were accumulated in the capital projects fund for future projects and in the urban renewal fund. Total net position increased from the prior year, to \$141.20 million, mainly as a result of economic-driven increases to revenues.
- For its business-type activities, the City generated \$23.01 million in charges for services and \$4.20 million in operating and capital grants and contributions to fund direct expenses of \$20.16 million. After other general revenues of \$0.76 million and transfers out of \$0.21 million, business type net position increased by \$7.60 million. A large part of this increase is due to contributed assets of \$0.70 million and the accumulation of wastewater funds for future capital infrastructure projects.

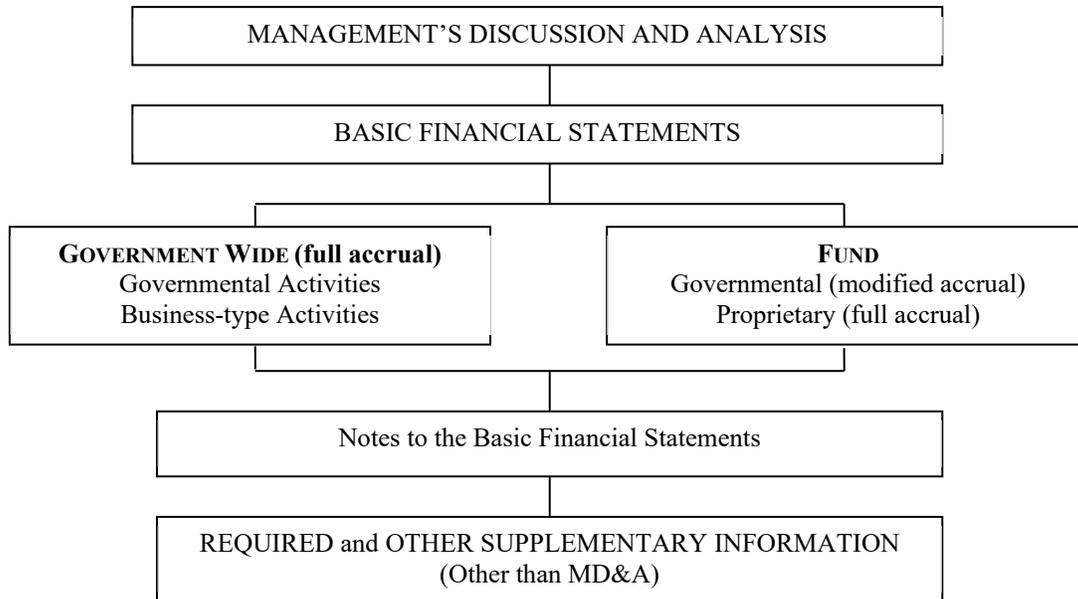
FUND LEVEL

- The City's governmental funds report a combined fund balance of \$74.78 million, a \$5.87 million increase over the beginning balance. Of the total fund balance reported, \$65.04 million is considered nonspendable, restricted, committed or assigned. The remaining \$9.74 million, or 13.0%, is available for spending at the City's discretion. The fund balance increase is due to receipt of delinquent taxes and assessments receivable as well as accumulation of resources for future capital projects.
- The proprietary funds, those used to account for programs which the City charges for the services it provides, reported combined net position of \$101.40 million, an increase of \$7.60 million over the 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, 2019 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 37 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

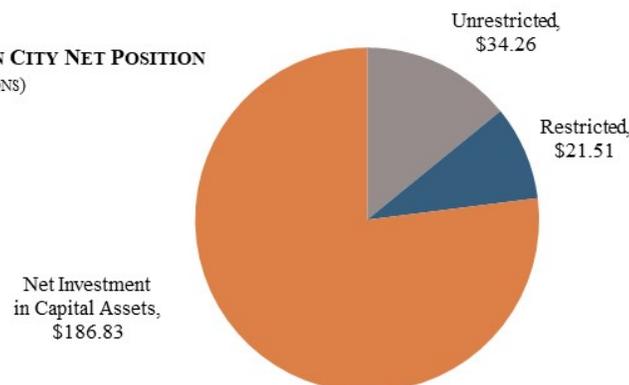
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$242.60 million at the close of this year. This is an increase of \$19.58 million from the beginning balance.

TABLE 1
NET POSITION AS OF JUNE 30

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 79,326,197	\$ 72,960,820	\$ 34,142,532	\$ 30,389,897	\$ 113,468,729	\$ 103,350,717
Capital assets	126,277,802	120,272,956	73,993,057	69,904,459	200,270,859	190,177,415
Total assets	<u>205,603,999</u>	<u>193,233,776</u>	<u>108,135,589</u>	<u>100,294,356</u>	<u>313,739,588</u>	<u>293,528,132</u>
Deferred outflows of resources	6,198,040	5,240,466	1,406,561	1,229,079	7,604,601	6,469,545
Long term liabilities	61,819,610	65,332,350	5,708,945	5,472,574	67,528,555	70,804,924
Other liabilities	6,584,670	2,883,047	1,926,924	2,004,146	8,511,594	4,887,193
Total liabilities	<u>68,404,280</u>	<u>68,215,397</u>	<u>7,635,869</u>	<u>7,476,720</u>	<u>76,040,149</u>	<u>75,692,117</u>
Deferred inflows of resources	2,194,016	1,035,462	504,130	241,084	2,698,146	1,276,546
Net position:						
Net investment in capital assets	112,838,180	107,219,008	73,993,057	69,904,459	186,831,237	177,123,467
Restricted for:						
Parks capital projects	5,543,391	5,268,225	-	-	5,543,391	5,268,225
Public works capital projects	13,969,060	14,147,965	-	-	13,969,060	14,147,965
Library operations	-	1,896,263	-	-	-	1,896,263
Building operations	1,999,043	1,597,635	-	-	1,999,043	1,597,635
Unrestricted	6,854,069	(905,713)	27,409,094	23,901,172	34,263,163	22,995,459
Total net position	<u>\$ 141,203,743</u>	<u>\$ 129,223,383</u>	<u>\$ 101,402,151</u>	<u>\$ 93,805,631</u>	<u>\$ 242,605,894</u>	<u>\$ 223,029,014</u>

At \$186.83 million, or 77.01%, 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, \$21.51 million, or 8.87%, represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position totaling \$34.26 million or 14.12%. As of June 30, 2019, the City had positive balances in all three categories of net position for the City as a whole.

Chart 1
OREGON CITY NET POSITION
 (IN MILLIONS)



CITY OF OREGON CITY, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Governmental activities – Total net position of governmental activities increased 9.27% or \$11.98 million for the year. Current and other assets increased by \$12.37 million, primarily cash and investments accumulated for future projects and capital acquisitions. The City added \$10.04 million in governmental capital assets during the year, offset by depreciation of \$4.03 million for a net increase to capital assets of \$6.01 million. Long term liabilities decreased by \$2.48 million due to debt repayment.

Business-type activities – Total net position of business-type activities increased 8.1% or \$7.60 million for the year. Total assets increased by \$7.81 million; primary changes were cash and investments accumulated in the wastewater fund for future sewer improvement projects and \$4.09 million in increases to capital assets, mainly as a result of \$2.56 million of contributed assets. Total liabilities increased by \$0.16 million, mainly due to an increase to the net pension liability.

More information on capital assets, debt and pension liabilities are included in the notes to the financials.

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

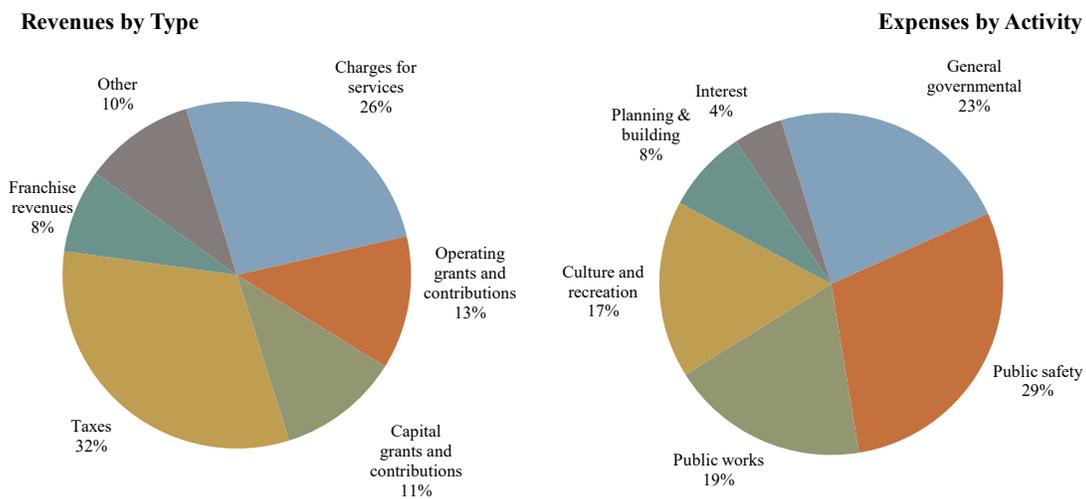
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Charges for services	\$ 12,820,508	\$ 12,542,574	\$ 23,006,381	\$ 21,384,147	\$ 35,826,889	\$ 33,926,721
Operating grants and contributions	6,103,603	5,474,992	776,722	479,274	6,880,325	5,954,266
Capital grants and contributions	5,564,471	3,062,693	3,422,338	930,731	8,986,809	3,993,424
General revenues						
Property taxes	15,734,726	15,145,511	-	-	15,734,726	15,145,511
Franchise taxes	3,810,988	3,780,955	281,811	268,785	4,092,799	4,049,740
Other	5,058,398	3,758,168	482,778	209,867	5,541,176	3,968,035
<i>Total revenues</i>	<u>49,092,694</u>	<u>43,764,893</u>	<u>27,970,030</u>	<u>23,272,804</u>	<u>77,062,724</u>	<u>67,037,697</u>
Expenses						
General governmental	8,577,496	7,448,383	-	-	8,577,496	7,448,383
Public safety	10,883,771	11,595,492	-	-	10,883,771	11,595,492
Public works	6,978,502	6,867,970	-	-	6,978,502	6,867,970
Culture and recreation	6,245,678	6,375,010	-	-	6,245,678	6,375,010
Planning and building	2,906,968	2,891,302	-	-	2,906,968	2,891,302
Interest on long-term debt	1,732,088	1,407,996	-	-	1,732,088	1,407,996
Water	-	-	6,462,476	6,431,175	6,462,476	6,431,175
Wastewater	-	-	9,898,303	9,792,585	9,898,303	9,792,585
Stormwater	-	-	2,548,229	2,474,327	2,548,229	2,474,327
Fleet	-	-	1,252,333	1,012,240	1,252,333	1,012,240
<i>Total expenses</i>	<u>37,324,503</u>	<u>36,586,153</u>	<u>20,161,341</u>	<u>19,710,327</u>	<u>57,485,844</u>	<u>56,296,480</u>
Changes in net position before transfers	11,768,191	7,178,740	7,808,689	3,562,477	19,576,880	10,741,217
Transfers	212,169	(403,508)	(212,169)	403,508	-	-
Changes in net position	<u>11,980,360</u>	<u>6,775,232</u>	<u>7,596,520</u>	<u>3,965,985</u>	<u>19,576,880</u>	<u>10,741,217</u>
Beginning net position, as originally reported	129,223,383	124,103,961	93,805,631	91,971,743	223,029,014	216,075,704
Prior period adjustment	-	(1,655,810)	-	(2,132,097)	-	(3,787,907)
Beginning net position, as restated	<u>129,223,383</u>	<u>122,448,151</u>	<u>93,805,631</u>	<u>89,839,646</u>	<u>223,029,014</u>	<u>212,287,797</u>
Net position - ending	<u>\$ 141,203,743</u>	<u>\$ 129,223,383</u>	<u>\$ 101,402,151</u>	<u>\$ 93,805,631</u>	<u>\$ 242,605,894</u>	<u>\$ 223,029,014</u>

Governmental activities

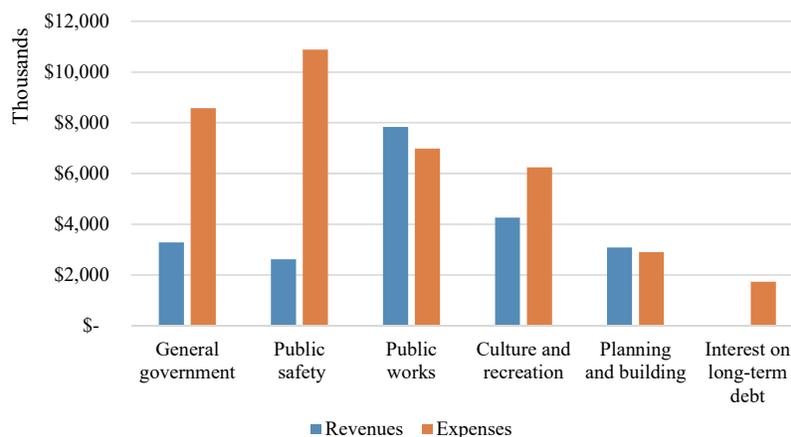
Net position of Governmental activities increased by \$11.98 million. Net position increases were primarily due to revenues exceeding targeted amounts in the categories of charges for services, investment income, property taxes, state shared revenues, and other revenues. Most of these changes were due to the improved economy as well as small amounts of new revenue sources coming into the City.

Compared to prior year, every major category of revenue increased and was higher than expected. In particular, capital grants and contributions increased by \$2.50 million over the prior year due to developer contributed assets of \$1.86 million and governmental grants for construction projects of \$0.62 million. Additionally, property taxes, the largest governmental revenue source, increased by approximately \$0.59 million, or 3.89% due to increases in assessed property valuations. Governmental activity expenses increased by 2.00%, or approximately \$0.74 million primarily in personnel costs 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

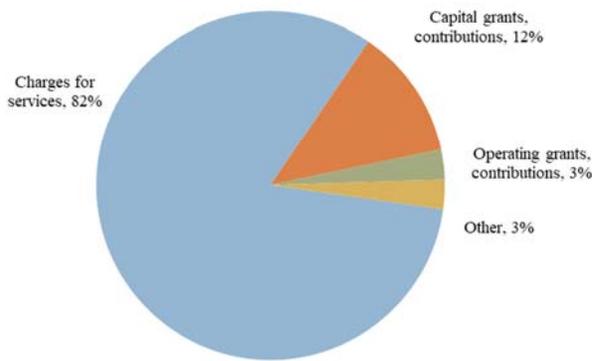


Business-type activities

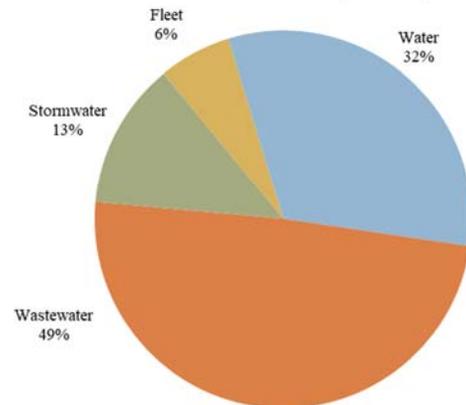
Business-type activities increased the City's net position by \$7.60 million. The City can only use these assets to finance the continuing operations of water, wastewater, stormwater and fleet operations. The increase of net position is mainly attributed to capital contributions and inflationary utility rate adjustments. Charges for services across the utility funds increased by approximately \$1.62 million, or 7.59%. Materials and services expenses increased by \$2.16 million while personnel expenses increased approximately \$0.45 million, primarily due to contractually required wage and benefit increases.

BUSINESS-TYPE ACTIVITIES TOTAL REVENUES AND EXPENSES

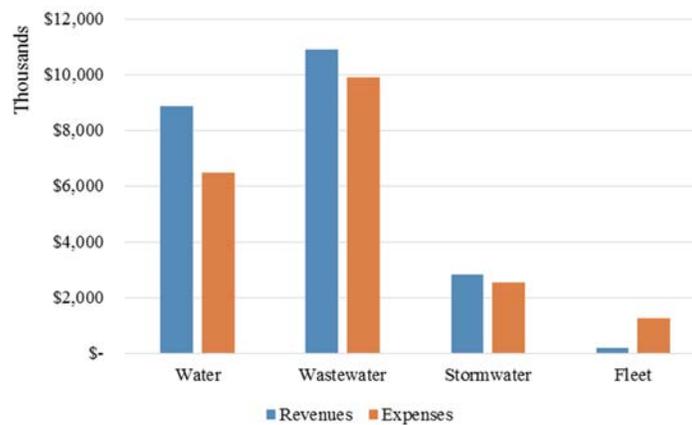
Revenues by Type



Expenses by Activity



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 \$1.25 million due to delinquent property tax collections, larger than anticipated fines and forfeitures revenues, increases in investment income attributable to an improved economy and enhanced investment practices, and new revenue sources. Total revenues were \$0.48 million higher than the prior year while total expenditures remained relatively constant.
- The Engineering Fund remained relatively consistent with increases to its ending balance of less than \$0.01 million, 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 \$0.52 million from collection of impact fees related to development-driven construction projects. These revenues are fairly consistent in comparison to the prior year. Unspent balances are reserved for future growth-related infrastructure spending.
- The City continues to defer various projects in the Urban Renewal Fund 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 \$1.10 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 decreased by approximately \$0.33 million as a result of increases to capital spending for transportation projects.
- The Community Facilities Fund ending balance increased \$1.48 million primarily due to the transfer of savings in to add to the accumulation of Community Safety Advancement Fee revenues and bond proceeds for the construction of the new Police and Municipal Court Building.

