



Kent Taylor Civic Hall  
200 NE Second Street  
McMinnville, OR 97128

**City Council Meeting Agenda  
Tuesday, February 13, 2018  
5:45 p.m. – Work Session  
7:00 p.m. – Regular Council Meeting**

*Welcome! All persons addressing the Council will please use the table at the front of the Council Chambers. All testimony is electronically recorded. Public participation is encouraged. If you desire to speak on any agenda item, please raise your hand to be recognized after the Mayor calls the item. If you wish to address Council on any item not on the agenda, you may respond as the Mayor calls for "Invitation to Citizens for Public Comment."*

**5:45 PM – WORK SESSION – COUNCIL CHAMBERS**

1. Call to Order
2. Discussion on Values – Strategic Planning
3. Affordable Housing Task Force Homeless Subcommittee Report
4. Adjournment

**7:00 PM – REGULAR COUNCIL MEETING – COUNCIL CHAMBERS**

1. CALL TO ORDER
2. PLEDGE OF ALLEGIANCE
3. INVITATION TO CITIZENS FOR PUBLIC COMMENT – *The Mayor will announce that any interested audience members are invited to provide comments. Anyone may speak on any topic other than: a topic already on the agenda; a matter in litigation, a quasi-judicial land use matter; or a matter scheduled for public hearing at some future date. The Mayor may limit comments to 3 minutes per person for a total of 30 minutes. Please complete a request to speak card prior to the meeting. Speakers may not yield their time to others.*
4. PRESENTATION
  - a. Mayor's Legacy Award
5. **JOINT MEETING MCMINNVILLE URBAN RENEWAL AGENCY MEETING & MCMINNVILLE CITY COUNCIL**
  - a. Call to Order
  - b. Presentation: Audit Report for Fiscal Year 2016-2017 presented by Merina & Company
  - c. Adjournment of Joint Meeting
6. CONSENT AGENDA
  - a. Consider the Minutes of January 17<sup>th</sup> Special Called City Council Meeting.

7. RESOLUTION

- a. **Resolution No. 2018-08:** A Resolution establishing revised System Development Charges (SDCs) pertaining to parks and recreation, sanitary sewer, and transportation; and repealing Resolution No. 2017-06.

8. ADVICE/ INFORMATION ITEMS

- a. Reports from Councilors on Committee & Board Assignments
- b. Department Head Reports

9. EXECUTIVE SESSION IN ACCORDANCE WITH ORS 192.660 (2)(I) TO REVIEW AND EVALUATE THE EMPLOYMENT-RELATED PERFORMANCE OF THE CITY ATTORNEY.

10. ADJOURNMENT



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The City of McMinnville's financial statement audit and Single Audit for the fiscal year ended June 30, 2017, were completed in January 2018. Ms. Tonya Moffitt, Partner with Merina & Company, will attend the February 13<sup>th</sup> Council meeting to present the audit reports to the City Council. Ms. Moffitt also met with the City's Audit Committee on February 13<sup>th</sup> to review the contents of the reports.

The 2017 Comprehensive Annual Financial Report (CAFR) has been submitted to the Government Finance Officers Association (GFOA) for the Certificate of Achievement in Excellence for Financial Reporting program. In addition, the 2017 CAFR has been submitted to the Secretary of State Division of Audits as required by ORS 297.425 and the Single Audit Report has been filed with the Federal Audit Clearinghouse.

**Attachments:**

- City of McMinnville Comprehensive Annual Financial Report for the Year Ended June 30, 2017
- City of McMinnville Single Audit Report for the Year Ended June 30, 2017



**CITY OF MCMINNVILLE, OREGON**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 201**



**CITY OF MCMINNVILLE, OREGON**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2017**

Prepared by:

**Finance Department**

**Marcia T. Baragary, CPA**  
Finance Director

**Debbie Smith-Wagar, CPA**

**City of McMinnville, Oregon**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2017**

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**City of McMinnville, Oregon**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2017**

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**City of McMinnville, Oregon**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2017**

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## **INTRODUCTORY SECTION**

- Letter of Transmittal
- GFOA Certificate of Achievement
- Elected Officials and Principal Appointed Officers
- Organizational Chart





230 NE Second Street McMinnville, Oregon 97128 [www.mcminnvilleoregon.gov](http://www.mcminnvilleoregon.gov)

January 8, 2018

Mayor Scott Hill  
City Councilors  
Citizens of the City of McMinnville

City management is pleased to submit the City of McMinnville's *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2017. The *Comprehensive Annual Financial Report (CAFR)* presents the financial position of the City of McMinnville (City) as of June 30, 2017 and the results of City operations and proprietary fund cash flows for the year then ended. The City's financial statements and schedules were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The City's statements and schedules were audited by Merina and Company, LLP in accordance with auditing standards generally accepted in the United States of America. Merina and Company, LLP concluded the basic financial statements are free of material misstatement and issued an unmodified opinion which is presented in the second section of this report. Financial accuracy, completeness, and fairness of presentations in the *CAFR* are the responsibility of City of McMinnville's management. City management has established a comprehensive framework of internal controls to provide a reasonable basis for asserting that the financial statements are fairly presented. Since the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. City management asserts the *CAFR* is complete and reliable in all material respects.

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

#### **Profile of the Government:**

**City of McMinnville:** The city is located in the agriculturally rich Willamette Valley 40 miles southwest of Portland, the largest metropolitan area in Oregon. McMinnville is the county seat of Yamhill County, the eighteenth largest city in Oregon, and the economic hub of the region.

The City is a municipal government, incorporated as a town in 1876 and as a city in 1882, operating under the council-manager form of government. The elected officials are a mayor and six city council members. The City provides a full range of services, including police and fire protection; ambulance services; municipal court; wastewater treatment, system construction and maintenance; street construction and maintenance; engineering and planning services; building permitting and inspection services; parks, recreational and cultural activities; and a municipal airport.

**Transmittal Letter**  
**Year Ended June 30, 2017**

**McMinnville Water and Light Department:** In addition to the City's primary services the City has one discretely presented component unit, the McMinnville Water and Light Department (Department). The Department is governed by the Water and Light Commission, which is appointed by the mayor and confirmed by city council members. The Department provides water and electrical services to McMinnville residents. Additional information on the Department is located in the notes to the financial statements, Note I. B.3.