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 \$2.51 million.
- The net position increase for the Wastewater Fund was \$3.46 million.
- The net position increase for the Stormwater Fund was \$1.63 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were three budget adjustments during the year to account for the receipt and future spending of bond proceeds, to increase pass-through revenue and expenses required to be remitted to other agencies, and to accept grant funding and increase appropriations to fund capital projects. Most revenue categories were higher than anticipated for the biennium, while all expense categories in the General Fund were within the appropriated biennial budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2019, the City had approximately \$200.27 million invested in a broad range of capital assets, including land, buildings and improvements, equipment, roads, bridges, and utility infrastructure. Capital assets comprise approximately 63.83% of all City assets. Of that total, infrastructure is the largest component of both governmental and business-type activities. Infrastructure includes road improvements, sidewalks, storm drainage systems, sanitary 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	
	2019	2018	2019	2018	2019	2018
Land	\$ 13,639,501	\$ 13,639,501	\$ 1,686,195	\$ 1,681,195	\$ 15,325,696	\$ 15,320,696
Construction in progress	5,641,416	1,276,185	1,711,607	1,251,542	7,353,023	2,527,727
Equipment	1,014,585	1,257,295	1,486,805	1,760,421	2,501,390	3,017,716
Buildings and improvements	16,544,791	16,925,476	14,910,404	13,066,212	31,455,195	29,991,688
Infrastructure	89,437,509	87,174,499	54,198,046	52,145,089	143,635,555	139,319,588
Total	\$ 126,277,802	\$ 120,272,956	\$ 73,993,057	\$ 69,904,459	\$ 200,270,859	\$ 190,177,415

The City had total asset increases of \$17.36 million in the current year were offset by net decreases of \$0.04 million and depreciation expense of \$7.23 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.

- ❖ City-wide roadway reconstruction \$2.65 million
- ❖ Police and municipal court facility \$1.40 million
- ❖ High Street waterline \$1.24 million
- ❖ Meyers Road extension \$1.03 million
- ❖ Hazelwood Drive sanitary sewer \$1.01 million
- ❖ Heavy equipment and vehicles \$0.80

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total debt outstanding of approximately \$39.36 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 prior year. The City's total debt outstanding represents long term borrowings.

Outstanding bonds totaling \$4.93 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 \$11.81 million are limited tax obligation funds that are payable from various City funds that have personal services. Urban Renewal bonds totaling \$7.03 million are paid from tax increment ad-valorem taxes.

The City issued voter-approved debt of \$16.15 million in the prior year; this represents \$14.125 million in outstanding full faith and credit bond obligations and \$1.465 million in bond premium. In addition to long term debt outstanding, the City has long term compensated absences liability of \$0.87 million.

The City's underlying credit rating is AA+ with a 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	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 4,930,098	\$ 5,185,748	\$ -	\$ -	\$ 4,930,098	\$ 5,185,748
Limited Obligation Bonds	25,935,000	27,250,000	-	-	25,935,000	27,250,000
Revenue Bonds	-	-	-	-	-	-
Tax Increment Bonds	7,033,560	7,868,200	-	-	7,033,560	7,868,200
Total Issued Debt Outstanding	37,898,658	40,303,948	-	-	37,898,658	40,303,948
Bond Discounts	1,465,074	1,542,183	-	-	1,465,074	1,542,183
Total Long Term Debt	<u>\$ 39,363,732</u>	<u>\$ 41,846,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,363,732</u>	<u>\$ 41,846,131</u>

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 levies less than its full property tax rate to support taxpayers.

In 2019, the City's assessed value increased 4.79%, higher than the 3% allowed under Oregon law, 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 moving forward with the development of two large commercial lands in the Beavercreek Industrial Area because of careful planning and the allocation of resources to complete final utility infrastructure 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 increased by approximately 4.5% of payroll for the next biennium. These increases were expected and have been factored into City forecasts.

The City budgets on a biennial basis and 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, 2019 through June 30, 2021 biennium reflects total appropriations of \$248.31 million. The following are the major assumptions used in developing the budget:

- ❖ The City's population was estimated at 34,860 with annual growth of 0.85%.
- ❖ 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 cities in Oregon that has capacity to raise its permanent rate. The City Commission has

CITY OF OREGON CITY, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

independent authority to raise the rate by \$0.6481, which would add an additional \$1.97 million per year to the General Fund, net of discounts. However, even with the reduced tax rate, 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 4.5% for each year of the biennium.
- ❖ Charges for services are scheduled to increase between 3.0% and 12.0% based on previously approved indexing schedules.
- ❖ Interest rates on investments are projected at 2.0% based on prevailing rates.
- ❖ Cost of Living increases were proposed for all employees in the amount of 3.0%.
- ❖ Public Employees Retirement System (PERS) contributions are forecasted to increase an additional 4.5% of covered payroll; the City has been planning for the increase by limiting budgetary spending and maintaining reserves in each fund that includes personnel.
- ❖ Health benefit costs are projected on average at a 9.5% increase 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 budgeted at projected acquisition or construction cost based on preliminary estimates, typically at no change from the prior biennium.

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, 2019

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 75,815,621	\$ 20,235,843	\$ 96,051,464
Accounts receivable	2,390,936	3,240,215	5,631,151
Property taxes receivable	503,197	-	503,197
Assessment liens receivable	300,439	74,792	375,231
Interest receivable	76,989	14,021	91,010
Inventories	-	144,739	144,739
Other post employment benefit asset	111,943	26,004	137,947
Other assets	127,072	-	127,072
Investment in South Fork Water Board	-	10,406,918	10,406,918
Non-depreciable capital assets	19,280,917	3,397,802	22,678,719
Other capital assets, net of depreciation	106,996,885	70,595,255	177,592,140
Total Assets	<u>205,603,999</u>	<u>108,135,589</u>	<u>313,739,588</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred resources related to pensions	5,830,781	1,321,250	7,152,031
Deferred resources related to other benefits	367,259	85,311	452,570
Total Deferred Outflows of Resources	<u>6,198,040</u>	<u>1,406,561</u>	<u>7,604,601</u>
LIABILITIES			
Accounts payable	1,910,483	1,586,256	3,496,739
Accrued payroll liabilities	762,832	156,773	919,605
Deposits payable	957,500	156,800	1,114,300
Accrued interest payable	158,531	-	158,531
Unearned revenue	23,995	-	23,995
Noncurrent liabilities:			
Due within one year:			
Bonds payable	2,625,273	-	2,625,273
Accrued compensated absences	146,056	27,095	173,151
Due in more than one year:			
Bonds payable, net of unamortized premium	36,738,459	-	36,738,459
Accrued compensated absences	584,223	108,382	692,605
Net pension liability	15,788,875	3,577,742	19,366,617
Other post employment benefit liability	8,708,053	2,022,821	10,730,874
Total Liabilities	<u>68,404,280</u>	<u>7,635,869</u>	<u>76,040,149</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred resources related to pensions	970,452	219,904	1,190,356
Deferred resources related to other benefits	1,223,564	284,226	1,507,790
Total Deferred Inflows of Resources	<u>2,194,016</u>	<u>504,130</u>	<u>2,698,146</u>
NET POSITION			
Net investment in capital assets	112,838,180	73,993,057	186,831,237
Restricted for:			
Public works capital projects	13,969,060	-	13,969,060
Building operations	1,999,043	-	1,999,043
Parks capital projects	5,543,391	-	5,543,391
Unrestricted	6,854,069	27,409,094	34,263,163
Total Net Position	<u>\$ 141,203,743</u>	<u>\$ 101,402,151</u>	<u>\$ 242,605,894</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, 2019

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	
Governmental activities:							
General government	\$ 8,577,496	\$ 2,885,237	\$ 550,754	\$ 80,000	\$ (5,061,505)	\$ -	\$ (5,061,505)
Public safety	10,883,771	2,076,802	294,654	2,500	(8,509,815)	-	(8,509,815)
Public works	6,978,502	3,520,298	2,569,754	4,757,244	3,868,794	-	3,868,794
Culture and recreation	6,245,678	977,308	2,603,441	724,727	(1,940,202)	-	(1,940,202)
Planning and building	2,906,968	3,360,863	85,000	-	538,895	-	538,895
Interest on long-term debt	1,732,088	-	-	-	(1,732,088)	-	(1,732,088)
Total Governmental activities	37,324,503	12,820,508	6,103,603	5,564,471	(12,835,921)	-	(12,835,921)
Business-type activities:							
Water	6,462,476	8,833,873	776,722	650,646	-	3,798,765	3,798,765
Wastewater	9,898,303	10,893,729	-	1,374,107	-	2,369,533	2,369,533
Stormwater	2,548,229	3,000,968	-	1,397,585	-	1,850,324	1,850,324
Fleet	1,252,333	277,811	-	-	-	(974,522)	(974,522)
Total Business-type activities	20,161,341	23,006,381	776,722	3,422,338	-	7,044,100	7,044,100
Total Activities	\$ 57,485,844	\$ 35,826,889	\$ 6,880,325	\$ 8,986,809	(12,835,921)	7,044,100	(5,791,821)
General revenues:							
Property taxes					15,734,726	-	15,734,726
Franchise taxes					3,810,988	281,811	4,092,799
Intergovernmental revenues not restricted for specific purposes					1,122,464	-	1,122,464
Unrestricted investment earnings					1,778,747	447,384	2,226,131
Miscellaneous					2,157,187	35,394	2,192,581
Total General revenues					24,604,112	764,589	25,368,701
Transfers					212,169	(212,169)	-
Change in net position					11,980,360	7,596,520	19,576,880
Beginning net position					129,223,383	93,805,631	223,029,014
Ending net position					\$ 141,203,743	\$ 101,402,151	\$ 242,605,894

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

CITY OF OREGON CITY, OREGON
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Engineering	System Development	Urban Renewal	Transportation	Community Facilities Capital Projects	Other Governmental Funds	Total
ASSETS								
Cash and investments	\$ 9,944,872	\$ 1,564,843	\$ 22,462,272	\$ 5,505,854	\$ 2,134,533	\$ 25,227,194	\$ 8,976,053	\$ 75,815,621
Receivables:								
Accounts	856,153	-	134,996	3,190	1,061,428	155,269	179,900	2,390,936
Property taxes	416,507	-	-	86,690	-	-	-	503,197
Assessment liens	-	-	300,439	-	-	-	-	300,439
Interest	6,423	1,089	15,528	-	1,503	46,225	6,221	76,989
Prepaid insurance and deposits	73,356	-	53,716	-	-	-	-	127,072
TOTAL ASSETS	\$ 11,297,311	\$ 1,565,932	\$ 22,966,951	\$ 5,595,734	\$ 3,197,464	\$ 25,428,688	\$ 9,162,174	\$ 79,214,254
LIABILITIES								
Accounts payable	\$ 506,743	\$ 12,982	\$ 196,551	\$ 55,170	\$ 398,234	\$ 284,622	\$ 456,181	\$ 1,910,483
Accrued payroll	579,976	26,478	-	-	48,182	-	108,196	762,832
Deposits payable	18,309	804,631	63,444	1,800	69,316	-	-	957,500
Unearned revenue	23,995	-	-	-	-	-	-	23,995
TOTAL LIABILITIES	1,129,023	844,091	259,995	56,970	515,732	284,622	564,377	3,654,810
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	351,487	629	309,416	69,955	869	43,212	3,597	779,165
FUND BALANCES								
Non-spendable								
Prepaid insurance and deposits	73,356	-	-	-	-	-	-	73,356
Restricted for:								
Debt service	-	-	-	1,235,695	-	-	-	1,235,695
Culture and recreation capital projects	-	-	5,543,391	-	-	-	-	5,543,391
Library operations	-	-	-	-	-	-	2,912,984	2,912,984
Building operations	-	-	-	-	-	-	3,554,782	3,554,782
Public works capital projects	-	-	16,854,149	-	-	-	-	16,854,149
Committed to:								
Debt service	-	-	-	-	-	-	1,829,495	1,829,495
Culture and recreation projects	-	-	-	-	-	687,458	-	687,458
Planning and building operations	-	721,212	-	-	-	-	296,939	1,018,151
Public facilities	-	-	-	-	-	710,055	-	710,055
Public safety facility construction	-	-	-	-	-	18,465,328	-	18,465,328
Public works capital projects	-	-	-	-	2,680,863	5,238,013	-	7,918,876
Urban renewal capital projects	-	-	-	4,233,114	-	-	-	4,233,114
Unassigned	9,743,445	-	-	-	-	-	-	9,743,445
TOTAL FUND BALANCES	9,816,801	721,212	22,397,540	5,468,809	2,680,863	25,100,854	8,594,200	74,780,279
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 11,297,311	\$ 1,565,932	\$ 22,966,951	\$ 5,595,734	\$ 3,197,464	\$ 25,428,688	\$ 9,162,174	\$ 79,214,254

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, 2019**

Fund Balances - Combined Balance Sheet	\$ 74,780,279
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.	779,165
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.	
Cost	171,806,562
Accumulated depreciation	(45,528,760)
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	(730,279)
Other post employment benefits	(8,596,110)
Deferred inflows related to other post employment benefits	(1,223,564)
Deferred outflows related to other post employment benefits	367,259
Accrued interest payable	(158,531)
Long-term debt payable	(39,363,732)
Net pension liability	(15,788,875)
Deferred inflows related to pensions	(970,452)
Deferred outflows related to pensions	5,830,781
Net Position of Governmental Activities	<u>\$ 141,203,743</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, 2019

	General	Engineering	System Development	Urban Renewal	Transportation	Community Facilities Capital Projects	Other Governmental Funds	Total
REVENUES								
Property taxes	\$ 13,389,045	\$ -	\$ -	\$ 2,820,298	\$ -	\$ -	\$ -	\$ 16,209,343
Franchise taxes	3,810,988	-	-	-	-	-	-	3,810,988
Assessments and other taxes	472,031	-	-	-	-	-	-	472,031
Licenses and permits	220,530	75,118	-	-	-	-	2,079,515	2,375,163
Charges for services	2,576,971	791,983	-	91,476	2,561,721	1,196,830	1,284,200	8,503,181
System development charges	-	-	2,983,950	-	-	-	-	2,983,950
Intergovernmental	1,981,100	-	22,344	80,000	3,223,308	2,500	2,458,753	7,768,005
Fines and forfeitures	1,638,892	-	-	-	-	-	49,092	1,687,984
Interest income	260,075	36,945	505,040	137,444	59,940	601,451	182,418	1,783,313
Miscellaneous	311,643	779	269,103	-	126,338	39,727	1,416,339	2,163,929
TOTAL REVENUES	24,661,275	904,825	3,780,437	3,129,218	5,971,307	1,840,508	7,470,317	47,757,887
EXPENDITURES								
General government	7,075,536	-	-	-	-	-	-	7,075,536
Public safety	10,509,822	-	-	-	-	9,010	-	10,518,832
Public works	-	888,444	269,421	34,828	2,668,987	90,031	-	3,951,711
Culture and recreation	3,701,404	-	92,691	-	-	-	1,640,643	5,434,738
Planning and building	-	-	-	-	-	-	2,714,752	2,714,752
Debt service								
Principal	-	-	-	834,640	-	-	1,570,650	2,405,290
Interest	-	-	-	379,148	-	41,676	1,400,806	1,821,630
Capital outlay								
General government	111,161	-	-	-	-	-	-	111,161
Public safety	25,391	-	-	-	-	1,431,949	-	1,457,340
Public works	-	-	2,478,197	395,038	3,582,836	7,240	-	6,463,311
Culture and recreation	348,229	-	415,869	-	-	-	76,872	840,970
Planning and building	-	-	-	-	-	-	12,595	12,595
TOTAL EXPENDITURES	21,771,543	888,444	3,256,178	1,643,654	6,251,823	1,579,906	7,416,318	42,807,866
REVENUES OVER (UNDER) EXPENDITURES	2,889,732	16,381	524,259	1,485,564	(280,516)	260,602	53,999	4,950,021
OTHER FINANCING SOURCES (USES)								
Transfers in	299,508	120,000	-	-	131,118	2,325,929	1,527,122	4,403,677
Transfers out	(1,937,747)	(83,527)	-	-	(180,000)	(1,102,122)	(179,054)	(3,482,450)
TOTAL OTHER FINANCING SOURCES (USES)	(1,638,239)	36,473	-	-	(48,882)	1,223,807	1,348,068	921,227
NET CHANGE IN FUND BALANCE	1,251,493	52,854	524,259	1,485,564	(329,398)	1,484,409	1,402,067	5,871,248
FUND BALANCE, beginning of year	8,565,308	668,358	21,873,281	3,983,245	3,010,261	23,616,445	7,192,133	68,909,031
FUND BALANCE, end of year	\$ 9,816,801	\$ 721,212	\$ 22,397,540	\$ 5,468,809	\$ 2,680,863	\$ 25,100,854	\$ 8,594,200	\$ 74,780,279

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, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 5,871,248
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.	
	(520,546)
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	(49,878)
Accrued interest payable	12,433
Other post employment benefits	(102,436)
Adjustment to net pension liability	(1,965,231)
Adjustment to deferred resources related to pensions	247,523
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 net of proceeds from sale of assets	8,879,026
Depreciation	(4,027,212)
Contribution and transfers of capital assets	1,153,034
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.	
Amortization of premium on bonds issued	77,109
Debt principal paid	<u>2,405,290</u>
Change in Net Position of Governmental Activities	<u>\$ 11,980,360</u>

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, 2019

	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater</u>	<u>Total Enterprise Funds</u>	<u>Total Internal Service Funds</u>	<u>Total Proprietary Funds</u>
ASSETS						
Current Assets						
Cash and investments	\$ 3,652,472	\$ 8,974,442	\$ 1,400,333	\$ 14,027,247	\$ 6,208,596	\$ 20,235,843
Accounts receivable, net of allowance	1,153,079	1,638,884	445,877	3,237,840	2,375	3,240,215
Assessment liens receivable	-	74,792	-	74,792	-	74,792
Interest receivable	2,550	6,234	1,014	9,798	4,223	14,021
Inventories	144,739	-	-	144,739	-	144,739
Due from other funds	-	-	-	-	209,493	209,493
Total Current Assets	4,952,840	10,694,352	1,847,224	17,494,416	6,424,687	23,919,103
Noncurrent Assets						
Investment in South Fork Water Board	10,406,918	-	-	10,406,918	-	10,406,918
Nondepreciable capital assets	510,302	1,797,045	1,090,455	3,397,802	-	3,397,802
Other capital assets, net of depreciation	35,350,797	19,228,849	15,766,609	70,346,255	249,000	70,595,255
OPEB Asset	9,244	6,154	6,707	22,105	3,899	26,004
Total Noncurrent Assets	46,277,261	21,032,048	16,863,771	84,173,080	252,899	84,425,979
Total Assets	51,230,101	31,726,400	18,710,995	101,667,496	6,677,586	108,345,082
DEFERRED OUTFLOWS OF RESOURCES						
Deferred resources related to pensions	492,777	323,577	339,525	1,155,879	165,371	1,321,250
Deferred resources related to OPEB	30,325	20,191	22,004	72,520	12,791	85,311
Total Deferred Outflows of Resources	523,102	343,768	361,529	1,228,399	178,162	1,406,561
LIABILITIES						
Current Liabilities						
Accounts payable	465,201	688,079	48,357	1,201,637	384,619	1,586,256
Accrued payroll liabilities	49,784	42,326	40,191	132,301	24,472	156,773
Due to other funds	209,493	-	-	209,493	-	209,493
Deposits payable	23,590	-	133,210	156,800	-	156,800
Current portion of long-term liabilities						
Accrued compensated absences	9,290	7,769	6,587	23,646	3,449	27,095
Total Current Liabilities	757,358	738,174	228,345	1,723,877	412,540	2,136,417
Noncurrent Liabilities						
Accrued compensated absences	37,159	31,077	26,349	94,585	13,797	108,382
Net pension liability	1,308,351	876,196	919,382	3,103,929	473,813	3,577,742
OPEB liability	719,066	478,726	521,745	1,719,537	303,284	2,022,821
Total Noncurrent Liabilities	2,064,576	1,385,999	1,467,476	4,918,051	790,894	5,708,945
Total Liabilities	2,821,934	2,124,173	1,695,821	6,641,928	1,203,434	7,845,362
DEFERRED INFLOWS OF RESOURCES						
Deferred resources related to pensions	72,824	53,855	56,509	183,188	36,716	219,904
Deferred resources related to OPEB	101,036	67,266	73,310	241,612	42,614	284,226
Total Deferred Outflows of Resources	173,860	121,121	129,819	424,800	79,330	504,130
NET POSITION:						
Net investment in capital assets	35,861,099	21,025,894	16,857,064	73,744,057	249,000	73,993,057
Unrestricted	12,896,310	8,798,980	389,820	22,085,110	5,323,984	27,409,094
Total Net Position	\$ 48,757,409	\$ 29,824,874	\$ 17,246,884	\$ 95,829,167	\$ 5,572,984	\$ 101,402,151

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, 2019

	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater</u>	<u>Total Enterprise Funds</u>	<u>Total Internal Service Funds</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES						
Franchise taxes	\$ -	\$ 281,811	\$ -	\$ 281,811	\$ -	\$ 281,811
Charges for services	7,720,027	10,893,729	3,000,968	21,614,724	1,391,657	23,006,381
System development revenue pass through	350,216	514,219	-	864,435	-	864,435
Miscellaneous	2,087	4,722	988	7,797	27,597	35,394
Total Operating Revenues	8,072,330	11,694,481	3,001,956	22,768,767	1,419,254	24,188,021
OPERATING EXPENSES						
Personnel services	1,491,397	1,256,909	1,170,573	3,918,879	735,606	4,654,485
Materials and services	3,783,874	6,784,259	905,465	11,473,598	835,033	12,308,631
Depreciation	794,959	1,256,349	317,524	2,368,832	829,393	3,198,225
Total Operating Expenses	6,070,230	9,297,517	2,393,562	17,761,309	2,400,032	20,161,341
OPERATING INCOME (LOSS)	2,002,100	2,396,964	608,394	5,007,458	(980,778)	4,026,680
NONOPERATING REVENUES (EXPENSES)						
Investment revenue	91,539	170,384	34,228	296,151	151,233	447,384
Increase in equity of South Fork Water Board	776,722	-	-	776,722	-	776,722
Total Nonoperating Revenues (Expenses)	868,261	170,384	34,228	1,072,873	151,233	1,224,106
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	2,870,361	2,567,348	642,622	6,080,331	(829,545)	5,250,786
Capital contributions	336,617	1,532,759	1,397,585	3,266,961	-	3,266,961
Transfers in	-	-	-	-	889,700	889,700
Transfers out	(700,000)	(640,000)	(405,000)	(1,745,000)	(65,927)	(1,810,927)
CHANGE IN NET POSITION	2,506,978	3,460,107	1,635,207	7,602,292	(5,772)	7,596,520
Beginning net position	46,250,431	26,364,767	15,611,677	88,226,875	5,578,756	93,805,631
Ending net position	\$ 48,757,409	\$ 29,824,874	\$ 17,246,884	\$ 95,829,167	\$ 5,572,984	\$ 101,402,151

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, 2019

	Water	Wastewater	Stormwater	Total Enterprise Funds	Total Internal Service Funds	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Collected from customers	\$ 7,619,419	\$ 11,493,154	\$ 2,921,140	\$ 22,033,713	\$ 1,389,308	\$ 23,423,021
Other receipts	2,087	4,722	988	7,797	25,180	32,977
Paid to suppliers	(3,518,312)	(6,663,649)	(1,232,316)	(11,414,277)	(808,273)	(12,222,550)
Paid to employees	(1,403,226)	(1,154,192)	(1,094,040)	(3,651,458)	(688,703)	(4,340,161)
Net Cash Provided by (Used in) Operating Activities	2,699,968	3,680,035	595,772	6,975,775	(82,488)	6,893,287
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers in	-	-	-	-	1,276,665	1,276,665
Transfers out	(700,000)	(640,000)	(405,000)	(1,745,000)	(65,927)	(1,810,927)
Net Cash Provided by (Used in) Non-Capital Financing Activities	(700,000)	(640,000)	(405,000)	(1,745,000)	1,210,738	(534,262)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(2,404,992)	(758,988)	(273,289)	(3,437,269)	(509,042)	(3,946,311)
Proceeds from disposal of capital assets	-	-	-	-	108,677	108,677
Net Cash Provided by (Used in) Capital and Related Financing Activities	(2,404,992)	(758,988)	(273,289)	(3,437,269)	(400,365)	(3,837,634)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	92,131	169,315	34,361	295,807	151,230	447,037
Increase in Cash and Investments	(312,893)	2,450,362	(48,156)	2,089,313	879,115	2,968,428
CASH AND INVESTMENTS, Beginning of year	3,965,365	6,524,080	1,448,489	11,937,934	5,329,481	17,267,415
CASH AND INVESTMENTS, End of year	<u>\$ 3,652,472</u>	<u>\$ 8,974,442</u>	<u>\$ 1,400,333</u>	<u>\$ 14,027,247</u>	<u>\$ 6,208,596</u>	<u>\$ 20,235,843</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 2,002,100	\$ 2,396,964	\$ 608,394	\$ 5,007,458	\$ (980,778)	\$ 4,026,680
Depreciation	794,959	1,256,349	317,524	2,368,832	829,393	3,198,225
<i>Change in assets and liabilities:</i>						
Accounts receivable	(100,608)	(196,605)	(79,828)	(377,041)	(2,375)	(379,416)
Inventory	2,025	-	-	2,025	-	2,025
Deposits and prepaids	23,365	-	133,210	156,575	-	156,575
Due from other agencies	-	-	-	-	(2,391)	(2,391)
Accounts payable and accrued liabilities	(129,512)	122,739	(468,621)	(475,394)	28,709	(446,685)
Net pension liability	100,052	108,305	82,466	290,823	42,209	333,032
Net OPEB liability	(28,471)	(18,889)	(20,499)	(67,859)	(12,463)	(80,322)
Deferred outflows	(56,318)	(52,894)	(44,510)	(153,722)	(23,760)	(177,482)
Deferred inflows	92,376	64,066	67,636	224,078	38,968	263,046
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,699,968</u>	<u>\$ 3,680,035</u>	<u>\$ 595,772</u>	<u>\$ 6,975,775</u>	<u>\$ (82,488)</u>	<u>\$ 6,893,287</u>
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES						
Increase in equity of South Fork Water Board	\$ 776,722	\$ -	\$ -	\$ 776,722	\$ -	\$ 776,722
Capital Contributions	336,617	1,532,759	1,397,585	3,266,961	-	3,266,961
	<u>\$ 1,113,339</u>	<u>\$ 1,532,759</u>	<u>\$ 1,397,585</u>	<u>\$ 4,043,683</u>	<u>\$ -</u>	<u>\$ 4,043,683</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, 2019.

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, 2019

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 along with franchise taxes charged to wastewater treatment providers operating in the area for the purpose of recovering costs incurred in providing services.

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

Debt Service Fund – The debt service fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds. During the current year, debt principal and interest for the Public Employee Retirement System Bonds and the Oregon City Full Faith and Credit Obligation Bonds 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, franchise charges for costs related to rights-of-way 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, 2019

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 capital assets are reported at their acquisition value, that is the price that would be paid to acquire the asset. Estimated acquisition 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.

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, 2019

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 represents 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, 2019

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, 2019:

Cash

Petty cash	\$ 3,786
Deposits with financial institutions	11,701,766

Investments

Local Government Investment Pool	54,388,682
US Agency Securities	29,957,230

Total Cash and Investments	\$ 96,051,464
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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 \$11,701,766 and the bank balance was \$12,155,532. 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, 2019, \$11,905,532 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 \$29,957,230 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.

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, 2019

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, 2019, consisted of the following:

Governmental Activities	System		Downtown	Community		Other	Total
	General	Engineering	Urban Renewal	Facilities Capital Projects	Transportation	Governmental Funds	
Accounts	\$ 856,153	\$ -	\$ 134,996	\$ 3,190	\$ 1,077,307	\$ 161,635	\$ 2,413,181
Property taxes	416,507	-	-	86,690	-	-	503,197
Interest	6,423	1,089	15,528	-	1,503	46,225	76,989
Assessments	-	-	300,439	-	-	-	300,439
Less: Allowance for uncollectibles	-	-	-	-	(15,879)	(6,366)	(22,245)
	<u>\$ 1,279,083</u>	<u>\$ 1,089</u>	<u>\$ 450,963</u>	<u>\$ 89,880</u>	<u>\$ 1,062,931</u>	<u>\$ 201,494</u>	<u>\$ 3,271,561</u>

Business-type Activities	Water	Wastewater	Stormwater	Other	Total
	Accounts	\$ 1,195,313	\$ 1,722,045	\$ 464,694	\$ 2,375
Assessments	-	74,792	-	-	74,792
Interest	2,550	6,234	1,014	4,223	14,021
Less: Allowance for uncollectibles	(42,234)	(83,161)	(18,817)	-	(144,212)
	<u>\$ 1,155,629</u>	<u>\$ 1,719,910</u>	<u>\$ 446,891</u>	<u>\$ 6,598</u>	<u>\$ 3,329,028</u>

Based on the payment schedule for special assessments receivable, \$92,300 of the amount reported in the system development fund and \$67,000 of the amount reported in the wastewater fund is not expected to be collected within the next year. Additionally, approximately \$96,000 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, 2019

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 is as follows:

Governmental Activities	Balance June 30, 2018	Increases	Reclasses	Decreases	Balance June 30, 2019
Nondepreciable capital assets					
Land	\$ 13,639,501	\$ -	\$ -	\$ -	\$ 13,639,501
Construction In Progress	1,276,185	7,660,953	(3,295,722)	-	5,641,416
Total Non-depreciable	14,915,686	7,660,953	(3,295,722)	-	19,280,917
Depreciable capital assets					
Equipment	5,135,625	106,429	-	(106,101)	5,135,953
Buildings and Improvements	21,640,439	164,437	-	-	21,804,876
Infrastructure	120,182,117	2,106,977	3,295,722	-	125,584,816
Total Depreciable	146,958,181	2,377,843	3,295,722	(106,101)	152,525,645
Accumulated depreciation					
Equipment	(3,878,329)	(342,397)	-	99,358	(4,121,368)
Buildings and Improvements	(4,714,963)	(545,122)	-	-	(5,260,085)
Infrastructure	(33,007,614)	(3,139,693)	-	-	(36,147,307)
Total Accumulated Depreciation	(41,600,911)	(4,027,212)	-	99,358	(45,528,760)
Depreciable capital assets, net	105,357,270	(1,649,369)	3,295,722	(6,743)	106,996,885
Governmental capital assets, net	\$ 120,272,956	\$ 6,011,584	\$ -	\$ (6,743)	\$ 126,277,802
Business-type Activities					
Business-type Activities	Balance June 30, 2018	Increases	Reclasses	Decreases	Balance June 30, 2019
Nondepreciable capital assets					
Land	\$ 1,681,195	\$ 5,000	\$ -	\$ -	1,686,195
Construction In Progress	1,251,543	4,005,280	(3,545,216)	-	1,711,607
Total Non-depreciable	2,932,737	4,010,280	(3,545,216)	-	3,397,802
Depreciable capital assets					
Equipment	8,916,499	681,659	-	(108,679)	9,489,479
Buildings and Improvements	17,480,229	1,397,585	776,338	-	19,654,152
Infrastructure	87,719,565	1,233,057	2,768,878	-	91,721,500
Total Depreciable	114,116,293	3,312,301	3,545,216	(108,679)	120,865,131
Accumulated depreciation					
Equipment	(7,156,078)	(919,516)	-	72,920	(8,002,674)
Buildings and Improvements	(4,414,017)	(329,731)	-	-	(4,743,748)
Infrastructure	(35,574,476)	(1,948,978)	-	-	(37,523,454)
Total Accumulated Depreciation	(47,144,571)	(3,198,225)	-	72,920	(50,269,876)
Depreciable capital assets, net	66,971,722	114,076	3,545,216	(35,759)	70,595,255
Business-type capital assets, net	\$ 69,904,459	\$ 4,124,356	\$ -	\$ (35,759)	\$ 73,993,057

CITY OF OREGON CITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

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

Governmental Activities	
General government	\$ 96,394
Public safety	229,680
Public works	2,945,856
Culture and recreation	717,940
Planning and building	<u>37,342</u>
Depreciation, governmental activities	<u>\$ 4,027,212</u>
Business-type Activities	
Water	\$ 794,959
Wastewater	1,256,349
Stormwater	317,524
Fleet	<u>829,393</u>
Depreciation, business-type activities	<u>\$ 3,198,225</u>

CITY OF OREGON CITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

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. 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 \$16.7 million is significantly below the debt limitation of \$164 million. The City has no outstanding bonds payable for its Business Activities.

	Outstanding June 30, 2018	Issued	Matured / Redeemed	Outstanding June 30, 2019	Due Within One Year
Governmental Activities					
Direct Placement General Obligation Bonds					
Library General Obligation Bonds, Issued January 7, 2015, interest rate at 3.08%	\$ 5,185,748	\$ -	\$ (255,650)	\$ 4,930,098	\$ 263,524
Limited Obligation Bonds					
PERS Limited Tax Pension Obligations, Series 2005, Issued September 28, 2005, interest rates from 4.21% to 5.00%	12,635,000	-	(825,000)	11,810,000	925,000
Oregon City Full Faith and Credit Obligations, Series 2018, Issued June 5, 2018, interest rates from 3.00% to 5.00%	14,615,000	-	(490,000)	14,125,000	500,000
Tax Increment Bonds					
Urban Renewal Commission Revenue Bonds, Series 2008A, issued July 18, 2008, interest rate at 4.95%	6,145,000	-	(490,000)	5,655,000	515,000
Direct Placement Tax Increment Bonds					
Urban Renewal Commission Revenue Bonds, Series 2013, issued January 31, 2013, Tax Exempt, interest rate at 3.05%	615,986	-	(123,197)	492,789	123,197
Urban Renewal Commission Revenue Bonds, Series 2013, issued January 31, 2013, Taxable, interest rate at 4.55%	1,107,214	-	(221,443)	885,771	221,443
Bond Premiums and Discounts	1,542,183	-	(77,109)	1,465,074	77,109
Total long-term debt	\$ 41,846,131	\$ -	\$ (2,482,399)	\$ 39,363,732	\$ 2,625,273

CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

Governmental Activities

Direct Placement Library General Obligation Bonds: On January 7, 2015, the City issued \$6,000,000 of voter-approved General Obligation Bonds through a direct placement. The purpose of the bonds were 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. The City has pledged its full faith and credit and taxing power to pay the Bonds. In the event of default, the outstanding principal amount of the Bonds shall bear interest at the default rate of 6.00% per annum until the default is remedied.

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.

Direct Placement 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. The City covenants and agrees that it will file and collect tax increment revenues in each fiscal year in an amount equal to or greater than 110% of the annual debt service. Interest rate on the tax exempt bonds is 3.05% while the taxable bonds is 4.55%. The bonds mature on February 21, 2023.

Oregon City and the URC were in compliance with all covenants at June 30, 2019.