**McMinnville Urban Renewal Agency:** The City's financial statements also include the McMinnville Urban Renewal Agency (URA) as a blended component unit. Additional information on the URA is located in the notes to the financial statements, Note I.B.2.

**Local Economy:**

As the regional seat of government and the largest of Yamhill County's municipalities, McMinnville has a diverse economic base that blends all of the County's commercial sectors. Four of the top five employers in McMinnville provide services related to education, government, and healthcare, providing a stable base for the City's economy. McMinnville is home to nearly 90 manufacturers, producing a wide variety of goods. Products include steel rebar, health food products, plastic and rubber products, fabricated metal products, chemicals and nonmetallic mineral products, unmanned aerial vehicles, software and computer products, and many other types of goods.

McMinnville's top jobs by occupation are office and administrative support (15 percent); sales (11 percent); executive, managers and administrators (11 percent); production workers (8 percent); and education, training and library jobs (6 percent). McMinnville's principal employers are listed in the Statistical Section at the end of this report.

**Employment:** According to the Bureau of Labor Statistics, unemployment rates for Yamhill County have trended downward over the past year. Unemployment rates (not seasonally adjusted) for Yamhill County were 3.8 percent in June 2017 compared to 5.1 percent in June 2016. For comparison, the unemployment rate for the state of Oregon was 4.0 percent and 5.3 percent in June 2017 and June 2016, respectively.

Yamhill County's private sector employment increased by 4.2 percent over the past year, per the Oregon Employment Department. The fastest-growing private-sector industries included professional and business services, construction and trade, transportation, and utilities.

According to a September 2017 report released by the Oregon Office of Economic Analysis (OEA), economic expansion in Oregon continues to outperform many states due to the state's industrial structure and the ability to attract and retain young, working-age households. While job growth in Oregon has slowed since the "full-throttle" rates seen in 2014 and 2015, Oregon is still outpacing the nation overall, and Oregon is expected to continue to see healthy job gains sufficient to hold unemployment down and account for ongoing population growth.

**Tourism:** McMinnville is located in the heart of Oregon wine country, where an ideal combination of soil types and a mild climate enable area winemakers to produce world-class wines. There are approximately 250 wineries within a 25 mile radius of McMinnville with 20 tasting rooms and nine wineries operating within the City. Wineries and tasting rooms open to the public are a natural draw for tourists throughout the year. Many wineries also have festivals, music performances, and picnics during the summer. In August, McMinnville's Linfield College hosts the International Pinot Noir Festival. This festival brings participants from as far away as California, France, and Australia. The strength of the wine industry in McMinnville and surrounding area has been a significant factor in growth of the local economy. The Oregon wine industry, in which Yamhill County plays a leading role, is now a billion dollar-a-year business. To promote wine tourism and other attractions, the City implemented a transient lodging tax in 2014, which provides funding for tourism promotion and marketing of McMinnville as a premiere destination for wine and culinary tourism.

**Transmittal Letter**  
**Year Ended June 30, 2017**

The Evergreen Museum campus buildings include the Evergreen Air Museum, the Space Museum, the Wings and Waves Waterpark, a chapel, and an iMax theatre. The Museums display a number of military and civilian aircraft and spacecraft, most notably, the Hughes H-4 Hercules Spruce Goose. Evergreen properties have been under new ownership since 2016. The Falls at McMinnville Event Center, LLC owns the majority of the Evergreen properties, including the Space Museum, Waterpark, the chapel, as well as several other parcels of vacant land surrounding the Waterpark. As of January 2018, the Falls Event Center has unpaid taxes for tax years 2016 and 2017. The City's share of the unpaid taxes is approximately \$83,000. Museum activities are managed by an independent museum operator and efforts are on-going to ensure that the Museums continue to attract a significant number of tourists to McMinnville.

**Population Growth:** Over the last ten years, McMinnville's population has grown by approximately four percent, with the last four years showing moderate but steady growth. Both new employers and residents are attracted to McMinnville because of its "livability" and its close proximity to the Portland metropolitan area, Salem (the state capital), the Cascade mountain range, and the Oregon coast. Other factors contributing to the livability are the vitality of McMinnville's Historic Downtown District, Linfield College, and excellence of medical and City services. For comparison, during the same ten year period, Yamhill County's population grew 12 percent, while the State of Oregon's population grew by nine percent total for the ten year period.

Population Estimates						
McMinnville			Yamhill County		State of Oregon	
<u>Year</u>	<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>
2008	32,400	2.3%	94,325	1.3%	3,791,075	1.2%
2013	32,510	0.2	101,400	0.8	3,919,020	0.9
2014	32,705	0.6	102,252	0.8	3,962,565	1.1
2015	33,080	1.1	103,630	1.3	4,013,845	1.3
2016	33,405	1.1	104,990	1.3	4,076,350	1.5
2017	33,665	0.7	106,300	1.2	4,141,100	1.6

Source: US Census Bureau, Portland State University Population Research Center certified yearly estimates.

McMinnville's population is projected to reach approximately 37,700 by 2025, an increase of 12 percent from its 2017 population estimate of 33,665. Yamhill County populations are also projected to increase by 12 percent, compared to the 2017 population estimate. A population projection for the State is unavailable.

**Residential, Commercial, and Industrial Development:** During fiscal year 2016-17, commercial permits were demonstrative of a returning industrial market and the results of a local school bond to rehabilitate and expand local school facilities. Some of the illustrative commercial projects include the following: an industrial wine processing facility (\$8.6 million); a large commercial expansion project (\$6.5 million); a variety of new warehouse buildings (\$2.9 million); the repositioning of a creamery to support a new business (\$1.0 million); a commercial office remodel to support a growing software company (\$1.1 million); a new four-story boutique hotel (\$4.3 million); and a variety of McMinnville School District new construction and remodel projects (\$16.0 million). During fiscal year 2016-17, fifty-eight commercial construction permits were issued with a total valuation of \$49.1 million.

Sixty-five new residential permits were issued in fiscal year 2016-17 with a total valuation of \$15.2 million. Several housing projects were approved in the planning phases, including two new subdivisions totaling 280 units, and several multi-family developments.

**Transmittal Letter**  
**Year Ended June 30, 2017**

**Property Values:** Maximum assessed values and real market values are factors that are useful in measuring the economic health of a community. As illustrated in the table on the following page, the maximum assessed value for McMinnville increased by 14 percent in the last five years and 39 percent over the last ten years. Increases were primarily related to new construction and major commercial building improvements.

From 2008 to 2017, real market value for McMinnville increased by 10 percent and Yamhill County's real market value grew by 11 percent in the last ten years. Although the City's real market value declined from 2010 through 2014, real market value has shown a steady increase over the last three years. Maximum assessed value as a percentage of real market value was 73 percent in 2017.

**Property Values --- Maximum Assessed Value and Real Market Value**  
(\$s in thousands)

McMinnville					Yamhill County	
<u>Fiscal Year End</u>	<u>Maximum Assessed Value</u>	<u>Percent Change</u>	<u>Real Market Value</u>	<u>Percent Change</u>	<u>Real Market Value</u>	<u>Percent Change</u>
2008	\$ 1,798,841	7.3%	\$ 3,117,670	10.4%	\$ 10,321,298	12.9%
2013	2,199,145	2.7	2,767,635	(1.4)	8,911,056	(3.0)
2014	2,233,167	1.5	2,748,716	(0.7)	9,156,128	2.8
2015	2,304,514	3.2	2,861,726	3.9	9,699,390	5.6
2016	2,450,382	6.3	3,119,906	8.3	10,303,700	5.9
2017	2,509,071	2.4	3,418,883	8.7	11,429,250	9.8

Source: Yamhill County Assessor's Office

**Property Tax Rates:** Since fiscal year 2001, the City has levied its entire permanent property tax rate of \$5.02 per \$1,000 of assessed value for operations, as provided for in the 1996 Oregon tax limitation measure. Oregon law allows the City to levy property taxes for payment on debt that has been approved by the voters. Generally, the City's debt service levy remained relatively consistent until 2016, when the debt service levy was increased to make principal and interest payments on the general obligation bonds issued in 2015.

**Property Tax Rates**  
(per thousand of assessed valuation)

City of McMinnville - Only					McMinnville Tax Code #40
<u>Fiscal Year Ended</u>	<u>Operating Levy</u>	<u>Debt Service Levy</u>	<u>Urban Renewal</u>	<u>Total Property Tax Levy</u>	<u>Consolidated Property Tax Rate</u>
2008	\$ 5.02	\$ 0.85	-	\$ 5.87	\$ 16.59
2013	5.02	0.63	-	5.65	16.56
2014	5.02	0.70	-	5.72	16.49
2015	5.02	0.68	0.04	5.74	16.58
2016	5.02	1.17	0.05	6.24	17.04
2017	5.02	1.08	0.07	6.18	16.93

Source: Yamhill County Assessor's Office

**Fiscal Policy and Financial Planning:**

To facilitate long-term planning, City management utilizes a five year financial forecast model. Forecasting enables policymakers to take action in a timely manner, to mitigate future financial problems, and to allow planning for expansion when economic conditions improve. The City's fiscal policy is to budget for the upcoming fiscal year, while taking into consideration factors that will impact subsequent years' budgets. This policy has enabled the City to successfully navigate through the previous recession, providing adequate levels of services to its citizens while maintaining a healthy General Fund cash reserve.

For fiscal year 2017, the City's General Fund ending fund balance is approximately 34 percent of total General Fund operating expenditures, including transfers out to other funds. This is significantly more than the minimum General Fund reserve targeted in the fund balance policy adopted by the City Council. This policy recommends that 25 percent of annual budgeted expenditures should be maintained as a cash reserve. Additional information on the City's fund balance policy is included in the notes to the financial statements, Note I.F.14.

**Major Initiatives:**

In 2013, City Council adopted an ordinance creating the McMinnville Urban Renewal Agency. The purpose of the Agency is to promote the development and redevelopment of the downtown core and the Northeast Gateway Area. These areas are vital to fulfilling the goals of the McMinnville Comprehensive Plan. The Urban Renewal Agency facilitates financing of projects within the urban renewal area. The Urban Renewal Agency collected \$0.2 million in incremental property taxes in fiscal year 2017.

From fiscal year 2015 through 2017, the City invested over \$12.0 million to complete the first phase of a major expansion of the Water Reclamation Facility. The expansion will greatly increase capacity of the wastewater collection system and Water Reclamation Facility and will enable the City to meet the needs of increased community growth and the ever-changing regulatory requirements. In that same timeframe, the City also completed over \$4.6 million in projects related to reducing inflow and infiltration. These projects are a vital component in controlling wastewater system overflows and reducing demands on the Water Reclamation Facility.

In November 2014, the voters of McMinnville approved issuance of \$24 million in general obligation for construction, expansion, and improvement of City streets and sidewalks. In April 2015, the City issued \$16 million in general obligation bonds to fund these projects. The remaining \$8 million in bonds will be issued in 2018 to complete the planned projects.

In 2018, the City will initiate a strategic planning process to help guide policies, project and service priorities, and budget allocations in the years ahead. The City has contracted with a professional consultant to facilitate extensive, diverse, and effective engagement of the public and other key stakeholders within the community. The plan will be completed by August 2018 and will include sections on who we are, where we are going, what we want to achieve, how we are going to achieve it, and how will we know when we have achieved it. This means analysis of strengths, weaknesses, opportunities and threats; socio-economic trends; values; history; community priorities; and financial forecasts. From there, it means agreeing on vision, mission, and aspirational financial forecasts, as well as strategic directions, goals, measurable objectives, targets, and performance metrics with five, ten, and twenty year horizons to measure the City's progress in implementing the plan.



**Transmittal Letter**  
**Year Ended June 30, 2017**

**Certificate of Achievement:**

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 McMinnville for its *Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended June 30, 2016. The City has received this recognition for 28 consecutive years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized *CAFR* and must satisfy both generally accepted accounting principles and applicable legal requirements. This award is the highest form of recognition for excellence in state and local government financial reporting.

A Certificate of Achievement is valid for a period of one year only. We believe our current *CAFR* continues to meet these standards and will be submitted to GFOA to determine eligibility for another certificate.

**Acknowledgements:**

The preparation of the *Comprehensive Annual Financial Report (CAFR)* is the final step in the completion of a successful year for the City's Finance Department. We would like to thank the City's accounting staff for their day-to-day dedication to professional accounting standards and to producing accurate accounting records, which are the basis for the financial statements included in the City's *CAFR*.