CITY OF OREGON CITY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2019

Future Principal and Interest

Future maturities of bond principal and interest at June 30, 2019, are as follows:

Fiscal Year Ending June 30,	Governmental Activities				Total	
	Bonds		Direct Placement Bonds		Principal	Interest
	Principal	Interest	Principal	Interest		
2020	\$ 1,940,000	\$ 1,473,854	\$ 608,164	\$ 207,180	\$ 2,548,164	\$ 1,681,034
2021	2,090,000	1,383,415	616,280	185,230	2,706,280	1,568,645
2022	2,250,000	1,284,344	624,647	163,030	2,874,647	1,447,374
2023	5,860,000	1,177,481	633,271	140,574	6,493,271	1,318,055
2024	1,980,000	892,048	297,521	117,850	2,277,521	1,009,898
2025-2029	9,340,000	2,946,325	1,630,836	446,018	10,970,836	3,392,343
2030-2034	4,125,000	1,394,500	1,897,939	178,915	6,022,939	1,573,415
2035-2039	4,005,000	408,200	-	-	4,005,000	408,200
	<u>\$ 31,590,000</u>	<u>\$ 10,960,167</u>	<u>\$ 6,308,658</u>	<u>\$ 1,438,797</u>	<u>\$ 37,898,658</u>	<u>\$ 12,398,964</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:

	Outstanding June 30, 2018	Earned	Paid	Outstanding June 30, 2019	Due Within One Year
Governmental Activities	\$ 680,402	\$ 734,256	\$ 684,379	\$ 730,279	\$ 146,056
Business-type Activities	141,433	120,756	126,712	135,477	27,095
	<u>\$ 821,835</u>	<u>\$ 855,012</u>	<u>\$ 811,091</u>	<u>\$ 865,756</u>	<u>\$ 173,151</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:

	Implicit Rate Subsidy	PERS RHIA Plan	Total OPEB on Financials
Net OPEB Asset	\$ -	\$ 137,947	\$ 137,947
Deferred Outflows of Resources			
Difference in Experience	-	-	-
Change in Proportionate Share	-	9	9
Contributions After MD	394,502	58,059	452,561
Total OPEB Liability	(10,730,874)	-	(10,730,874)
Deferred Inflows of Resources			
Difference in Experience	(396,267)	(7,817)	(404,084)
Difference in Earnings	-	(29,741)	(29,741)
Change in Assumptions	(1,072,671)	(437)	(1,073,108)
Change in Proportionate Share	-	(857)	(857)
OPEB Expense/(Income)*	594,399	(13,313)	581,086

*Included in program expenses on Statement of Activities

CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

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 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, 2019, the City had 174 active employees and 109 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, 2018, the most recent actuarial valuation date, the total OPEB liability for was \$10,730,874. The covered payroll (annual payroll of active employees covered by the plan) was \$13,814,411 and the ratio of the total liability to the covered payroll was 77.68%. 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, 2019

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. The actuarial assumptions and methods used are shown below:

Actuarial valuation:	July 1, 2018	July 1, 2016
Effective:	July 2018 - June 2019	July 2016 - June 2018
Actuarial cost method:	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period:	10 years	8.9 years
Asset valuation method:	Market value	Market value
Remaining amortization periods:	20 years	20 years
Actuarial assumptions		
Inflation rate	2.50%	2.50%
Projected salary increases	3.50%	3.50%
Investment rate of return	7.85%	7.85%
Discount rate	3.87%	3.58%
Healthcare cost trend rate	4.5% to 7.0%	4.5% to 7.5%

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, 2018, and was determined by an actuarial valuation as of July 1, 2018. For the fiscal year ended June 30, 2019, the City recognized OPEB expense from this plan of \$594,399. The City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (396,267)
Changes of assumptions	-	(1,072,671)
Total (prior to post-MD contributions)	-	(1,468,938)
Contributions subsequent to the MD	394,502	-
Total	\$ 394,502	\$ (1,468,938)

Deferred outflows of resources related to OPEB of \$394,502 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, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (307,005)
2021	(307,005)
2022	(307,005)
2023	(307,005)
2024	(157,140)
Thereafter	(83,778)
	\$ (1,468,938)

CITY OF OREGON CITY, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2019

Changes in the Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balance as of June 30, 2018	\$ 11,068,604
Changes for the year:	
Service cost	495,179
Interest on total OPEB liability	406,225
Effect of economic/demographic gains or losses	(465,787)
Effect of assumptions, changes or inputs	(336,053)
Benefit payments	(437,294)
Balance as of June 30, 2019	<u>\$ 10,730,874</u>

The effect of assumptions and other inputs reflect a change in the discount rate from 3.58% in 2016 to 3.87% in 2018.

Sensitivity Analysis

The following presents the total OPEB liability of the Plan, calculated using the discount rate of 3.87%, 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 (2.87%) or 1 percentage point higher (4.87%) than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption using a 1-percentage-point lower (6.0% decreasing to 3.5%) or 1-percentage-point higher (8.5% decreasing to 5.5%) than the current healthcare cost trend rates.

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 12,237,966	\$ 10,730,874	\$ 9,474,320

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 9,226,062	\$ 10,730,874	\$ 12,614,708

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$594,399 as follows

Service cost	\$ 495,179
Interest on total OPEB liability	406,225
Recognition of Deferred (Inflows)/Outflows of Resources	
Recognition of economic/demographic gains/losses	(69,520)
Recognition of assumption changes or inputs	(237,485)
	<u>\$ 594,399</u>

H. 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.

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, 2019, 2018, and 2017 were approximately \$68,020, \$62,200, and \$62,600, 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, 2019, the City reported an asset of \$137,947 for its proportionate share of the PERS net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. 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, 2018, the City's proportionate share was 0.12358%, which is an increase from its proportion of 0.11810% as of June 30, 2017.

CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

For the year ended June 30, 2019, the City recognized OPEB income from this plan of \$13,313. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 7,817
Changes of assumptions	-	437
Net difference between projected and actual earnings on investments	-	29,741
Changes in proportionate share	9	857
Differences between employer contributions and proportionate share of contributions	-	-
Total (prior to post-MD contributions)	<u>9</u>	<u>38,852</u>
Contributions subsequent to the MD	<u>58,059</u>	<u>-</u>
Total	<u>\$ 58,068</u>	<u>\$ 38,852</u>

Deferred outflows of resources related to OPEB of \$58,059 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2020	\$ (12,883)
2021	(12,885)
2022	(10,117)
2023	(2,958)
2024	-
	<u>\$ (38,843)</u>

Actuarial Methods and Assumptions

The total OPEB asset in the December 31, 2016 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.

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 7.20% 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 7.20%, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Total OPEB Liability (Asset)	\$ (80,319)	\$ (137,947)	\$ (186,999)

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 During the Measurement Date

There were no changes during the measurement date which require disclosure.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2018 measurement date that require disclosure.

I. 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, 2019

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 for service prior to 2013 is capped at 2.0% and service credit for 2013 and beyond is calculated at 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

2. *Oregon Public Service Retirement Plan Defined Benefit Pension Program (OPSRP DB)*

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 \$750 plus 0.15% on annual benefits above \$60,000.

3. *Individual Account Program (IAP)*

Pension Benefits

The IAP is a defined contribution pension plan. 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, 2019

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, 2019 were \$2,090,225 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 \$832,021.

The rates in effect for the fiscal year ended June 30, 2019 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, 2019, the City reported a liability of \$19,366,617 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. 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, 2019, the City's proportion was 0.1278% which was increased from its proportion of 0.1266% measured as of June 30, 2018. For the year ended June 30, 2019, the City recognized pension expense of \$3,694,317. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 658,794	\$ -
Changes of assumptions	4,502,703	-
Net difference between projected and actual earnings on investments	-	859,987
Changes in proportion	94,600	249,697
Differences between employer contributions and proportionate share of contributions	89,289	80,672
Total (prior to post-MD contributions)	<u>5,345,386</u>	<u>1,190,356</u>
Contributions subsequent to the MD	<u>1,806,645</u>	<u>-</u>
 Total	 <u><u>\$ 7,152,031</u></u>	 <u><u>\$ 1,190,356</u></u>

CITY OF OREGON CITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2019

Deferred outflows of resources related to pensions in the amount of \$1,806,645 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, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2019-20	\$ 1,391,810
2020-21	1,406,087
2021-22	775,848
2022-23	492,715
2023-24	88,570
Total	<u>\$ 4,155,030</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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study Report	2016, published July 26, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.
Mortality	Health retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Active Members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Disabled retirees: RP-2014 sex-distinct, generational with Unisex, Social Security Data Scale.

CITY OF OREGON CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2019

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

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	13.5%	21.5%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Investment	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%	3.49%
Short-Term Bonds	8.00%	3.42%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.30%	6.69%
Micro Cap US Equities	1.30%	6.80%
Developed Foreign Equities	13.12%	6.71%
Emerging Foreign Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equities	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-Driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
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 7.2% 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 7.2%, 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 (6.2%) or 1-percentage-point higher (8.2%) than the current rate:

	<u>1% Decrease (6.2%)</u>	<u>Discount Rate (7.2%)</u>	<u>1% Increase (8.2%)</u>
City's proportionate share of the net pension liability (asset)	\$ 32,365,273	\$ 19,366,617	\$ 8,637,287

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, 2019

Changes in Plan Provisions During the Measurement Date

There were no changes during the June 30, 2018 measurement date which require disclosure.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2018 measurement date which require disclosure.

J. 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.

K. 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, 2019, is as follows:

Fund	Transfers In	Transfers Out
General Fund	\$ 299,508	\$ 1,937,747
Library Fund	150,000	-
Community Development Fund	275,000	80,527
Building Fund	-	98,527
Engineering Fund	120,000	83,527
Transportation Fund	131,118	180,000
Community Facilities Fund	2,325,929	1,102,122
Debt Service	1,102,122	-
Water Fund	-	700,000
Wastewater Fund	-	640,000
Stormwater Fund	-	405,000
Equipment Replacement Fund	889,700	-
Customer Service Fund	-	65,927
Total Transfers	\$ 5,293,377	\$ 5,293,377

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, 2019

Fund	Transfers In	Transfers Out
SDC	\$ -	\$ 709,058
Water	36,187	-
Wastewater	672,871	-
	<u>\$ 709,058</u>	<u>\$ 709,058</u>

The composition of interfund receivables and payables at June 30, 2019, is as follows:

Receivable Fund	Payable Fund	Due at 6/30/19
Customer Service	Water	\$ 209,493
Total Interfund Receivables/Payables		<u>\$ 209,493</u>

- The amount due from the Water Fund to Customer Service is due to a year-end transfer due for payment of personnel costs.

L. 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.

Project Name	Purpose	Percent of Current Tax Abatement	Amount of Current Tax Abatement	Percent of Tax to be Abated Upon Completion
Vertical Housing The Cove	Mixed-use project on undeveloped and challenging site, environmental restoration	60% of property value so far	\$16,900	60% of improvement (land value fully taxable)
Enterprise Zones Orchid Orthopedic	Expand office into EZ and create additional jobs	0%	\$0	100% of machinery & equipment up to \$2 million

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, 2019. At year end, the City’s commitments with contractors are as follows:

Project	Spent to date	Commitment
2019 Roadway Reconstruction	\$ 896,544	\$ 1,119,600
Hazelwood Drive Sanitary Sewer Replacement - Phase II	568,224	719,000
Meyers Road Extension	894,278	7,218,786

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 \$420,000 each year, with annual increases subject to inflation (Consumer Price Index).

D. Subsequent Events

Management has evaluated subsequent events through December 30, 2019, the date on which the financial statements were available to be issued.

E. Joint Venture

The South Fork Water Board (the Board) was created in 1915 by an Intergovernmental Cooperative Agreement between the cities of Oregon City and West Linn for operation and maintenance of water distribution systems. Ownership of assets is adjusted based on reevaluation of population and water usage. The City of Oregon City appoints 50% of the Board's Commission. The investment is reported using the equity method. Each City's share of assets, liabilities and net position is 50%. The following is a summary of financial information on the joint venture as of and for the year ended June 30, 2019.

	South Fork Water Board	Oregon City Portion
Total assets	\$ 22,537,394	\$ 11,268,697
Total deferred outflows of resources	466,380	233,190
Total liabilities	2,057,497	1,028,749
Total deferred inflows of resources	132,440	66,220
Total equity	20,813,837	10,406,918
Operating revenues	4,139,862	2,069,931
Operating expenses	3,159,149	1,579,575
Other non-operating revenue (expense), net	156,694	78,347
Capital Contributions	416,036	208,018
Change in net position	1,553,443	776,721

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

F. Stewardship

At June 30, 2019, an Internal Service Funds had a deficit net position: the Customer Service Fund has a positive budgetary fund balance but a deficit net position of \$392,325 due to implementation of GASB Statement No. 75.

G. New Pronouncements

During the fiscal year ended June 30, 2019, the City implemented the following GASB pronouncements:

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The provisions of this Statement are effective for periods ending June 30, 2019. The Statement requires additional disclosure for bank loans and/or direct placements of a government's debt in the notes to financial statements, which is consistent with GFOA best practices.

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, 2019

	Biennial Budget		Actual		Biennial	Variance
	Original	Final	FY 2018	FY 2019		
REVENUES						
Property taxes	\$ 25,353,384	\$ 25,353,384	\$ 12,500,820	\$ 13,389,045	\$ 25,889,865	\$ 536,481
Franchise taxes	7,121,269	7,121,269	3,780,955	3,810,988	7,591,943	470,674
Assessments and other taxes	427,819	427,819	527,877	472,031	999,908	572,089
Licenses and permits	617,050	617,050	357,179	220,530	577,709	(39,341)
Charges for services	4,593,880	4,593,880	2,560,279	2,576,971	5,137,250	543,370
Intergovernmental	3,604,937	3,604,937	1,956,050	1,981,100	3,937,150	332,213
Fines and forfeitures	2,260,396	2,615,396	1,659,828	1,638,892	3,298,720	683,324
Interest income	220,000	220,000	285,726	260,075	545,801	325,801
Miscellaneous	264,279	608,279	550,475	311,643	862,118	253,839
TOTAL REVENUES	44,463,014	45,162,014	24,179,189	24,661,275	48,840,464	3,678,450
EXPENDITURES						
Policy & Administration	11,216,705	11,683,905	5,058,415	5,167,101	10,225,516	1,458,389
Police	21,338,965	21,338,965	10,604,861	10,535,213	21,140,074	198,891
Community Services	8,979,190	9,239,190	3,786,945	4,049,633	7,836,578	1,402,612
General Government	4,496,787	4,620,787	2,317,818	2,019,596	4,337,414	283,373
Contingency	2,703,662	1,856,386	-	-	-	1,856,386
TOTAL EXPENDITURES	48,735,309	48,739,233	21,768,039	21,771,543	43,539,582	5,199,651
REVENUES OVER (UNDER) EXPENDITURES	(4,272,295)	(3,577,219)	2,411,150	2,889,732	5,300,882	8,878,101
OTHER FINANCING SOURCES (USES)						
Transfers in	299,508	299,508	-	299,508	299,508	-
Transfers out	(2,358,687)	(3,053,763)	(1,116,016)	(1,937,747)	(3,053,763)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,059,179)	(2,754,255)	(1,116,016)	(1,638,239)	(2,754,255)	-
NET CHANGE IN FUND BALANCE	(6,331,474)	(6,331,474)	1,295,134	1,251,493	2,546,627	8,878,101
FUND BALANCE, beginning of year	6,726,369	6,726,369	7,270,174	8,565,308	7,270,174	543,805
FUND BALANCE, end of year	\$ 394,895	\$ 394,895	\$ 8,565,308	\$ 9,816,801	\$ 9,816,801	\$ 9,421,906

CITY OF OREGON CITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL – ENGINEERING FUND
 YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual			Variance
	Original	Final	FY 2018	FY 2019	Biennial	
REVENUES						
Licenses and permits	\$ 82,400	\$ 82,400	\$ 39,014	\$ 75,118	\$ 114,132	\$ 31,732
Charges for services	1,705,640	1,705,640	856,444	791,983	1,648,427	(57,213)
Interest	2,200	2,200	14,456	36,945	51,401	49,201
Miscellaneous	-	-	-	779	779	779
TOTAL REVENUES	1,790,240	1,790,240	909,914	904,825	1,814,739	24,499
EXPENDITURES						
Personnel services	1,796,565	1,796,565	704,018	743,117	1,447,135	349,430
Materials and services	395,440	395,440	161,231	145,327	306,558	88,882
Contingency	131,802	131,802	-	-	-	131,802
TOTAL EXPENDITURES	2,323,807	2,323,807	865,249	888,444	1,753,693	570,114
REVENUES OVER (UNDER) EXPENDITURES	(533,567)	(533,567)	44,665	16,381	61,046	594,613
OTHER FINANCING SOURCES (USES)						
Transfers in	240,000	240,000	120,000	120,000	240,000	-
Transfers out	(109,527)	(109,527)	(26,000)	(83,527)	(109,527)	-
TOTAL OTHER FINANCING SOURCES (USES)	130,473	130,473	94,000	36,473	130,473	-
NET CHANGE IN FUND BALANCE	(403,094)	(403,094)	138,665	52,854	191,519	594,613
FUND BALANCE, beginning of year	403,094	403,094	529,693	668,358	529,693	126,599
FUND BALANCE, end of year	\$ -	\$ -	\$ 668,358	\$ 721,212	\$ 721,212	\$ 721,212

CITY OF OREGON CITY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – SYSTEM DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual			Variance
	Original	Final	FY 2018	FY 2019	Biennial	
REVENUES						
System development charges	\$ 5,450,000	\$ 5,450,000	\$ 3,395,367	\$ 2,983,950	\$ 6,379,317	\$ 929,317
Intergovernmental	-	2,637,712	43,075	22,344	65,419	(2,572,293)
Interest	130,766	130,766	234,473	505,040	739,513	608,747
Miscellaneous	96,164	96,164	116,891	269,103	385,994	289,830
TOTAL REVENUES	5,676,930	8,314,642	3,789,806	3,780,437	7,570,243	(744,399)
EXPENDITURES						
Materials and services	1,397,225	1,397,225	396,912	362,112	759,024	638,201
Capital outlay	14,050,732	16,688,444	2,700,097	2,894,066	5,594,163	11,094,281
Contingency	8,644,634	8,644,634	-	-	-	8,644,634
TOTAL EXPENDITURES	24,092,591	26,730,303	3,097,009	3,256,178	6,353,187	20,377,116
REVENUES OVER (UNDER) EXPENDITURES	(18,415,661)	(18,415,661)	692,797	524,259	1,217,056	19,632,717
FUND BALANCE, beginning of year	18,415,661	18,415,661	21,180,484	21,873,281	21,180,484	2,764,823
FUND BALANCE, end of year	\$ -	\$ -	\$ 21,873,281	\$ 22,397,540	\$ 22,397,540	\$ 22,397,540

CITY OF OREGON CITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL – URBAN RENEWAL FUND
 YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual			Variance
	Original	Final	FY 2018	FY 2019	Biennial	
REVENUES						
Property Taxes	\$ 5,038,000	\$ 5,038,000	\$ 2,569,800	\$ 2,820,298	\$ 5,390,098	\$ 352,098
Charges for services	120,000	120,000	72,871	91,476	164,347	44,347
Intergovernmental	-	-	-	80,000	80,000	80,000
Interest	50,000	50,000	79,680	137,444	217,124	167,124
Miscellaneous	-	-	15,000	-	15,000	15,000
TOTAL REVENUES	5,208,000	5,208,000	2,737,351	3,129,218	5,866,569	658,569
EXPENDITURES						
Materials and services	202,000	202,000	148,192	34,828	183,020	18,980
Capital outlay	700,000	700,000	-	395,038	395,038	304,962
Debt Service						
Principal	2,418,209	2,418,209	1,196,604	1,221,605	2,418,209	-
Interest	800,951	800,951	421,803	379,148	800,951	-
Contingency	38,000	38,000	-	-	-	38,000
TOTAL EXPENDITURES	4,159,160	4,159,160	1,766,599	2,030,619	3,797,218	361,942
REVENUES OVER (UNDER) EXPENDITURES	1,048,840	1,048,840	970,752	1,098,599	2,069,351	1,020,511
FUND BALANCE, beginning of year	3,219,900	3,219,900	3,399,458	4,370,210	3,399,458	179,558
FUND BALANCE, end of year	\$ 4,268,740	\$ 4,268,740	\$ 4,370,210	\$ 5,468,809	\$ 5,468,809	\$ 1,200,069

CITY OF OREGON CITY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual			Variance
	Original	Final	FY 2018	FY 2019	Biennial	
REVENUES						
Charges for services	\$ 4,711,821	\$ 4,711,821	\$ 2,469,672	\$ 2,561,721	\$ 5,031,393	\$ 319,572
Intergovernmental	3,929,760	8,390,392	2,222,548	3,223,308	5,445,856	(2,944,536)
Interest	36,800	36,800	22,524	59,940	82,464	45,664
Miscellaneous	-	-	-	126,338	126,338	126,338
TOTAL REVENUES	8,678,381	13,139,013	4,714,744	5,971,307	10,686,051	(2,452,962)
EXPENDITURES						
Personnel services	2,668,550	2,762,550	1,227,314	1,219,834	2,447,148	315,402
Materials and services	2,192,605	2,223,752	1,182,367	1,449,153	2,631,520	(407,768)
Capital outlay	5,162,500	9,529,132	1,428,216	3,582,836	5,011,052	4,518,080
Contingency	784,273	759,273	-	-	-	759,273
TOTAL EXPENDITURES	10,807,928	15,274,707	3,837,897	6,251,823	10,089,720	5,184,987
REVENUES OVER (UNDER) EXPENDITURES	(2,129,547)	(2,135,694)	876,847	(280,516)	596,331	2,732,025
OTHER FINANCING SOURCES (USES)						
Transfers in	240,987	247,134	116,016	131,118	247,134	-
Transfers out	(360,000)	(360,000)	(180,000)	(180,000)	(360,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(119,013)	(112,866)	(63,984)	(48,882)	(112,866)	-
NET CHANGE IN FUND BALANCE	(2,248,560)	(2,248,560)	812,863	(329,398)	483,465	2,732,025
FUND BALANCE, beginning of year	2,248,560	2,248,560	2,197,398	3,010,261	2,197,398	(51,162)
FUND BALANCE, end of year	\$ -	\$ -	\$ 3,010,261	\$ 2,680,863	\$ 2,680,863	\$ 2,680,863

Note: The City appropriates at the department level, but presents this schedule in further detail than required. As such, the negative variances above do not constitute expenses exceeding appropriations.