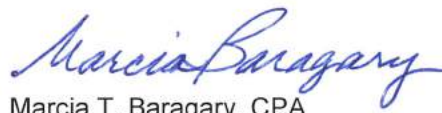
Special recognition is extended to Ms. Debbie Smith-Wagar, CPA who was instrumental in preparation of the *CAFR*.

Furthermore, we would like to acknowledge the efforts of all City department personnel who conscientiously adhere to internal controls throughout the year, helping to ensure accuracy and compliance with accounting policies. Department personnel also provide important statistical information, making the *CAFR* a meaningful presentation of the City's financial statements.

Special appreciation is also extended to the City of McMinnville Mayor, City Councilors, and Budget Committee for their support and for their continuing effort to conduct the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

  
Jeffrey R. Towery  
City Manager

  
Marcia T. Baragary, CPA  
Finance Director



Government Finance Officers Association

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

Presented to

**City of McMinnville  
Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

*Christopher P. Morill*

Executive Director/CEO



# CITY OF McMinnville, Oregon

## ELECTED OFFICIALS AND PRINCIPAL APPOINTED OFFICERS OF THE CITY

JUNE 30, 2017

	<u>CITY COUNCIL</u>	<u>TERM EXPIRES</u>
<b>Scott Hill</b> 1525 Gilson Court McMinnville Oregon 97128	Mayor	December 31, 2020
<b>Wendy Stassens</b> 166 SW Eckman Street McMinnville Oregon 97128	Ward I	December 31, 2020
<b>Kevin Jeffries</b> 2355 SW Peggy Street McMinnville Oregon 97128	Ward I	December 31, 2018
<b>Kellie Menke</b> 595 NW Mt Mazama Street McMinnville Oregon 97128	Ward II Council President	December 31, 2020
<b>Alan Ruden</b> 1688 NW Emerson Drive McMinnville Oregon 97128	Ward II	December 31, 2018
<b>Adam Garvin</b> 2940 NE Lafayette Avenue McMinnville Oregon 97128	Ward III	December 31, 2020
<b>Remy Drabkin</b> 1400 NE 17 <sup>th</sup> Street McMinnville Oregon 97128	Ward III	December 31, 2018

### CITY ADMINISTRATION

**Jeffrey R. Towery**

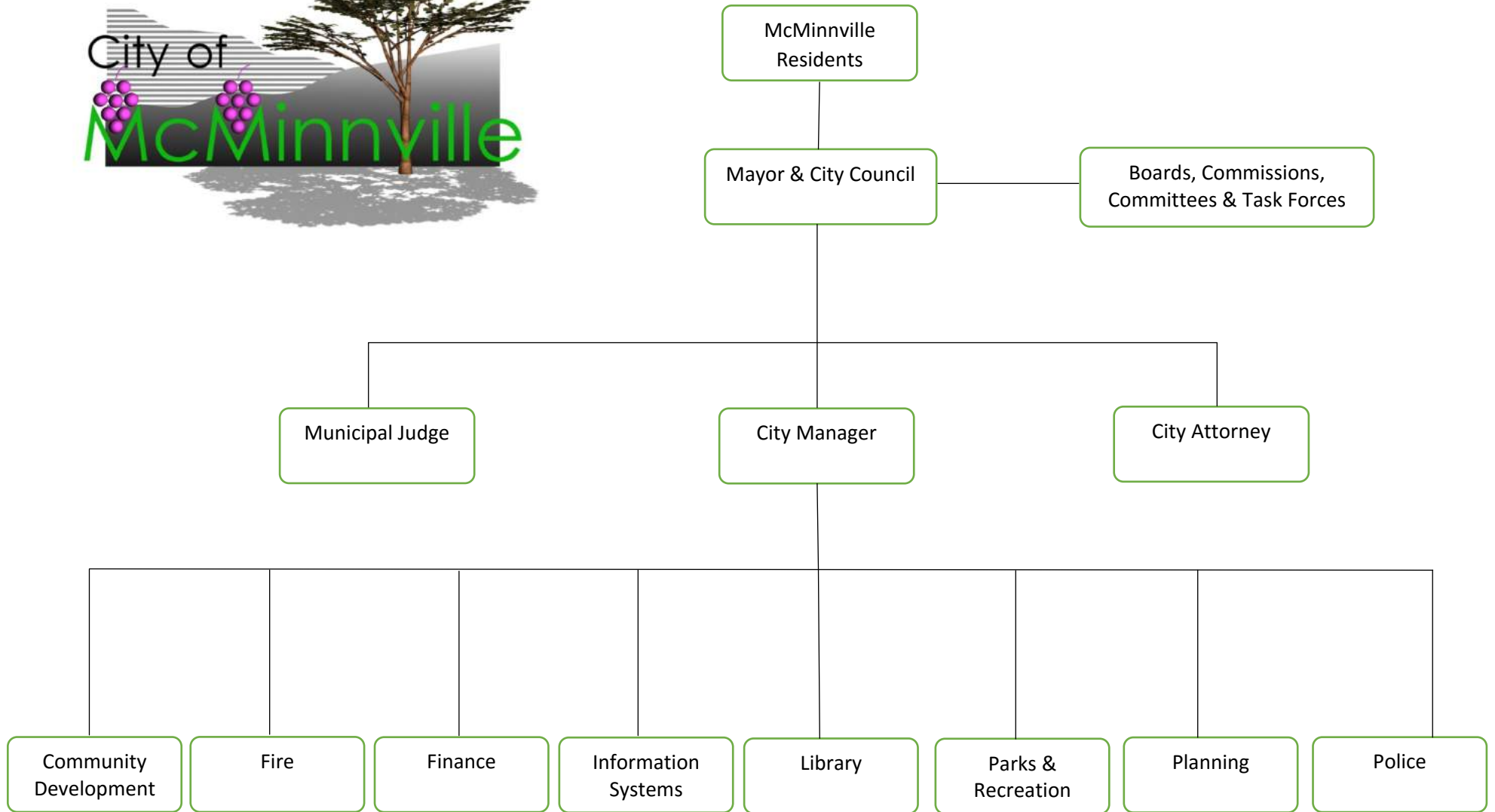
**City Manager**

**David R. Koch**

**City Attorney**

**Marcia T. Baragary, CPA**

**Finance Director**





## **FINANCIAL SECTION**

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements including Notes to Basic Financial Statements
- Required Supplementary Information



**PARTNERS**

**KAMALA K. AUSTIN, CPA • TONYA M. MOFFITT, CPA • ROBERT P. CROW, CPA**

**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and City Council  
City of McMinnville, Oregon

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of McMinnville, Oregon, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City of McMinnville, Oregon's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the McMinnville Water & Light (the Department), a discretely presented component unit of the City. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Department, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of McMinnville, Oregon, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective statement of revenues, expenditures, and changes in fund balances – budget and actual for the General Fund and the Airport Maintenance Fund, 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 IV.J to the financial statements, the City of McMinnville adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and GASB Statement No. 77, Tax Abatement Disclosures. Our opinion is not modified with respect to these matters.

### **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, as listed in the table of contents under required supplement 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 post-employment healthcare plan schedule of funding progress, schedule of the proportionate share of the net pension liability, and schedule of contributions, as listed in the table of contents under 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.

#### *Other Information*

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

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

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2018 on our consideration of City of McMinnville, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.<sup>10</sup> The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is issued separately and is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of McMinnville, Oregon's internal control over financial reporting and compliance.

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

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 8, 2018, on our consideration of City of McMinnville, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



For Merina & Company, LLP  
West Linn, Oregon  
January 8, 2018



## **City of McMinnville, Oregon Management's Discussion and Analysis**

The "Management's Discussion and Analysis" (MD&A) section of the City of McMinnville's (City) *Comprehensive Annual Financial Report* presents a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements, the accompanying notes to those financial statements, and the City's "Letter of Transmittal" contained in this *Comprehensive Annual Financial Report (CAFR)*. In an effort to make the MD&A more readable, all amounts have been rounded to the nearest million or in some cases the nearest thousand.

### **Financial Highlights**

- The City's assets and deferred outflows of resources totaled \$209.8 million at June 30, 2017, consisting of \$138.7 million in capital assets, \$36.4 million in unrestricted cash and investments, \$13.9 million in restricted cash and investments, and \$20.8 million in other assets and deferred outflows of resources. Total assets and deferred outflows of resources increased by \$16.6 million from the previous fiscal year.
- The City's liabilities and deferred inflows of resources totaled \$71.7 million at June 30, 2017 consisting of \$64.5 million in long-term liabilities and \$5.9 million in accounts payable and other liabilities, and \$1.3 million in deferred inflows related to pensions.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$138.2 million at the close of fiscal year 2017. Unrestricted net position totaled (\$1.8) million. The City's net position invested in capital assets net of related debt totaled \$123.0 million and net position restricted for capital projects, building operations, and debt service totaled \$17.0 million.
- For its governmental activities, the City generated \$3.9 million in charges for services and received \$5.1 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$28.8 million for the year. \$19.8 million of general revenues received and \$0.7 million in transfers out resulted in a decrease in net position, before restatement, of (\$0.7) million.
- For its business-type activities, the City generated \$14.2 million in charges for services, capital grants and contributions, and other revenue to fund direct expenses of \$12.3 million. In addition, \$0.7 million in transfers in resulted in a change in net position of \$2.6 million.
- The City's proprietary funds, including internal service funds activities, report a total net position of \$77.7 million, an increase of \$2.7 million over the prior year.
- Fund balance in the City's governmental funds was \$25.7 million at June 30, 2017, a decrease of \$5.6 million from June 30, 2016. Approximately \$6.4 million is available for spending at the City's discretion (*unassigned fund balance*). Additional information regarding governmental funds ending fund balances is included in the Fund Financial Analysis section of Management's Discussion and Analysis.

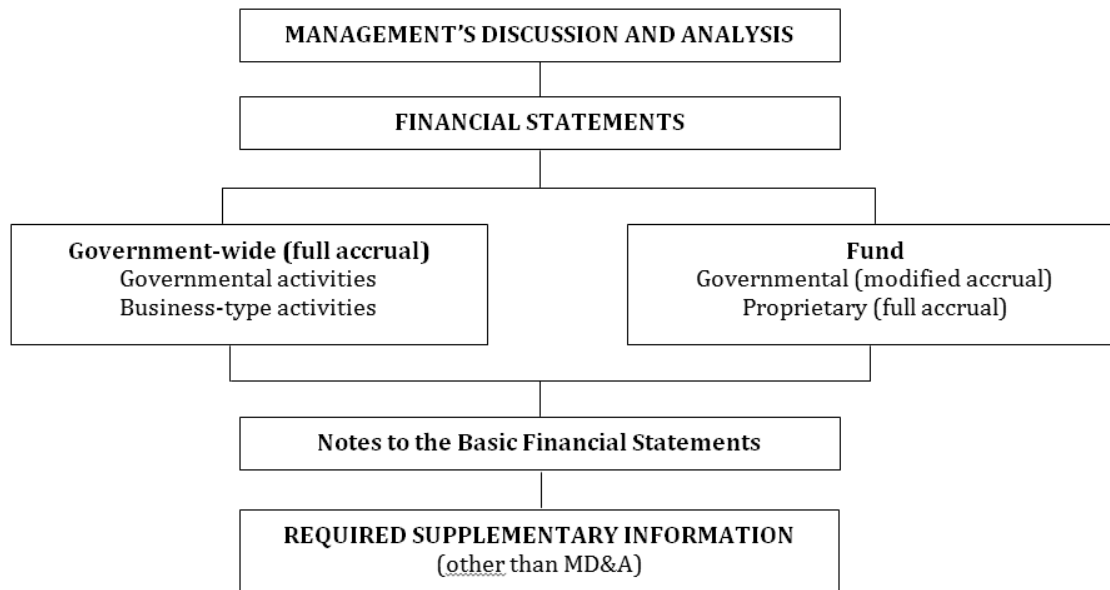
### **Overview of the Financial Statements**

In addition to this discussion and analysis, the financial section of this annual report contains the *basic financial statements, required supplementary information, and other supplementary information*, including the *combining statements and schedules* of the non-major funds.