CITY OF OREGON CITY, OREGON**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE LAST TWO FISCAL YEARS**

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 495,179	\$ 550,475
Interest	406,225	345,133
Changes of benefit terms	-	-
Economic/demographic gains or losses	(465,787)	-
Changes of assumptions or inputs	(336,053)	(1,161,431)
Benefit payment	<u>(437,294)</u>	<u>(446,894)</u>
Net change in total OPEB liability	(337,730)	(712,717)
Total OPEB liability - beginning	<u>11,068,604</u>	<u>11,781,321</u>
Total OPEB liability - ending (a)	<u>\$ 10,730,874</u>	<u>\$ 11,068,604</u>
Covered-employee payroll	\$ 13,814,411	\$ 13,435,454
Total OPEB liability as a percentage of covered-employee payroll	77.68%	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
FOR THE LAST THREE FISCAL YEARS

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
2019	\$ 394,502	\$ 394,502	\$ -	\$ 13,814,411	2.86%
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)
FOR THE LAST TWO FISCAL YEARS**

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
2018	0.12357764%	\$ (137,946)	\$ 13,435,454	-1.03%	108.90%
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
FOR THE LAST THREE FISCAL YEARS

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
2019	\$ 58,059	\$ 58,059	\$ -	\$ 13,814,411	0.42%
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
FOR THE LAST SIX FISCAL YEARS

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
2018	0.12784356%	\$ 19,366,617	13,435,454	144.15%	82.10%
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 2019 is July 1, 2017 through June 30, 2018.

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
FOR THE LAST SIX FISCAL YEARS

Public Employees Retirement System (PERS)

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2019	\$ 1,806,645	\$ 1,806,645	\$ -	\$ 13,814,411	13.08%
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 three budget adjustments during the year.

Oregon state law requires disclosure of fund expenditures in excess of budgeted appropriations. For the 2017-2019 biennium, there were no expenditures exceeding budgeted appropriations.

NOTE 2: OPEB

A. Actuarial assumptions – OPEB

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

Actuarial valuation:	July 1, 2018	July 1, 2016
Effective:	July 2018 - June 2019	July 2016 - June 2018
Actuarial cost method:	Entry Age Normal	Entry Age Normal
Amortization method:	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period:	10 years	8.9 years
Asset valuation method:	Market value	Market value
Remaining amortization periods:	20 years	20 years
Actuarial assumptions		
Inflation rate	2.50%	2.50%
Projected salary increases	3.50%	3.50%
Investment rate of return	7.85%	7.85%
Discount rate	3.87%	3.58%
Healthcare cost trend rate	4.5% to 7.0%	4.5% to 7.5%

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. In addition, healthy retiree participation and healthy mortality assumptions were changed to reflect updated trends and mortality improvement scale for all groups.

C. Actuarial assumptions – RHIA

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions

Actuarial valuation:	December 31, 2015	December 31, 2013	December 31, 2011
Effective:	July 2017 - June 2019	July 2015 - June 2017	July 2013 - June 2015
Actuarial cost method:	Entry Age Normal	Entry Age Normal	Projected Unit Credit
Amortization method:	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period:	10 years	10 years	10 years
Asset valuation method:	Market value	Market value	Market value
Remaining amortization periods:	20 years	20 years	N/A
Actuarial assumptions			
Inflation rate	2.50%	2.75%	2.75%
Projected salary increases	3.50%	3.75%	3.75%
Investment rate of return	7.50%	7.75%	8.00%
Healthcare cost trend rates	None. Statute stipulates \$60 monthly payment for healthcare insurance	None. Statute stipulates \$60 monthly payment for healthcare insurance	None. Statute stipulates \$60 monthly payment for healthcare insurance

NOTE 3: PENSIONS

A. Changes of assumptions

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50% and lowering of the assumed inflation to 2.50%. For June 30, 2018, the long-term expected rate of return was lowered to 7.20%. 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, 2019

	Budget Amounts		Actual			Variance
	Original	Final	FY 2018	FY 2019	Biennial	
REVENUES						
Charges for services	\$ 2,203,600	\$ 2,203,600	\$ 1,074,694	\$ 1,196,830	\$ 2,271,524	\$ 67,924
Intergovernmental	-	-	-	2,500	2,500	2,500
Interest	12,000	115,322	78,706	601,451	680,157	564,835
Miscellaneous	-	2,500,000	-	39,727	39,727	(2,460,273)
TOTAL REVENUES	2,215,600	4,818,922	1,153,400	1,840,508	2,993,908	(1,825,014)
EXPENDITURES						
Materials and services	-	400	194,609	99,041	293,650	(293,250)
Capital outlay	17,371,804	35,431,911	7,205,549	1,439,189	8,644,738	26,787,173
Interest	-	153,805	113,805	41,676	155,481	(1,676)
TOTAL EXPENDITURES	17,371,804	35,586,116	7,513,963	1,579,906	9,093,869	26,492,247
REVENUES OVER (UNDER) EXPENDITURES	(15,156,204)	(30,767,194)	(6,360,563)	260,602	(6,099,961)	24,667,233
OTHER FINANCING SOURCES (USES)						
Transfers in	3,540,000	4,095,929	1,770,000	2,325,929	4,095,929	-
Premium on bonds issued	-	-	1,542,183	-	1,542,183	1,542,183
Proceeds from borrowing	-	16,157,183	14,615,000	-	14,615,000	(1,542,183)
Transfers out	-	(1,102,122)	-	(1,102,122)	(1,102,122)	-
TOTAL OTHER FINANCING SOURCES (USES)	3,540,000	19,150,990	17,927,183	1,223,807	19,150,990	-
NET CHANGE IN FUND BALANCE	(11,616,204)	(11,616,204)	11,566,620	1,484,409	13,051,029	24,667,233
FUND BALANCE, beginning of year	11,983,283	11,983,283	12,049,825	23,616,445	12,049,825	66,542
FUND BALANCE, end of year	\$ 367,079	\$ 367,079	\$ 23,616,445	\$ 25,100,854	\$ 25,100,854	\$ 24,733,775

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

CITY OF OREGON CITY, OREGON
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	<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>	
ASSETS					
Cash and investments	\$ 2,993,870	\$ 678,827	\$ 3,647,275	\$ 1,656,081	\$ 8,976,053
Receivables:					
Accounts	495	5,000	975	173,430	179,900
Interest	2,075	475	2,526	1,145	6,221
TOTAL ASSETS	\$ 2,996,440	\$ 684,302	\$ 3,650,776	\$ 1,830,656	\$ 9,162,174
LIABILITIES					
Accounts payable	\$ 38,000	\$ 358,153	\$ 59,529	\$ 499	\$ 456,181
Accrued payroll	44,256	28,935	35,005	-	108,196
TOTAL LIABILITIES	82,256	387,088	94,534	499	564,377
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	1,200	275	1,460	662	3,597
FUND BALANCES					
Restricted for:					
Library operations	2,912,984	-	-	-	2,912,984
Building operations	-	-	3,554,782	-	3,554,782
Committed to:					
Debt service	-	-	-	1,829,495	1,829,495
Planning and building operations	-	296,939	-	-	296,939
TOTAL FUND BALANCES	2,912,984	296,939	3,554,782	1,829,495	8,594,200
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,996,440	\$ 684,302	\$ 3,650,776	\$ 1,830,656	\$ 9,162,174

CITY OF OREGON CITY, OREGON

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	Special Revenue			Debt Service	
	Library	Community Development	Building	Debt Service	Total
REVENUES					
Licenses and permits	\$ -	\$ 25,841	\$ 2,053,674	\$ -	\$ 2,079,515
Charges for services	2,852	1,026,718	254,630	-	1,284,200
Intergovernmental	2,373,753	85,000	-	-	2,458,753
Fines and forfeitures	49,092	-	-	-	49,092
Interest income	60,882	11,231	68,991	41,314	182,418
Miscellaneous	41,634	340	1,807	1,372,558	1,416,339
TOTAL REVENUES	2,528,213	1,149,130	2,379,102	1,413,872	7,470,317
EXPENDITURES					
Culture and recreation	1,640,643	-	-	-	1,640,643
Planning and building	-	1,399,984	1,314,768	-	2,714,752
Debt service					
Principal	255,650	-	-	1,315,000	1,570,650
Interest	159,721	-	-	1,241,085	1,400,806
Capital Outlay	76,872	-	12,595	-	89,467
TOTAL EXPENDITURES	2,132,886	1,399,984	1,327,363	2,556,085	7,416,318
REVENUES OVER (UNDER) EXPENDITURES	395,327	(250,854)	1,051,739	(1,142,213)	53,999
OTHER FINANCING SOURCES (USES)					
Transfers in	150,000	275,000	-	1,102,122	1,527,122
Transfers out	-	(80,527)	(98,527)	-	(179,054)
TOTAL OTHER FINANCING SOURCES (USES)	150,000	194,473	(98,527)	1,102,122	1,348,068
NET CHANGE IN FUND BALANCE	545,327	(56,381)	953,212	(40,091)	1,402,067
FUND BALANCE, beginning of year	2,367,657	353,320	2,601,570	1,869,586	7,192,133
FUND BALANCE, end of year	\$ 2,912,984	\$ 296,939	\$ 3,554,782	\$ 1,829,495	\$ 8,594,200

*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, 2019

	Budget Amounts		Actual			Variance
	Original	Final	FY 2018	FY 2019	Biennial	
REVENUES						
Charges for services	\$ 7,800	\$ 7,800	\$ 4,105	\$ 2,852	\$ 6,957	\$ (843)
Intergovernmental	4,274,602	4,274,602	2,207,390	2,373,753	4,581,143	306,541
Fines and forfeitures	64,000	64,000	50,365	49,092	99,457	35,457
Interest	6,600	6,600	20,751	60,882	81,633	75,033
Miscellaneous	7,917	7,917	38,376	41,634	80,010	72,093
TOTAL REVENUES	4,360,919	4,360,919	2,320,987	2,528,213	4,849,200	488,281
EXPENDITURES						
Personnel services	2,748,796	2,748,796	1,194,468	1,183,484	2,377,952	370,844
Materials and services	868,242	868,242	425,568	457,159	882,727	(14,485)
Capital outlay	-	-	19,417	76,872	96,289	(96,289)
Principal	503,661	503,661	248,011	255,650	503,661	-
Interest	327,081	327,081	167,360	159,721	327,081	-
Contingency	2,065,110	2,065,110	-	-	-	2,065,110
TOTAL EXPENDITURES	6,512,890	6,512,890	2,054,824	2,132,886	4,187,710	2,325,180
REVENUES OVER (UNDER) EXPENDITURES	(2,151,971)	(2,151,971)	266,163	395,327	661,490	2,813,461
OTHER FINANCING SOURCES (USES)						
Transfers in	300,000	300,000	150,000	150,000	300,000	-
NET CHANGE IN FUND BALANCE	(1,851,971)	(1,851,971)	416,163	545,327	961,490	2,813,461
FUND BALANCE, beginning of year	1,851,971	1,851,971	1,951,494	2,367,657	1,951,494	99,523
FUND BALANCE, end of year	\$ -	\$ -	\$ 2,367,657	\$ 2,912,984	\$ 2,912,984	\$ 2,912,984

Note: The City appropriates at the department level, but presents this schedule in further detail. As such, the negative variances above do not constitute expenses exceeding appropriations.

CITY OF OREGON CITY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – COMMUNITY DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual			Variance
	Original	Final	FY 2018	FY 2019	Biennial	
REVENUES						
Licenses and permits	\$ 32,480	\$ 32,480	\$ 26,300	\$ 25,841	\$ 52,141	\$ 19,661
Charges for services	2,491,470	2,491,470	1,188,401	1,026,718	2,215,119	(276,351)
Intergovernmental	405,000	405,000	88,104	85,000	173,104	(231,896)
Interest	2,000	2,000	9,136	11,231	20,367	18,367
Miscellaneous	-	-	-	340	340	340
TOTAL REVENUES	2,930,950	2,930,950	1,311,941	1,149,130	2,461,071	(469,879)
EXPENDITURES						
Personnel services	1,523,365	1,523,365	702,473	717,275	1,419,748	103,617
Materials and services	1,990,445	1,990,445	794,105	682,709	1,476,814	513,631
Capital outlay	463,600	463,600	420,911	-	420,911	42,689
Contingency	21,021	21,021	-	-	-	21,021
TOTAL EXPENDITURES	3,998,431	3,998,431	1,917,489	1,399,984	3,317,473	680,958
REVENUES OVER (UNDER) EXPENDITURES	(1,067,481)	(1,067,481)	(605,548)	(250,854)	(856,402)	211,079
OTHER FINANCING SOURCES (USES)						
Transfers in	525,000	525,000	250,000	275,000	525,000	-
Transfers out	(82,527)	(82,527)	(2,000)	(80,527)	(82,527)	-
TOTAL OTHER FINANCING SOURCES (USES)	442,473	442,473	248,000	194,473	442,473	-
NET CHANGE IN FUND BALANCE	(625,008)	(625,008)	(357,548)	(56,381)	(413,929)	211,079
FUND BALANCE, beginning of year	625,008	625,008	710,868	353,320	710,868	85,860
FUND BALANCE, end of year	\$ -	\$ -	\$ 353,320	\$ 296,939	\$ 296,939	\$ 296,939

CITY OF OREGON CITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL – BUILDING FUND
 YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual			Variance
	Original	Final	FY 2018	FY 2019	Biennial	
REVENUES						
Licenses and permits	\$ 3,514,262	\$ 3,514,262	\$ 1,567,726	\$ 2,053,674	\$ 3,621,400	\$ 107,138
Charges for services	451,564	526,564	206,659	254,630	461,289	(65,275)
Interest	7,452	7,452	29,324	68,991	98,315	90,863
Miscellaneous	-	-	-	1,807	1,807	1,807
TOTAL REVENUES	3,973,278	4,048,278	1,803,709	2,379,102	4,182,811	134,533
EXPENDITURES						
Personnel services	1,959,027	1,959,027	812,711	896,927	1,709,638	249,389
Materials and services	885,444	960,444	420,599	417,841	838,440	122,004
Capital outlay	627,900	627,900	606,445	12,595	619,040	8,860
Contingency	2,225,893	2,225,893	-	-	-	2,225,893
TOTAL EXPENDITURES	5,698,264	5,773,264	1,839,755	1,327,363	3,167,118	2,606,146
REVENUES OVER (UNDER) EXPENDITURES	(1,724,986)	(1,724,986)	(36,046)	1,051,739	1,015,693	2,740,679
OTHER FINANCING SOURCES (USES)						
Transfers out	(118,527)	(118,527)	(20,000)	(98,527)	(118,527)	-
NET CHANGE IN FUND BALANCE	(1,843,513)	(1,843,513)	(56,046)	953,212	897,166	2,740,679
FUND BALANCE, beginning of year	2,268,513	2,268,513	2,657,616	2,601,570	2,657,616	389,103
FUND BALANCE, end of year	\$ 425,000	\$ 425,000	\$ 2,601,570	\$ 3,554,782	\$ 3,554,782	\$ 3,129,782

CITY OF OREGON CITY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual			Variance
	Original	Final	FY 2018	FY 2019	Biennial	
REVENUES						
Interest	\$ 20,000	\$ 20,000	\$ 18,181	\$ 41,314	\$ 59,495	\$ 39,495
Miscellaneous	2,649,622	2,649,622	1,217,890	1,372,558	2,590,448	(59,174)
TOTAL REVENUES	2,669,622	2,669,622	1,236,071	1,413,872	2,649,943	(19,679)
EXPENDITURES						
Debt service						
Principal	1,560,000	2,050,000	735,000	1,315,000	2,050,000	-
Interest	1,295,150	1,907,272	665,313	1,241,085	1,906,398	874
Contingency	1,959,855	1,959,855	-	-	-	1,959,855
TOTAL EXPENDITURES	4,815,005	5,917,127	1,400,313	2,556,085	3,956,398	1,960,729
REVENUES OVER (UNDER) EXPENDITURES	(2,145,383)	(3,247,505)	(164,242)	(1,142,213)	(1,306,455)	1,941,050
OTHER FINANCING SOURCES (USES)						
Transfers in	-	1,102,122	-	1,102,122	1,102,122	-
NET CHANGE IN FUND BALANCE	(2,145,383)	(2,145,383)	(164,242)	(40,091)	(204,333)	1,941,050
FUND BALANCE, beginning of year	2,145,383	2,145,383	2,033,828	1,869,586	2,033,828	(111,555)
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,869,586	\$ 1,829,495	\$ 1,829,495	\$ 1,829,495



*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, 2019

	Biennial Budget		Actual		Biennial	Variance
	Original	Final	FY 2018	FY 2019		
REVENUES						
Charges for services	\$ 13,909,874	\$ 14,521,874	\$ 7,068,612	\$ 7,720,027	\$ 14,788,639	\$ 266,765
System development charges	609,000	609,000	225,285	350,216	575,501	(33,499)
Interest	21,854	21,854	45,752	91,539	137,291	115,437
Miscellaneous	-	-	489	2,087	2,576	2,576
Total Revenues	14,540,728	15,152,728	7,340,138	8,163,869	15,504,007	351,279
EXPENDITURES						
Personnel services	3,230,118	3,230,118	1,437,384	1,397,564	2,834,948	395,170
Materials and services	7,189,126	7,575,126	3,796,162	3,783,391	7,579,553	(4,427)
Capital outlay	5,050,000	5,276,000	1,620,631	2,405,474	4,026,105	1,249,895
Contingency	2,560,401	2,560,401	-	-	-	2,560,401
Total Expenditures	18,029,645	18,641,645	6,854,177	7,586,429	14,440,606	4,201,039
REVENUES OVER (UNDER) EXPENDITURES	(3,488,917)	(3,488,917)	485,961	577,440	1,063,401	4,552,318
OTHER FINANCING SOURCES (USES)						
Transfers out	(1,400,000)	(1,400,000)	(700,000)	(700,000)	(1,400,000)	-
NET CHANGE IN FUND BALANCE	(4,888,917)	(4,888,917)	(214,039)	(122,560)	(336,599)	4,552,318
FUND BALANCE, beginning of year	4,888,917	4,888,917	4,750,864	4,536,825	4,750,864	(138,053)
FUND BALANCE, end of year	\$ -	\$ -	\$ 4,536,825	\$ 4,414,265	4,414,265	\$ 4,414,265

RECONCILIATION TO NET POSITION - GAAP BASIS

Adjustment for compensated absences accrual	(46,449)
Adjustment for capital assets, net of depreciation	35,350,797
Adjustment for capital assets not depreciated	510,302
Adjustment for interest in joint venture	10,406,918
Adjustment for net pension liability	(1,308,351)
Adjustment for net OPEB liability/asset	(709,822)
Adjustment for deferred resources relating to pensions	419,953
Adjustment for deferred resources relating to OPEB	(70,711)
Transfer to Customer Service for pension expense	(209,493)
	\$ 48,757,409

Note: The City appropriates at the department level, but presents this schedule in further detail. As such, the negative variances above do not constitute expenses exceeding appropriations.

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, 2019

	Budget Amounts		Actual			Variance
	Original	Final	FY 2018	FY 2019	Biennial	
REVENUES						
Franchise taxes	\$ 500,000	\$ 500,000	\$ 268,785	\$ 281,811	\$ 550,596	\$ 50,596
Charges for services	19,718,139	20,547,139	10,198,867	10,893,729	21,092,596	545,457
System development charges	900,000	1,400,000	705,446	522,791	1,228,237	(171,763)
Interest	11,092	11,092	61,672	170,384	232,056	220,964
Miscellaneous	-	-	-	4,722	4,722	4,722
Total Revenues	21,129,231	22,458,231	11,234,770	11,873,437	23,108,207	649,976
EXPENDITURES						
Personnel services	2,337,148	2,337,148	1,155,392	1,148,417	2,303,809	33,339
Materials and services	13,219,329	14,555,829	6,627,248	6,784,259	13,411,507	1,144,322
Debt service						
Principal	960,000	1,475,000	1,475,000	-	1,475,000	-
Interest	91,175	56,344	56,344	-	56,344	-
Capital outlay	2,893,000	2,893,000	575,103	758,989	1,334,092	1,558,908
Contingency	5,938,095	5,450,426	-	-	-	5,450,426
Total Expenditures	25,438,747	26,767,747	9,889,087	8,691,665	18,580,752	8,186,995
REVENUES OVER (UNDER) EXPENDITURES	(4,309,516)	(4,309,516)	1,345,683	3,181,772	4,527,455	8,836,971
OTHER FINANCING SOURCES (USES)						
Transfers out	(1,280,000)	(1,280,000)	(640,000)	(640,000)	(1,280,000)	-
NET CHANGE IN FUND BALANCE	(5,589,516)	(5,589,516)	705,683	2,541,772	3,247,455	8,836,971
FUND BALANCE, beginning of year	6,244,516	6,244,516	6,641,700	7,347,383	6,641,700	397,184
FUND BALANCE, end of year	\$ 655,000	\$ 655,000	\$ 7,347,383	\$ 9,889,155	9,889,155	\$ 9,234,155

RECONCILIATION TO NET POSITION - GAAP BASIS

Adjustment for compensated absences accrual	(38,846)
Adjustment for capital assets, net of depreciation	19,228,849
Adjustment for capital assets not depreciated	1,797,045
Adjustment for receivables deferred	74,792
Adjustment for net pension liability	(876,196)
Adjustment for net OPEB liability/asset	(472,572)
Adjustment for deferred resources relating to pensions	269,722
Adjustment for deferred resources relating to OPEB	(47,075)
	<u>\$ 29,824,874</u>

CITY OF OREGON CITY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
 BUDGET (NON-GAAP BASIS) AND ACTUAL – STORMWATER FUND
 YEAR ENDED JUNE 30, 2019

	Biennial Budget		Actual		Biennial	Variance
	Original	Final	FY 2018	FY 2019		
REVENUES						
Charges for services	\$ 5,302,842	\$ 5,317,842	\$ 2,836,265	\$ 3,000,968	\$ 5,837,233	\$ 519,391
Intergovernmental	28,000	28,000	-	-	-	(28,000)
Interest	6,000	6,000	13,731	34,228	47,959	41,959
Miscellaneous	-	-	-	988	988	988
Total Revenues	5,336,842	5,351,842	2,849,996	3,036,184	5,886,180	534,338
EXPENDITURES						
Personnel services	2,418,834	2,418,834	1,114,288	1,089,998	2,204,286	214,548
Materials and services	1,679,704	1,702,204	863,157	905,465	1,768,622	(66,418)
Capital outlay	1,105,000	1,105,000	556,897	273,290	830,187	274,813
Contingency	463,804	456,304	-	-	-	456,304
Total Expenditures	5,667,342	5,682,342	2,534,342	2,268,753	4,803,095	879,247
REVENUES OVER (UNDER) EXPENDITURES	(330,500)	(330,500)	315,654	767,431	1,083,085	1,413,585
OTHER FINANCING SOURCES (USES)						
Transfers out	(810,000)	(810,000)	(405,000)	(405,000)	(810,000)	-
NET CHANGE IN FUND BALANCE	(1,140,500)	(1,140,500)	(89,346)	362,431	273,085	1,597,253
FUND BALANCE, beginning of year	1,140,500	1,140,500	1,352,381	1,263,035	1,352,381	211,881
FUND BALANCE, end of year	\$ -	\$ -	\$ 1,263,035	\$ 1,625,466	1,625,466	\$ 1,809,134
RECONCILIATION TO NET POSITION - GAAP BASIS						
					(32,936)	
					15,766,609	
					1,090,455	
					(919,382)	
					(515,038)	
					283,016	
					(51,306)	
					<u>\$ 17,246,884</u>	

Note: The City appropriates at the department level, but presents this schedule in further detail. As such, the negative variances above do not constitute expenses exceeding appropriations.

*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, 2019

	<u>Fleet Service</u>	<u>Customer Service</u>	<u>Equipment Replacement</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and investments	\$ 33,165	\$ 121,107	\$ 6,054,324	\$ 6,208,596
Accounts receivable	-	2,375	-	2,375
Interest receivable	1	36	4,186	4,223
Due from other funds	-	209,493	-	209,493
Total Current Assets	33,166	333,011	6,058,510	6,424,687
Noncurrent Assets				
Capital assets, net of depreciation	8,876	-	240,124	249,000
OPEB asset	-	3,899	-	3,899
Total Noncurrent Assets	8,876	3,899	240,124	252,899
Total Assets	42,042	336,910	6,298,634	6,677,586
Deferred Outflows of Resources				
Deferred resources related to pensions	-	165,371	-	165,371
Deferred resources related to OPEB	-	12,791	-	12,791
Total Deferred Inflows of Resources	-	178,162	-	178,162
LIABILITIES				
Current Liabilities				
Accounts payable	28,650	9,252	346,717	384,619
Accrued payroll liabilities	-	24,472	-	24,472
Current portion of long-term liabilities				
Accrued compensated absences	-	3,449	-	3,449
Total Current Liabilities	28,650	37,173	346,717	412,540
Noncurrent Liabilities				
Accrued compensated absences	-	13,797	-	13,797
Net pension liability	-	473,813	-	473,813
OPEB liability	-	303,284	-	303,284
Total Noncurrent Liabilities	-	790,894	-	790,894
Total Liabilities	28,650	828,067	346,717	1,203,434
Deferred Inflows of Resources				
Deferred resources related to pensions	-	36,716	-	36,716
Deferred resources related to OPEB	-	42,614	-	42,614
Total Deferred Inflows of Resources	-	79,330	-	79,330
NET POSITION:				
Net investment in capital assets	8,876	-	240,124	249,000
Unrestricted	4,516	(392,325)	5,711,793	5,323,984
Total Net Position	\$ 13,392	\$ (392,325)	\$ 5,951,917	\$ 5,572,984

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, 2019

	<u>Fleet Service</u>	<u>Customer Service</u>	<u>Equipment Replacement</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 277,811	\$ 1,113,846	\$ -	\$ 1,391,657
Miscellaneous	-	26	27,571	27,597
	<u>277,811</u>	<u>1,113,872</u>	<u>27,571</u>	<u>1,419,254</u>
OPERATING EXPENSES				
Personnel services	-	735,606	-	735,606
Materials and services	255,342	412,093	167,598	835,033
Depreciation	986	-	828,407	829,393
	<u>256,328</u>	<u>1,147,699</u>	<u>996,005</u>	<u>2,400,032</u>
OPERATING INCOME (LOSS)	21,483	(33,827)	(968,434)	(980,778)
NONOPERATING REVENUES (EXPENSES)				
Investment revenue	25	3,126	148,082	151,233
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	21,508	(30,701)	(820,352)	(829,545)
Transfers in	-	-	889,700	889,700
Transfers out	-	(65,927)	-	(65,927)
CHANGE IN NET POSITION	21,508	(96,628)	69,348	(5,772)
Beginning net position	(8,116)	(295,697)	5,882,569	5,578,756
Ending net position	<u>\$ 13,392</u>	<u>\$ (392,325)</u>	<u>\$ 5,951,917</u>	<u>\$ 5,572,984</u>

CITY OF OREGON CITY, OREGON

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

YEAR ENDED JUNE 30, 2019

	Fleet Service	Customer Service	Equipment Replacement	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Collected from customers	\$ 277,811	\$ 1,111,497	\$ -	\$ 1,389,308
Other receipts	-	-	25,180	25,180
Paid to suppliers	(236,409)	(404,266)	(167,598)	(808,273)
Paid to employees	-	(688,703)	-	(688,703)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Provided by (Used in) Operating Activities	41,402	18,528	(142,418)	(82,488)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	1,276,665	1,276,665
Transfers out	-	(65,927)	-	(65,927)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Provided by (Used in) Non-Capital Financing Activities	-	(65,927)	1,276,665	1,210,738
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(9,862)	-	(499,180)	(509,042)
Proceeds from sale of capital assets	-	-	108,677	108,677
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Used in Capital and Related Financing Activities	(9,862)	-	(390,503)	(400,365)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	25	3,221	147,984	151,230
	<hr/>	<hr/>	<hr/>	<hr/>
Increase in Cash and Investments	31,565	(44,178)	891,728	879,115
CASH AND INVESTMENTS, Beginning of year	1,600	165,285	5,162,596	5,329,481
	<hr/>	<hr/>	<hr/>	<hr/>
CASH AND INVESTMENTS, End of year	<u>\$ 33,165</u>	<u>\$ 121,107</u>	<u>\$ 6,054,324</u>	<u>\$ 6,208,596</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 21,483	\$ (33,827)	\$ (968,434)	\$ (980,778)
Depreciation	986	-	828,407	829,393
Change in assets and liabilities				
Accounts receivable	-	(2,375)	-	(2,375)
Unearned revenue	-	-	(2,391)	(2,391)
Accounts payable and accrued liabilities	18,933	9,776	-	28,709
Net pension liability	-	42,209	-	42,209
Net OPEB liability	-	(12,463)	-	(12,463)
Deferred outflows	-	(23,760)	-	(23,760)
Deferred inflows	-	38,968	-	38,968
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 41,402</u>	<u>\$ 18,528</u>	<u>\$ (142,418)</u>	<u>\$ (82,488)</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, 2019**

	Biennial Budget		Actual		Biennial	Variance
	Original	Final	FY 2018	FY 2019		
REVENUES						
Charges for services	\$ 464,870	\$ 504,870	\$ 197,002	\$ 277,811	\$ 474,813	\$ 30,057
Interest	-	-	118	25	143	143
Total Revenues	464,870	504,870	197,120	277,836	474,956	(307,750)
EXPENDITURES						
Materials and services	423,992	463,992	213,815	255,342	469,157	(5,165)
Capital Outlay	18,000	18,000	-	9,862	9,862	8,138
Contingency	24,959	24,959	-	-	-	24,959
Total Expenditures	466,951	506,951	213,815	265,204	479,019	27,932
REVENUES OVER (UNDER) EXPENDITURES	(2,081)	(2,081)	(16,695)	12,632	(4,063)	(14,614)
NET CHANGE IN FUND BALANCE	(2,081)	(2,081)	(16,695)	12,632	(4,063)	(14,614)
FUND BALANCE, beginning of year	2,081	2,081	8,579	(8,116)	8,579	6,498
FUND BALANCE, end of year	\$ -	\$ -	\$ (8,116)	\$ 4,516	4,516	\$ (8,116)

RECONCILIATION TO NET POSITION - GAAP BASIS

Adjustment for capital assets, net of depreciation	8,876
	<u>\$ 13,392</u>

Note: The City appropriates at the department level, but presents this schedule in further detail. As such, the negative variances above do not constitute expenses exceeding appropriations.

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, 2019

	Biennial Budget		Actual		Biennial	Variance
	Original	Final	FY 2018	FY 2019		
REVENUES						
Charges for services	\$ 2,144,600	\$ 2,224,600	\$ 1,101,220	\$ 1,113,846	\$ 2,215,066	\$ 9,534
Interest	-	-	1,824	3,126	4,950	4,950
Miscellaneous	-	-	-	26	26	26
Total Revenues	2,144,600	2,224,600	1,103,044	1,116,998	2,220,042	(4,558)
EXPENDITURES						
Current						
Personnel services	1,392,420	1,392,420	667,912	686,189	1,354,101	38,319
Materials and services	687,081	767,081	377,573	412,093	789,666	(22,585)
Contingency	83,375	83,375	-	-	-	83,375
Total Expenditures	2,162,876	2,242,876	1,045,485	1,098,282	2,143,767	99,109
REVENUES OVER (UNDER) EXPENDITURES	(18,276)	(18,276)	57,559	18,716	76,275	94,551
OTHER FINANCING SOURCES (USES)						
Transfers out	(67,927)	(67,927)	(2,000)	(65,927)	(67,927)	-
NET CHANGE IN FUND BALANCE	(86,203)	(86,203)	55,559	(47,211)	8,348	94,551
FUND BALANCE, beginning of year	86,203	86,203	81,446	137,005	81,446	(4,757)
FUND BALANCE, end of year	\$ -	\$ -	\$ 137,005	\$ 89,794	89,794	\$ 89,794

RECONCILIATION TO NET POSITION - GAAP BASIS

Adjustment for compensated absences accrual	(17,246)
Adjustment for net pension liability	(473,813)
Adjustment for net OPEB liability	(299,385)
Adjustment for deferred resources relating to pensions	128,655
Adjustment for deferred resources relating to OPEB	(29,823)
Transfer from Water fund for pension expense	209,493
	<u>\$ (392,325)</u>

Note: The City appropriates at the department level, but presents this schedule in further detail. As such, the negative variances above do not constitute expenses exceeding appropriations.