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

## City of McMinnville - Management's Discussion and Analysis

**Chart 1 - Required Elements of the  
Comprehensive Annual Financial Report**



**Government-wide financial statements:** The government-wide financial statements are prepared using the full accrual method of accounting similar to private-sector accounting. Both the Statement of Net Position and the Statement of Activities distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- These government-wide financial statements include three reporting units; i.e., governmental activities and business-type activities that are combined for the primary government total, including the McMinnville Urban Renewal District, and the discretely presented component unit, McMinnville Water & Light Department (Department).
- Governmental activities of the City are general government, public safety, community development, culture and recreation, airport, and highways and streets. Property taxes, charges for services, and operating and capital grants and contributions fund most of these activities.
- Business-type activities of the City are Wastewater, Ambulance, and Building. The City charges fees to customers to recover the majority of the costs of these services.
- **Statement of Net Position:** This statement includes all assets, liabilities, deferred outflows and deferred inflows of resources with the difference reported as net position. Evaluating increases or decreases in net position over time can serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- **Statement of Activities:** This statement presents information showing how the City's net position changed during the fiscal year. The statement reports governmental and business-type activities' function/program expenses and program revenues and indicates the amount that must be supplemented by general revenues. General revenues include property taxes, franchise fees, and unrestricted state shared revenues and investment earnings.

## City of McMinnville - Management's Discussion and Analysis

**Fund financial statements:** 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements focus on major governmental and proprietary funds separately. The City's major governmental funds are each presented separately and the remaining non-major funds are combined in a column titled "Total Non-Major Governmental Funds." Statements for the City's proprietary funds follow the governmental statements.

- **Governmental funds:** Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. This fund reporting method may be more useful in evaluating the City's short-term financial requirements and position.

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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains thirteen governmental funds, three of which are considered major funds. The General Fund and Transportation Fund are major funds; the Airport Maintenance Fund is also classified as a major fund due to public interest in airport operations. The remaining governmental funds, six special revenue, two debt service and two capital projects funds, are classified as non-major funds and are aggregated for reporting in the fund financial statements. Non-major governmental funds data is provided in combining and individual fund statements and schedules.

- **Proprietary funds:** The City maintains two types of proprietary funds, enterprise funds and internal service funds.
  - Enterprise funds are used to account for Wastewater Services, Ambulance services, and Building operations. Wastewater Services and Ambulance are major funds. Enterprise funds use the full accrual method of accounting, as do the government-wide financial statements; therefore, no separate reconciliation is necessary.
  - Internal service funds are used to accumulate and allocate costs internally among the operating funds. The City's internal service funds are Information Systems & Services and Insurance Services. These funds are included with the proprietary funds in the fund financial statements and with the governmental activities in the government-wide financial statements, since the funds served are primarily governmental activities.

## City of McMinnville - Management's Discussion and Analysis

### Government-Wide Financial Analysis

As previously noted, the City adopted Government Accounting Standard Board (GASB) 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27* during fiscal year 2015. GASB Statement 68 established accounting and financial reporting standards for employers, including reporting of the net pension asset or liability on the statement of net position, and deferred inflows and outflows of resources associated with investment, economic and demographic gains and losses associated with pension plans. GASB Statement 68 also provides guidance related to the calculation of pension expense.

#### Statement of Net Position:

The following table is a summary of the City's net position compared to the prior fiscal year.

**Statement of Net Position**  
**June 30, 2017 and 2016**  
(in millions)

	Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total City		Water and Light	
	2017	2016	2017	2016	2017	2016	2017	2016
Cash and investments	\$ 28.4	\$ 33.3	\$ 21.9	\$ 18.3	\$ 50.3	\$ 51.6	\$ 42.7	\$ 38.5
Other assets	4.1	2.9	2.7	2.2	6.8	5.1	9.2	9.8
Capital assets	81.9	75.0	56.8	58.1	138.7	133.1	123.4	123.1
<b>Total assets</b>	<b>114.4</b>	<b>111.2</b>	<b>81.4</b>	<b>78.6</b>	<b>195.8</b>	<b>189.8</b>	<b>175.3</b>	<b>171.4</b>
Deferred outflows of resource	<b>10.3</b>	<b>2.6</b>	<b>3.7</b>	<b>0.8</b>	<b>14.0</b>	<b>3.4</b>	<b>5.1</b>	<b>1.1</b>
Other liabilities	5.1	3.3	0.8	1.4	5.9	4.7	5.5	5.0
Non-current liabilities	56.4	46.2	8.1	4.1	64.5	50.3	10.8	7.0
<b>Total liabilities</b>	<b>61.5</b>	<b>49.5</b>	<b>8.9</b>	<b>5.5</b>	<b>70.4</b>	<b>55.0</b>	<b>16.3</b>	<b>12.0</b>
Deferred inflows of resource	<b>0.9</b>	<b>1.9</b>	<b>0.4</b>	<b>0.6</b>	<b>1.3</b>	<b>2.5</b>	<b>0.5</b>	<b>0.9</b>
Invested in capital assets	66.2	60.2	56.8	58.2	123.0	118.4	123.4	123.0
Restricted	16.3	22.9	0.7	0.4	17.0	23.3	-	-
Unrestricted	(20.2)	(20.7)	18.4	14.7	(1.8)	(6.0)	40.3	36.4
<b>Total net position</b>	<b>\$ 62.3</b>	<b>\$ 62.4</b>	<b>\$ 75.9</b>	<b>\$ 73.3</b>	<b>\$ 138.2</b>	<b>\$ 135.7</b>	<b>\$ 163.7</b>	<b>\$ 159.4</b>

As previously noted, 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 \$138.2 million at the close of fiscal year 2017.

The largest portion of the City's net position, or \$123.0 million, is invested in capital assets. The City uses these capital assets to provide services to its citizens. Therefore, they do not represent resources available for future spending. Total restricted net position is \$17.0 million and represents amounts that are legally restricted for capital expansion, debt service, or other purposes. The total (\$1.8) million unrestricted net position is the net of a (\$20.2) million unrestricted net position in governmental activities and \$18.4 million unrestricted net position in business-type activities.

## City of McMinnville - Management's Discussion and Analysis

**For governmental activities**, total net position decreased by \$0.1 million compared to fiscal year 2016. Net investment in capital assets increased by \$6.0 million. Restricted net position decreased by \$6.6 million and unrestricted net position increased by \$0.5 million.

Capital assets increased by \$3.2 million compared to 2016 due to street infrastructure and airport runway construction projects. Deferred outflow of resources increased by \$7.7 million related to future pension obligations. Long term liabilities increased primarily due to the increase in the net pension liability of \$10.3 million and the issuance of long term debt for payoff of the City's PERS transition liability and urban renewal street improvement projects.

The major component of the decrease in restricted net position in governmental activities is related to spending down proceeds of the general obligation bonds that were issued in 2015 for transportation projects. As proceeds are expended on capital projects, restricted net position will decrease and net investment in capital assets will increase.

**For business-type activities**, total net position increased by \$2.6 million. The favorable change is primarily due to a significant increase in cash and investments in Wastewater Services, resulting from charges for services revenue exceeding operating expenses in 2017. This increase was partially offset by a decrease in Ambulance net position, due to rising operating expenses exceeding charges for services.

**Department - Statement of Net Position:** Total net position for the Department increased by \$4.3 million largely due to increases in cash and cash equivalents and an increase in deferred outflows related to the Department's future pension obligations. Long term liabilities increased as a result of the increase in the net pension liability by \$5.4 million. This increase was partially offset by the payoff of the Department's \$1.3 million PERS transition liability.



## City of McMinnville - Management's Discussion and Analysis

### Statement of Activities:

The table on the following page is a summary of the City's governmental and business-type activities compared to the prior fiscal year. Beginning net position has been restated to reflect implementation of GASB Statement 68 and the inclusion of pension related debt.

### Statement of Activities For the Years Ended June 30, 2017 and 2016 (Restated) (in millions)

	City of McMinnville - Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total City		Water and Light	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>								
Program revenues								
Charges for services	\$ 3.9	\$ 5.1	\$ 13.4	\$ 12.9	\$ 17.3	\$ 18.0	\$ 46.2	\$ 45.3
Operating grants & contributions	2.4	2.6	-	-	2.4	2.6	-	-
Capital grants & contributions	2.7	2.5	0.6	0.7	3.3	3.2	1.1	1.0
General revenues			-	-			-	-
Property taxes	15.0	14.7	-	-	15.0	14.7	-	-
Franchise taxes	2.4	2.5	-	-	2.4	2.5	-	-
Other	2.4	2.2	0.2	0.2	2.6	2.4	3.0	2.9
<b>Total revenues</b>	<b>28.8</b>	<b>29.6</b>	<b>14.2</b>	<b>13.8</b>	<b>43.0</b>	<b>43.4</b>	<b>50.3</b>	<b>49.2</b>
<b>Expenses:</b>								
Governmental activities								
General government	3.3	7.4	-	-	3.3	7.4	-	-
Community development	1.5	1.3	-	-	1.5	1.3	-	-
Public safety								
Police	9.7	11.6	-	-	9.7	11.6	-	-
Fire	3.2	2.8	-	-	3.2	2.8	-	-
Highways and streets	3.5	4.8	-	-	3.5	4.8	-	-
Culture and recreation								
Parks and recreation	4.2	5.1	-	-	4.2	5.1	-	-
Library	1.6	1.5	-	-	1.6	1.5	-	-
Airport	0.6	1.1	-	-	0.6	1.1	-	-
Interest on long-term debt	1.2	0.6	-	-	1.2	0.6	-	-
Business-type activities								
Wastewater	-	-	7.0	7.8	7.0	7.8	-	-
Ambulance	-	-	4.9	5.1	4.9	5.1	-	-
Building	-	-	0.4	0.5	0.4	0.5	-	-
Component unit	-	-	-	-	-	-	46.2	44.9
<b>Total expenses</b>	<b>28.8</b>	<b>36.2</b>	<b>12.3</b>	<b>13.4</b>	<b>41.1</b>	<b>49.6</b>	<b>46.2</b>	<b>44.9</b>
<b>Change in net position before transfers</b>	<b>-</b>	<b>(6.6)</b>	<b>1.9</b>	<b>0.4</b>	<b>1.9</b>	<b>(6.2)</b>	<b>4.1</b>	<b>4.3</b>
Transfers	(0.7)	(1.3)	0.7	1.3	-	-	-	-
<b>Change in net position</b>	<b>(0.7)</b>	<b>(7.9)</b>	<b>2.6</b>	<b>1.7</b>	<b>1.9</b>	<b>(6.2)</b>	<b>4.1</b>	<b>4.3</b>
Beginning net position as previously reported	62.4	71.3	73.3	71.6	135.7	142.9	159.6	157.9
Restatement	0.6	(1.0)	-	-	0.6	(1.0)	-	(2.7)
Beginning net position as restated	63.0	70.3	73.3	71.6	136.3	141.9	159.6	155.2
<b>Ending net position</b>	<b>\$ 62.3</b>	<b>\$ 62.4</b>	<b>\$ 75.9</b>	<b>\$ 73.3</b>	<b>\$ 138.2</b>	<b>\$ 135.7</b>	<b>\$ 163.7</b>	<b>\$ 159.5</b>

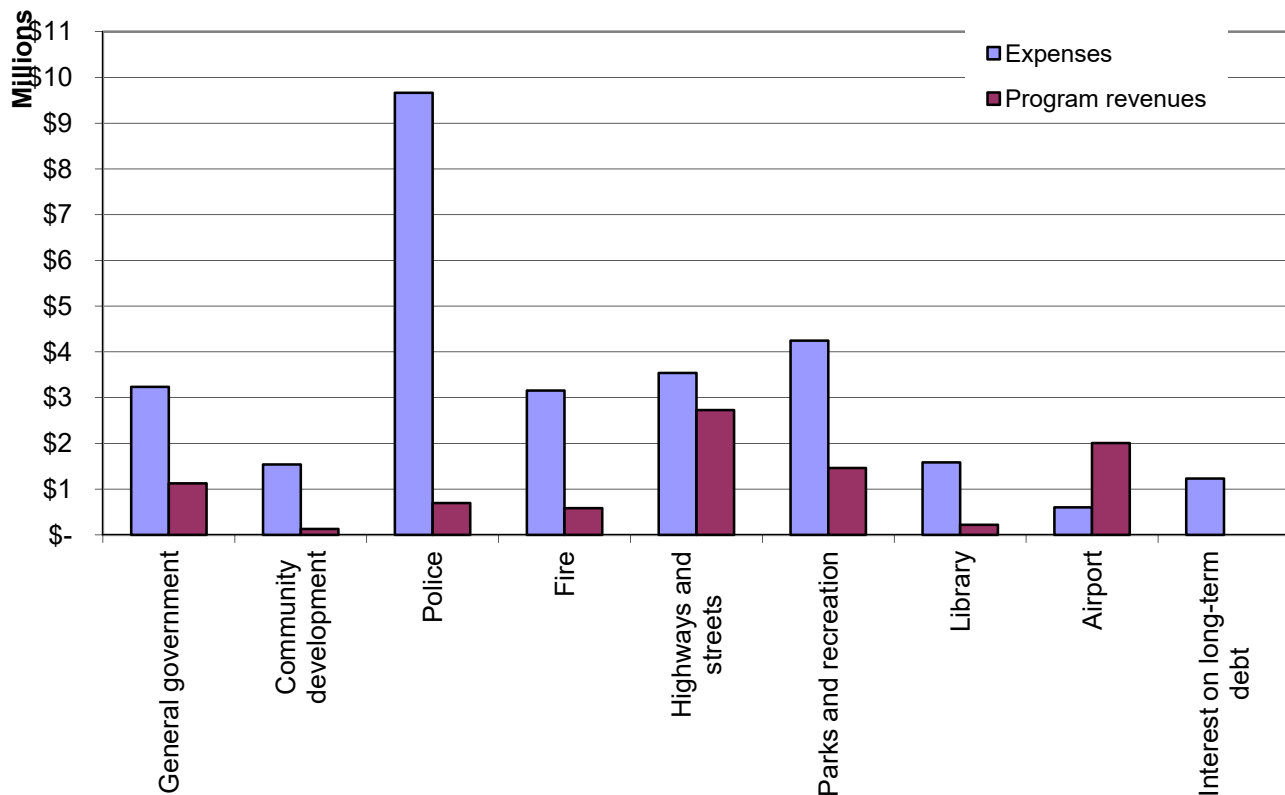
## City of McMinnville - Management's Discussion and Analysis