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, 2019**

	Budget Amounts		Actual			Variance
	Original	Final	FY 2018	FY 2019	Biennial	
REVENUES						
Intergovernmental	\$ -	\$ 177,000	\$ -	\$ -	\$ -	\$ 177,000
Interest	80,000	80,000	50,148	145,663	195,811	115,811
Miscellaneous	773,928	773,928	438,187	450,296	888,483	114,555
TOTAL REVENUES	853,928	1,030,928	488,335	595,959	1,084,294	53,366
EXPENDITURES						
Materials and services	40,000	350,000	20,000	167,598	187,598	162,402
Capital outlay	1,464,829	1,464,829	460,308	608,491	1,068,799	396,030
TOTAL EXPENDITURES	1,504,829	1,814,829	480,308	776,089	1,256,397	558,432
REVENUES OVER (UNDER) EXPENDITURES	(650,901)	(783,901)	8,027	(180,130)	(172,103)	611,798
OTHER FINANCING SOURCES (USES)						
Transfers in	1,441,700	1,574,700	685,000	889,700	1,574,700	-
NET CHANGE IN FUND BALANCE	790,799	790,799	693,027	709,570	1,402,597	611,798
FUND BALANCE, beginning of year	4,366,742	4,366,742	4,306,776	4,999,803	4,306,776	(59,966)
FUND BALANCE, end of year	\$ 5,157,541	\$ 5,157,541	\$ 4,999,803	\$ 5,709,373	5,709,373	\$ 551,832

RECONCILIATION TO NET POSITION - GAAP BASIS

Adjustment for capital assets, net of depreciation	240,124
Adjustment for interest receivable	2,420
	<u>\$ 5,951,917</u>

Other Financial Schedules

CITY OF OREGON CITY, OREGON
SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
YEAR ENDED JUNE 30, 2019

<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>										
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	-	-	-	
	<u>\$ 4,930,098</u>	<u>\$ 1,300,464</u>	<u>\$ 6,230,562</u>	<u>\$ 14,125,000</u>	<u>\$ 6,843,700</u>	<u>\$ 20,968,700</u>	<u>\$ 11,810,000</u>	<u>\$ 3,154,681</u>	<u>\$ 14,964,681</u>	

CITY OF OREGON CITY, OREGON
SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS (Continued)
YEAR ENDED JUNE 30, 2019

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>2008 Urban Renewal Revenue Bonds</i>			<i>2013 Urban Renewal Tax Exempt Bonds</i>			<i>2013 Urban Renewal Taxable Bonds</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>
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	-	-	-	-	-	-	-	-	-
	<u>\$ 5,655,000</u>	<u>\$ 961,786</u>	<u>\$ 6,616,786</u>	<u>\$ 492,789</u>	<u>\$ 37,576</u>	<u>\$ 530,365</u>	<u>\$ 885,771</u>	<u>\$ 100,757</u>	<u>\$ 986,528</u>

CITY OF OREGON CITY, OREGON
 SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
 YEAR ENDED JUNE 30, 2019

City of Oregon City

<u>Tax Year</u>	<u>Uncollected Balances July 1, 2018</u>	<u>2018-2019 Levy</u>	<u>Interest, Discounts & Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balances June 30, 2019</u>
2018-19	\$ -	\$ 13,518,480	\$ (391,693)	\$ (12,930,329)	\$ 196,458
2017-18	257,523	-	(28,803)	(147,324)	81,396
2016-17	133,800	-	(27,267)	(61,187)	45,346
2015-16	102,282	-	(28,168)	(54,266)	19,848
2014-15	72,709	-	(8,366)	(58,027)	6,316
2013-14 and prior	210,046	-	(18,697)	(166,757)	24,592
Total	\$ 776,360	\$ 13,518,480	\$ (502,994)	\$ (13,417,890)	\$ 373,956

Oregon City Urban Renewal Agency

<u>Tax Year</u>	<u>Uncollected Balances July 1, 2018</u>	<u>2018-2019 Levy</u>	<u>Interest, Discounts & Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balances June 30, 2019</u>
2018-19	\$ -	\$ 2,850,314	\$ (82,587)	\$ (2,726,305)	\$ 41,422
2017-18	52,936	-	(5,921)	(30,283)	16,732
2016-17	26,157	-	(5,330)	(11,961)	8,866
2015-16	19,075	-	(5,252)	(10,122)	3,701
2014-15	14,157	-	(1,629)	(11,298)	1,230
2013-14 and prior	41,877	-	(3,729)	(33,300)	4,848
Total	\$ 154,202	\$ 2,850,314	\$ (104,448)	\$ (2,823,269)	\$ 76,799

STATISTICAL SECTION



STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	116
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	126
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	130
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	134
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the service the City provides and the activities it performs.	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Governmental activities				
Net investment in capital assets	\$112,838,180	\$107,219,008	\$ 98,512,736	\$ 91,671,741
Restricted for special purposes	21,511,494	22,910,088	20,405,260	20,684,505
Unrestricted	<u>6,854,069</u>	<u>(905,713)</u>	<u>5,185,965</u>	<u>1,150,993</u>
Total governmental activities net position	141,203,743	129,223,383	124,103,961	113,507,239
Business-type activities				
Net investment in capital assets	73,993,057	69,904,459	66,828,362	62,178,638
Restricted for special purposes	-	-	-	-
Unrestricted	<u>27,409,094</u>	<u>23,901,172</u>	<u>25,143,381</u>	<u>22,862,191</u>
Total business-type activities net position	101,402,151	93,805,631	91,971,743	85,040,829
Total government				
Net investment in capital assets	186,831,237	177,123,467	165,341,098	153,850,379
Restricted for special purposes	21,511,494	22,910,088	20,405,260	20,684,505
Unrestricted	<u>34,263,163</u>	<u>22,995,459</u>	<u>30,329,346</u>	<u>24,013,184</u>
Total government net position	<u>\$ 242,605,894</u>	<u>\$ 223,029,014</u>	<u>\$ 216,075,704</u>	<u>\$ 198,548,068</u>

2015	2014	2013	2012	2011	2010
\$ 82,947,522	\$ 83,949,562	\$ 83,629,065	\$ 77,536,631	\$ 64,002,186	\$ 58,236,927
22,714,219	12,212,699	10,729,636	8,022,074	8,690,098	9,322,585
4,215,385	17,410,231	14,069,942	11,924,988	9,001,652	7,476,328
<u>109,877,126</u>	<u>113,572,492</u>	<u>108,428,643</u>	<u>97,483,693</u>	<u>81,693,936</u>	<u>75,035,840</u>
59,613,791	58,464,942	59,233,749	59,094,066	59,521,630	59,088,831
-	6,656,608	6,158,956	2,831,608	3,656,190	3,388,263
<u>21,559,003</u>	<u>19,332,055</u>	<u>17,230,779</u>	<u>17,236,052</u>	<u>14,732,506</u>	<u>15,029,532</u>
81,172,794	84,453,605	82,623,484	79,161,726	77,910,326	77,506,626
127,971,313	142,414,504	142,862,814	136,630,697	123,523,816	117,325,758
37,304,219	18,869,307	16,888,592	10,853,682	12,346,288	12,710,848
25,774,388	36,742,286	31,300,721	29,161,040	23,734,158	22,505,860
<u>\$ 191,049,920</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>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Expenses:				
Governmental activities:				
General government	\$ 8,577,496	\$ 7,448,383	\$ 7,947,344	\$ 7,547,409
Public safety	10,883,771	11,595,492	10,842,456	11,383,715
Public works	6,978,502	6,867,970	6,876,632	6,685,545
Culture and recreation	6,245,678	6,375,010	5,835,146	5,524,614
Planning and building	2,906,968	2,891,302	2,907,659	3,174,168
Interest on long-term debt	1,732,088	1,407,996	1,339,404	1,430,985
Total governmental activities expenses	<u>37,324,503</u>	<u>36,586,153</u>	<u>35,748,641</u>	<u>35,746,436</u>
Business-type activities:				
Cemetery	-	-	-	-
Water	6,462,476	6,431,175	5,453,642	5,640,772
Wastewater	9,898,303	9,792,585	8,561,317	8,212,827
Stormwater	2,548,229	2,474,327	2,204,164	2,386,425
Fleet	1,252,333	1,012,240	965,043	875,496
Total business-type activities expenses	<u>20,161,341</u>	<u>19,710,327</u>	<u>17,184,166</u>	<u>17,115,520</u>
Total City expenses	57,485,844	56,296,480	52,932,807	52,861,956
Program Revenues:				
Governmental activities:				
Fees, fines, and charges for services:				
General government	2,885,237	2,932,559	1,808,279	1,216,065
Public safety	2,076,802	2,192,706	2,272,781	1,602,172
Public works	3,520,298	3,438,000	2,956,226	4,954,538
Culture and recreation	977,308	990,222	884,343	1,503,604
Planning and building	3,360,863	2,989,087	3,765,135	2,931,522
Operating grants and contributions	6,103,603	5,474,992	5,095,057	5,006,825
Capital grants and contributions	5,564,471	3,062,693	7,907,564	877,610
Total governmental activities program revenues	<u>24,488,582</u>	<u>21,080,259</u>	<u>24,689,385</u>	<u>18,092,336</u>
Business-type activities:				
Fees, fines, and charges for services:				
Water	8,833,873	8,169,832	7,206,477	6,833,922
Wastewater	10,893,729	10,181,048	10,476,356	9,618,375
Stormwater	3,000,968	2,836,265	2,713,307	2,625,274
Fleet*	277,811	197,002	233,146	201,492
Operating grants and contributions	776,722	479,274	353,942	172,917
Capital grants and contributions	3,422,338	930,731	3,149,009	1,171,711
Total business-type activities program revenues	<u>27,205,441</u>	<u>22,794,152</u>	<u>24,132,237</u>	<u>20,623,691</u>
Total City program revenues	51,694,023	43,874,411	48,821,622	38,716,027
Net (Expense)/Revenue				
Governmental activities	(12,835,921)	(15,505,894)	(11,059,256)	(17,654,100)
Business-type activities	<u>7,044,100</u>	<u>3,083,825</u>	<u>6,948,071</u>	<u>3,508,171</u>
Total Net (Expense) Revenue	(5,791,821)	(12,422,069)	(4,111,185)	(14,145,929)

	2015	2014	2013	2012	2011	2010
\$	3,528,340	\$ 6,615,088	\$ 6,098,539	\$ 4,954,893	\$ 6,602,308	\$ 3,997,996
	8,309,944	8,018,198	7,586,591	6,950,927	6,636,771	5,890,321
	5,319,822	4,983,309	4,974,819	4,581,017	4,190,116	3,982,380
	5,072,036	4,900,341	4,415,999	4,094,079	3,918,282	3,609,200
	3,382,547	3,309,773	3,539,149	2,900,939	2,571,176	2,705,784
	1,417,462	1,395,499	1,427,119	1,471,875	1,507,431	1,420,316
	<u>27,030,151</u>	<u>29,222,208</u>	<u>28,042,216</u>	<u>24,953,730</u>	<u>25,426,084</u>	<u>21,605,997</u>
	-	-	-	-	-	37,028
	4,518,351	4,768,673	5,548,165	3,701,322	3,463,879	2,858,150
	6,791,908	6,481,198	6,619,727	6,276,339	5,649,086	5,307,689
	1,771,529	1,908,836	1,816,052	1,465,359	1,350,912	1,214,299
	805,419	805,630	764,440	772,422	586,190	1,182,338
	<u>13,887,207</u>	<u>13,964,337</u>	<u>14,748,384</u>	<u>12,215,442</u>	<u>11,050,067</u>	<u>10,599,504</u>
	40,917,358	43,186,545	42,790,600	37,169,172	36,476,151	32,205,501
	1,380,937	1,206,165	1,376,136	688,396	501,355	404,504
	925,225	791,005	851,775	1,173,466	831,180	857,637
	3,363,184	3,081,373	2,344,068	2,178,369	1,767,956	1,242,069
	917,908	881,299	879,090	703,773	761,933	744,151
	2,306,216	1,600,704	2,698,387	2,280,275	1,689,885	1,329,796
	4,570,141	4,987,749	4,335,678	4,962,382	6,838,159	3,547,308
	1,192,708	2,064,858	9,014,649	12,407,691	1,401,260	1,905,291
	<u>14,656,319</u>	<u>14,613,153</u>	<u>21,499,783</u>	<u>24,394,352</u>	<u>13,791,728</u>	<u>10,030,756</u>
	6,021,672	5,766,017	5,910,739	5,047,447	5,155,794	4,984,720
	7,961,224	6,730,168	7,058,967	5,656,922	4,987,032	4,629,499
	2,495,762	2,397,498	2,296,072	2,126,720	1,837,472	1,291,964
	201,316	221,352	192,845	249,464	328,759	295,258
	278,178	277,591	433,121	285,370	74,505	-
	2,430,291	1,504,337	3,159,982	1,981,702	1,533,679	3,225,976
	<u>19,388,443</u>	<u>16,896,963</u>	<u>19,051,725</u>	<u>15,347,625</u>	<u>13,917,240</u>	<u>14,427,417</u>
	34,044,762	31,510,116	40,551,508	39,741,977	27,708,968	24,458,173
	(12,373,832)	(14,609,055)	(6,542,433)	(559,378)	(11,634,356)	(11,575,241)
	<u>5,501,236</u>	<u>2,932,626</u>	<u>4,303,341</u>	<u>3,132,183</u>	<u>2,867,173</u>	<u>3,827,913</u>
	(6,872,596)	(11,676,429)	(2,239,092)	2,572,805	(8,767,183)	(7,747,328)

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General Revenues and Other Changes in net position				
Governmental activities				
Property taxes	\$ 15,734,726	\$ 15,145,511	\$ 14,636,241	\$ 13,987,720
Franchise taxes	3,810,988	3,780,955	3,634,332	3,541,761
Intergovernmental	1,122,464	961,015	919,857	920,764
Miscellaneous	2,157,187	1,938,632	1,487,831	1,782,997
Unrestricted investment earnings	1,778,747	858,521	503,858	364,128
Gain (loss) on disposition of assets	-	-	-	-
Transfers	212,169	(403,508)	473,859	523,873
Total governmental activities	<u>24,816,281</u>	<u>22,281,126</u>	<u>21,655,978</u>	<u>21,121,243</u>
Business-type activities				
Franchise taxes	281,811	268,785	258,220	237,075
Miscellaneous	35,394	41,622	74,071	-
Unrestricted investment earnings	447,384	173,245	124,411	91,944
Loss on sale of capital assets	-	(5,000)	-	-
Transfers	(212,169)	403,508	(473,859)	(523,873)
Total business-type activities	<u>552,420</u>	<u>882,160</u>	<u>(17,157)</u>	<u>(194,854)</u>
Total City General Revenues and Other Changes	<u>25,368,701</u>	<u>23,163,286</u>	<u>21,638,821</u>	<u>20,926,389</u>
Changes in net position				
Governmental activities	11,980,360	6,775,232	10,596,722	3,467,143
Business-type activities	<u>7,596,520</u>	<u>3,965,985</u>	<u>6,930,914</u>	<u>3,313,317</u>
Total changes in net position	<u>19,576,880</u>	<u>10,741,217</u>	<u>17,527,636</u>	<u>6,780,460</u>
Net position, July 1*				
Governmental activities	129,223,383	122,448,151	113,507,239	110,040,096
Business-type activities	<u>93,805,631</u>	<u>89,839,646</u>	<u>85,040,829</u>	<u>81,727,512</u>
Total Government	<u>223,029,014</u>	<u>212,287,797</u>	<u>198,548,068</u>	<u>191,767,608</u>
Net position, June 30				
Governmental activities	141,203,743	129,223,383	124,103,961	113,507,239
Business-type activities	<u>101,402,151</u>	<u>93,805,631</u>	<u>91,971,743</u>	<u>85,040,829</u>
Total Government	<u>\$ 242,605,894</u>	<u>\$ 223,029,014</u>	<u>\$ 216,075,704</u>	<u>\$ 198,548,068</u>

* Beginning Net position as restated

	2015	2014	2013	2012	2011	2010
\$	13,490,590	\$ 12,859,315	\$ 11,667,767	\$ 11,229,599	\$ 12,116,512	\$ 10,526,473
	3,199,473	2,759,690	2,455,771	1,885,683	1,582,759	1,634,065
	911,419	871,419	834,538	769,855	856,084	832,423
	1,709,104	1,802,430	1,255,497	122,903	977,000	224,364
	228,512	262,767	323,109	223,083	205,329	163,921
	302,450	-	-	161,363	-	-
	7,884,435	1,197,283	950,701	1,956,649	2,554,768	2,137,808
	<u>27,725,983</u>	<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>
	-	-	-	-	-	-
	132	-	20,090	335	15,820	18,467
	99,191	94,778	89,028	75,531	75,475	88,609
	-	-	-	-	-	-
	<u>(7,884,435)</u>	<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>(7,785,112)</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>19,940,871</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>
	15,352,151	5,143,849	10,944,950	15,789,757	6,658,096	3,276,740
	<u>(2,283,876)</u>	<u>1,830,121</u>	<u>3,461,758</u>	<u>1,251,400</u>	<u>403,700</u>	<u>266,322</u>
	<u>13,068,275</u>	<u>6,973,970</u>	<u>14,406,708</u>	<u>17,041,157</u>	<u>7,061,796</u>	<u>3,543,062</u>
	94,524,975	108,428,643	97,483,693	81,693,936	75,035,840	71,759,100
	<u>83,456,670</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>177,981,645</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>
	109,877,126	113,572,492	108,428,643	97,483,693	81,693,936	75,035,840
	<u>81,172,794</u>	<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>191,049,920</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>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General fund				
Nonspendable	\$ 73,356	\$ 60,555	\$ 116,000	\$ 59,641
Committed	-	-	-	908,882
Unassigned	9,743,445	8,504,753	7,154,174	6,470,357
Total General fund	<u>9,816,801</u>	<u>8,565,308</u>	<u>7,270,174</u>	<u>7,438,880</u>
All other governmental funds				
Nonspendable	-	-	-	-
Restricted	30,101,001	28,507,504	27,474,611	21,343,249
Committed	34,862,477	31,836,218	18,462,121	18,177,135
Total all other governmental funds	<u>64,963,478</u>	<u>60,343,722</u>	<u>45,936,732</u>	<u>39,520,384</u>
Total Fund Balances	<u>\$ 74,780,279</u>	<u>\$ 68,909,030</u>	<u>\$ 53,206,906</u>	<u>\$ 46,959,264</u>

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

2015	2014	2013	2012	2011	2010
\$ 58,978	\$ 45,131	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
6,130,187	4,150,829	3,734,942	3,628,399	2,827,901	4,408,106
<u>6,189,165</u>	<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>
-	-	-	22,997	22,997	22,011
36,527,532	11,346,021	10,503,824	6,869,809	6,837,700	1,755,357
3,771,034	16,105,822	10,972,631	8,570,907	5,866,920	8,596,343
<u>40,298,566</u>	<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>\$ 46,487,731</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>

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

	2019	2018	2017	2016
Revenues				
Taxes and assessments	\$ 20,492,362	\$ 19,379,452	\$ 18,542,705	\$ 17,755,055
Licenses and permits	2,375,163	1,990,219	2,833,057	2,459,320
Charges for services	11,487,131	11,828,492	12,498,856	9,120,163
Intergovernmental	7,768,005	6,517,167	6,444,900	5,896,615
Fines and forfeitures	1,687,984	1,710,193	1,147,459	818,239
Other income	3,947,242	2,731,589	2,355,231	2,408,042
Total revenues	47,757,887	44,157,112	43,822,208	38,457,434
Expenditures				
Current operating:				
General government	7,075,536	6,921,135	6,508,052	5,813,700
Public safety	10,518,832	10,550,480	9,650,718	8,834,120
Public works	3,951,711	3,920,948	4,049,196	6,398,448
Culture and recreation	5,434,738	5,388,647	4,909,619	4,614,517
Planning and building	2,714,752	2,729,888	2,849,608	2,676,958
Capital outlay	8,885,377	13,002,142	7,354,648	7,314,482
Debt service				
Principal	2,405,290	1,792,649	2,065,241	2,124,053
Interest	1,821,630	1,368,281	1,351,616	1,442,688
Total expenditures	42,807,866	45,674,170	38,738,698	39,218,966
Revenues Over (under)				
Expenditures	4,950,021	(1,517,058)	5,083,510	(761,532)
Other financing sources (uses)				
Bond proceeds / loan payments	-	16,157,183	-	-
Proceeds from sale of assets	-	-	-	-
Transfers in	4,403,677	2,406,016	3,718,183	3,517,364
Transfers out	(3,482,450)	(1,344,016)	(2,554,051)	(2,341,599)
Loan to South Fork Water Board	-	-	-	-
Total other financing sources (uses)	921,227	17,219,183	1,164,132	1,175,765
Net change in fund balances	5,871,248	15,702,125	6,247,642	414,233
Fund balances, beginning of year *	68,909,031	53,206,906	46,959,264	46,545,031
Fund balances, end of year	\$ 74,780,279	\$ 68,909,031	\$ 53,206,906	\$ 46,959,264
Debt service as a percentage of noncapital expenditures	12.46%	9.67%	10.89%	11.18%

* Beginning Fund balance as restated

	2015	2014	2013	2012	2011	2010
\$	16,687,226	\$ 13,012,611	\$ 11,782,226	\$ 11,331,002	\$ 11,048,520	\$ 10,536,535
	1,896,408	4,038,101	5,181,290	5,292,561	3,424,730	3,986,362
	6,418,879	5,847,797	7,371,586	3,751,847	3,290,259	3,005,304
	5,699,850	7,169,225	10,129,747	16,774,041	7,645,873	4,356,255
	1,072,132	976,494	900,060	995,794	804,468	723,031
	2,441,958	2,557,671	2,371,762	2,393,615	957,683	844,365
	<u>34,216,453</u>	<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>
	5,005,356	4,865,177	4,944,688	4,114,633	3,976,099	3,599,051
	8,086,250	7,789,311	7,266,917	7,279,360	6,523,749	5,838,478
	2,927,280	2,645,973	2,449,685	2,190,136	2,301,304	2,327,586
	4,677,846	4,488,941	4,148,528	4,607,790	3,771,346	3,613,237
	3,362,390	3,323,862	3,515,914	2,997,807	2,555,315	2,893,455
	6,242,932	2,359,201	7,783,356	14,820,397	6,850,666	10,201,297
	1,681,868	1,484,640	4,501,400	955,000	870,000	785,000
	1,412,972	1,405,671	1,403,999	1,480,593	1,515,455	1,536,000
	<u>33,396,894</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>
	819,559	5,239,123	1,722,184	2,093,144	(1,192,401)	(7,342,252)
	6,000,000	-	3,446,400	229,950	300,000	3,446,400
	302,500	-	-	-	-	-
	75,663,161	3,889,955	3,831,659	3,869,123	5,882,415	4,935,057
	(67,945,292)	(2,692,672)	(2,880,958)	(2,655,623)	(3,327,647)	(2,797,250)
	-	-	-	-	(2,282,874)	-
	<u>14,020,369</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>
	14,839,928	6,436,406	6,119,285	3,536,594	(620,507)	(1,758,045)
	31,647,803	25,211,397	19,092,112	15,555,518	16,176,025	17,934,070
\$	<u>46,487,731</u>	<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>11.40%</u>	<u>11.11%</u>	<u>21.08%</u>	<u>10.31%</u>	<u>11.09%</u>	<u>11.27%</u>

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

Fiscal Year Ended June 30	Real Property ⁽²⁾		Personal Property		Total TAV	Total Estimated Actual Value ⁽¹⁾	Ratio of TAV to Estimated Actual Value	Direct Tax rate
	Taxable Assessed Value (TAV)	Estimated Actual Value ⁽¹⁾	Taxable Assessed Value (TAV)	Estimated Actual Value ⁽¹⁾				
2019	\$ 3,064,848,212	\$ 5,098,679,755	\$ 172,780,575	\$ 176,287,179	\$ 3,237,628,787	\$ 5,274,966,934	61.4%	\$5.0613
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

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

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

Source: Clackamas County Tax Assessor

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

Fiscal Year Ended June 30,	City Direct Rates				Overlapping Rates						Total Direct and Overlapping
	General Operating	Bonded Debt	Urban Renewal Agency	Total Direct	Oregon City School District	Clackamas Community College	Education Service District	Clackamas County ⁽¹⁾	Other Districts ⁽²⁾	Total Overlapping	
2019	4.1795	-	0.8818	5.0613	5.6854	0.7034	0.3484	3.1307	2.9049	12.7728	17.8341
2018	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

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

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

Source: Clackamas County Assessor and Tax Collector

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

Taxpayer	Type of Business	2018-2019			2009-2010		
		Assessed Value	Rank	Percentage of Total Value	Assessed Value	Rank	Percentage of Total Value
The Landing - 302 LLC	Real Estate	\$ 50,050,119	1	1.55%			
Portland General Electric Company	Utility	41,704,731	2	1.29%	\$ 20,675,000	2	0.94%
Quantum Management	Apartments	24,058,939	3	0.74%	18,670,922	3	0.85%
Metropolitan Life Insurance Company	Retail	22,673,207	4	0.70%	16,446,922	5	0.75%
Loja Trails End LLC	Real Estate	21,105,890	5	0.65%			
Craig T Danielson	Real Estate	20,969,496	6	0.65%			
Centurylink	Utility	18,339,000	7	0.57%			
Northwest Natural Gas Co.	Utility	18,110,000	8	0.56%	16,508,300	4	0.75%
Providence Health	Health Services	16,793,394	9	0.52%			
Oregon Center LLC	Health Services	16,549,859	10	0.51%			
Comcast Corporation	Utility				13,062,600	7	0.59%
Blue Heron Paper Company*	Paper Manufacturer				21,352,266	1	0.97%
Trails End Oregon Investors LLC**	Real Estate				16,284,208	6	0.74%
Qwest Corporation	Utility				10,309,400	10	0.47%
Berry Heights Ltd Partnership	Real Estate				11,481,375	8	0.52%
3D Investments LLC	Real Estate				11,395,320	9	0.52%
Subtotal - ten of the City's largest taxpayers		250,354,635		7.74%	156,186,313		7.10%
All other City taxpayers in Clackamas County		2,987,274,152		92.26%	2,040,752,698		92.90%
<i>Total City taxpayers</i>		<u>\$ 3,237,628,787</u>		<u>100.00%</u>	<u>\$ 2,196,939,011</u>		<u>100.00%</u>

Source: Clackamas County Tax Assessor

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

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

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

Fiscal Year Ended June 30	Total Extended Tax Levy	Current Tax Collections (Within Year)	Percent of Current Taxes Collected	Subsequent Years Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2019	\$ 13,518,480	\$ 12,927,465	95.63%	\$ -	\$ 12,927,465	95.63%	\$ 196,458	1.45%
2018	12,935,275	12,316,356	95.22%	141,204	12,457,560	96.31%	81,395	0.63%
2017	12,596,284	12,008,721	95.34%	154,306	12,163,027	96.56%	45,346	0.36%
2016	12,105,761	11,512,412	95.10%	216,012	11,728,424	96.88%	19,848	0.16%
2015	11,576,491	10,996,578	94.99%	259,004	11,255,582	97.23%	6,317	0.05%
2014	11,032,614	10,458,857	94.80%	275,007	10,733,864	97.29%	5,486	0.05%
2013	9,919,281	9,350,427	94.27%	292,311	9,642,738	97.21%	4,039	0.04%
2012	9,664,172	9,081,404	93.97%	308,279	9,389,683	97.16%	3,381	0.03%
2011	9,345,775	8,748,803	93.61%	293,436	9,042,239	96.75%	2,995	0.03%
2010	9,005,568	8,434,642	93.66%	313,611	8,748,253	97.14%	2,486	0.03%

Sources: Clackamas County Assessor and Tax Collector

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

Total property real market value	\$5,274,966,934
	<u>3%</u>
Debt limit (3% of total property real market value) ⁽¹⁾	158,249,008
Amount of debt applicable to debt limit:	
Total bonded debt	37,898,658
Less debt excluded from debt limit:	
Urban renewal bonds	(7,033,560)
Limited obligation bonds	<u>(25,935,000)</u>
Net amount of debt applicable to limit	<u>4,930,098</u>
Legal debt margin - amount available for future indebtedness	<u>\$ 153,318,910</u>
Percentage of City's indebtedness to total allowed	3.22%

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Debt limit	\$ 158,249,008	\$ 143,231,895	\$ 127,012,516	\$ 112,517,283	\$ 99,836,226
Debt applicable to maximum limit	<u>4,930,098</u>	<u>5,185,748</u>	<u>5,433,759</u>	<u>6,059,360</u>	<u>6,657,772</u>
Legal debt margin available	<u>\$ 153,318,910</u>	<u>\$ 138,046,147</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	3.22%	3.76%	5.69%	7.15%	1.25%
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	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Debt limit	\$ 89,041,389	\$ 81,431,836	\$ 84,554,098	\$ 92,781,742	\$ 102,458,223
Debt applicable to maximum limit	<u>1,095,000</u>	<u>1,425,000</u>	<u>1,750,000</u>	<u>2,050,000</u>	<u>2,355,000</u>
Legal debt margin available	<u>\$ 87,946,389</u>	<u>\$ 80,006,836</u>	<u>\$ 82,804,098</u>	<u>\$ 90,731,742</u>	<u>\$ 100,103,223</u>

Debt applicable to the maximum limit as a percentage of debt limit	1.25%	1.78%	2.11%	2.26%	2.35%
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⁽¹⁾ Pursuant to Oregon Revised Statutes 287A.050, outstanding general obligation debt is limited to three percent of real market value.

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

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

Fiscal Year Ended June 30,	Governmental Activities				Business-type Activities		Total primary government	Percentage of personal income ⁽¹⁾	Per capita ⁽¹⁾
	Oregon City		Urban Renewal		Water revenue bonds	Sewer revenue bonds			
	General obligation bonds	Limited obligation bonds	Tax increment bonds	Line of credit					
2019	\$4,930,098	\$25,935,000	\$ 7,033,560	\$ -	\$ -	\$ -	\$37,898,658	N/A	\$ 1,065
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

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

Source: Annual Financial Reports

CITY OF OREGON CITY, OREGON

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

Fiscal Year Ended June 30,	Population ⁽¹⁾	Total Assessed Value ⁽²⁾	Gross Bonded Debt ⁽³⁾	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2019	35,570	\$ 3,237,628,787	\$30,865,098	\$ -	\$30,865,098	0.95%	\$ 868
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	96,672	18,707,087	0.64%	541
2016	34,240	2,801,945,084	20,079,360	69,805	20,009,555	0.71%	584
2015	34,594	2,690,169,028	21,247,772	48,780	21,198,992	0.79%	613
2014	34,622	2,563,482,092	16,180,000	26,598	16,153,402	0.63%	467
2013	32,782	2,442,131,136	16,935,000	37,517	16,897,483	0.69%	515
2012	32,500	2,368,465,941	17,625,000	39,201	17,585,799	0.74%	541
2011	32,220	2,291,289,574	18,230,000	35,249	18,194,751	0.79%	565
2010	31,995	2,196,939,011	18,765,000	8,387	18,756,613	0.85%	586

⁽¹⁾ Portland State University, Annual Population Statistics

⁽²⁾ Clackamas County Tax Assessor

⁽³⁾ June 30 principal balance, annual financial statements - City only

CITY OF OREGON CITY, OREGON
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2019

<u>Jurisdiction</u>	<u>Estimated Actual Value Overlapping Districts</u>	<u>Debt Outstanding Governmental Activities</u>	<u>Percentage Applicable to City ⁽¹⁾</u>	<u>Amount Applicable to Governmental Activities</u>
Direct:				
City of Oregon City	\$ 4,774,396,498	\$ 37,898,658	100.00%	\$ 37,898,658
Overlapping:				
Clackamas Community College	57,813,899,000	93,763,913	9.13%	8,557,457
Clackamas County	78,616,684,571	129,945,000	6.71%	8,721,389
Clackamas County Education Service District	74,946,144,985	20,970,000	7.04%	1,476,351
Clackamas County Fire District #1	35,892,916,692	29,447,277	14.70%	4,328,897
Oregon City School District No. 62	9,019,910,298	212,093,894	58.50%	124,070,474
Clackamas Soil & Water Conservation	78,616,700,641	6,815,000	6.71%	457,396
Metro	331,648,968,470	819,020,000	1.59%	13,017,504
Total Overlapping:	<u>666,555,224,657</u>	<u>1,312,055,084</u>		<u>160,629,468</u>
<i>Total Bonded Debt</i>	<u>\$ 671,329,621,155</u>	<u>\$ 1,349,953,742</u>		<u>\$ 198,528,126</u>

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

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

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

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

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

Fiscal Year		Personal	Per capita		County
Ended	Population ⁽¹⁾	income ⁽²⁾	personal	School	unemployment
June 30,		(in thousands)	income ⁽²⁾	enrollment ⁽³⁾	rate ⁽⁴⁾
2019	35,570	N/A	N/A	7,835	3.6%
2018	34,860	2,043,075	58,608	7,874	3.5%
2017	34,610	1,920,094	55,478	7,425	3.8%
2016	34,240	1,841,324	53,777	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%

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

⁽²⁾ Bureau of Economic Analysis
 Clackamas County (Years 2017-2019)
 Metropolitan Statistical Area to Portland-Vancouver-Hillsboro, OR-WA (Years 2010-2016)

⁽³⁾ Oregon Department of Education

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

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

Employer	Type of Business	2019		
		Employees	Rank	Percentage of total City employment
Clackamas County	Government	2,171	1	15.06%
Oregon City School District	Education	826	2	5.73%
Clackamas Community College	Education	886	3	6.14%
Providence Health	Health Services	676	4	4.69%
Benchmade Knife Co., Inc	Manufacturing	393	5	2.73%
Fred Meyer	Retail	373	6	2.59%
Home Depot	Retail	254	7	1.76%
Orchard Orthopedic Solutions Oregon, Inc	Health Services	213	8	1.48%
City of Oregon City	Government	206	9	1.43%
Safeway	Retail	186	10	1.29%
Total		6,184		42.90%

Historical number of employees data from 2009-2010 is not available.

Source: City of Oregon City - Business Licenses

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

<i>Function</i>	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General government										
Number of job applications processed	1,700	1,585	1,654	1,175	1,472	1,001	1,162	1,016	1,275	1,350
Number of positions filled	76	87	96	79	80	57	78	47	17	18
Public Safety *										
Calls for service	36,079	24,200	24,000	23,600	23,465	26,970	26,441	27,144	26,612	24,914
Number of arrests	1,549	1,520	1,500	1,437	1,682	1,517	1,614	1,515	1,371	1,289
Municipal court cases processed	10,060	7,800	6,900	7,769	6,024	6,268	5,977	5,737	5,202	4,508
Public Works										
Hundred cubic feet of water consumed (Million)	2.0	1.5	1.5	1.5	1.4	1.5	1.5	1.5	1.4	1.5
Number of water customers (Average)	11,609	11,285	10,700	10,614	10,445	10,248	10,262	9,913	9,873	9,787
Culture and recreation										
Pioneer Community Center (Senior Center)										
People transportation provided for	7,863	7,961	8,150	8,146	7,811	7,810	8,940	10,537	10,774	10,373
Meals on Wheels delivered	32,195	32,092	30,147	30,800	29,716	27,173	29,588	30,057	30,158	27,648
Congregate meals served at Center	8,189	8,119	7,518	7,701	7,973	8,731	10,716	11,252	10,381	9,464
Swimming Pool										
Number of visits per year	117,640	138,665	138,807	141,520	141,715	141,295	121,600	120,434	125,043	121,462

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
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	44	40	38	37	34	34	34	N/A	N/A	N/A
Public Works										
Buildings and facilities	2	2	1	1	1	1	1	1	1	1
Miles of streets	142	139	136	136	136	136	136	136	N/A	N/A
Miles of sidewalks	157	147	145	141	135	135	135	135	N/A	N/A
Acres of right-of-ways	1,179	1,125	1,125	1,125	1,125	1,125	1,125	1,125	N/A	N/A
Signalized intersections	49	52	50	50	49	49	47	N/A	N/A	N/A
Culture and recreation										
Buildings and facilities	7	7	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	1	-	-	-	-	-	-	-	-
Business-type activities:										
Water										
Miles of water mains	170	169	169	167	163	163	162	162	154	N/A
Reservoirs	5	5	5	5	5	5	5	5	5	5
Fire hydrants	1,494	1,478	1,478	1,464	1,458	1,430	1,430	1,430	1,430	N/A
Sewer										
Miles of sewer lines	136	133	133	133	132	132	132	132	N/A	N/A
Pump stations	14	14	14	14	12	12	12	12	13	N/A
Stormwater										
Drainage basins	23	23	23	23	23	22	22	22	22	22
Detention ponds	86	83	83	83	79	53	53	53	53	53
Catch basins (approximately)	4,242	4,235	4,235	4,235	4,202	4,400	4,400	4,400	4,400	4,400
Miles of streams	33	31	31	31	31	30	30	30	30	30

Notes:

*2010 and prior City Hall and the Police station shared a facility
Public Works and Community Services purchased facilities in 2018 for future development.
Community Development relocated to its own facility in 2018.
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

Fiscal Year Ended June 30,	Function / Program								Total
	General Government	Public Safety	Public Works	Culture and Recreation	Planning and Building	Water	Storm Drain	Sewer	
2019	24.66	58.48	18.69	53.12	14.00	12.96	10.16	16.55	208.62
2018	24.66	58.48	18.69	53.12	14.00	12.96	10.16	16.55	208.62
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

In Fiscal Year 2016, the City brought the Information Technology contract in house and hired IT staff. The Police Department added a homeless liaison officer and two school resource officers in 2018.

Source: City of Oregon City Finance department

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, 2019 and have issued our report thereon dated December 30, 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'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 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 was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

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

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

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

Purpose of this Report

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



For Merina+Co
Tualatin, Oregon
December 30, 2019