- **For governmental activities**, program revenues decreased by \$1.2 million primarily due to the decrease in charges for services. The decrease is primarily related to a difference in the treatment of charges for services for internal services funds. In fiscal 2016, total internal services charges for services were added to government-wide charges for services for governmental activities. In fiscal year 2017, only the change in net position for internal services funds was added to government-wide revenue. A decrease of \$0.2 million in operating grants and contributions was offset by a \$0.2 million increase in capital grants and contributions, primarily related to \$1.7 million in Federal Aviation Administration (FAA) grant funds received for Airport runway projects. General revenues increased by \$0.4 million compared to the prior year due to an increase in property tax revenues.

Total expenses for governmental activities decreased \$7.4 million compared to the prior year. A portion of the increase is related to the treatment of expenses for internal services funds. Similar to revenues, total expenses for internal services funds were added to expenses for governmental activities in the government-wide statements. In 2017, the internal services funds change in net position was added to miscellaneous revenues. In addition, due to the impact of GASB Statement 68 requirements, the City recognized \$1.7 million in pension expense in fiscal year 2017 for governmental activities compared to \$6.3 million in fiscal year 2016. Pension expense related to GASB 68 varies each year depending on changes in the net pension liability, changes in actuarial assumptions, and differences between projected and actual earnings on pension plan investments, as well as other factors. The City's employee retirement pension plan is discussed in more detail in the notes to the financial statements, Note IV.D refer to section IV.D.

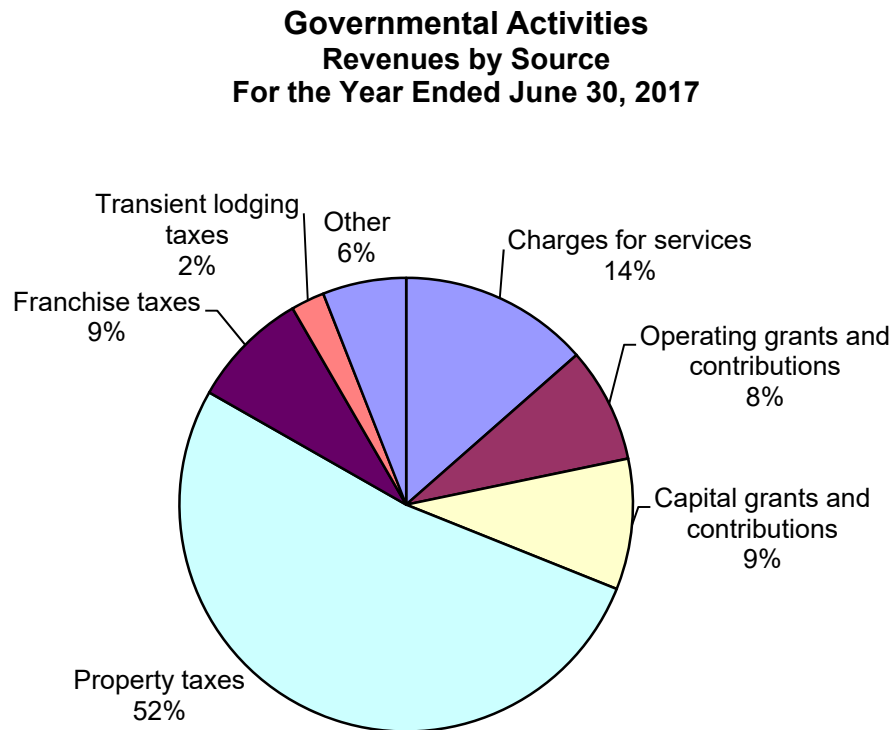
The following bar chart compares each governmental activity expense with the revenue stream for each activity and illustrates the extent to which different programs are subsidized with general revenues.

**Governmental Activities  
Expenses and Program Revenues by Function  
For the Year Ended June 30, 2017**



## City of McMinnville - Management's Discussion and Analysis

The following pie chart illustrates the relative amount of the different categories of revenue sources for governmental activities.



**For business-type activities,** total revenue, primarily consisting of charges for services, increased by \$0.4 million. Charges for services, including user fees and systems development charges, increased in Wastewater Services by \$0.1 million due to increased rates and higher consumption. Charges for services increased by \$0.2 million in the Building Fund due to increases in commercial and industrial construction activity. In the Ambulance Fund, charges for services increased by \$0.1 million as a result of a higher number of transports in 2017.

Total expenses for business-type activities decreased by approximately \$1.1 million. The decrease was partially due to a decrease in GASB Statement 68 related pension expense for business-type activities from \$2.3 million in fiscal year 2016 to \$0.7 million in 2017. For Wastewater Services, a \$0.6 million decrease in materials and services costs related to plant expansion design was offset by an increase in depreciation expense of \$0.4 million. In the Ambulance Fund, materials and services increased by \$0.3 million due to higher operational costs, including vehicle repairs.

## City of McMinnville - Management's Discussion and Analysis

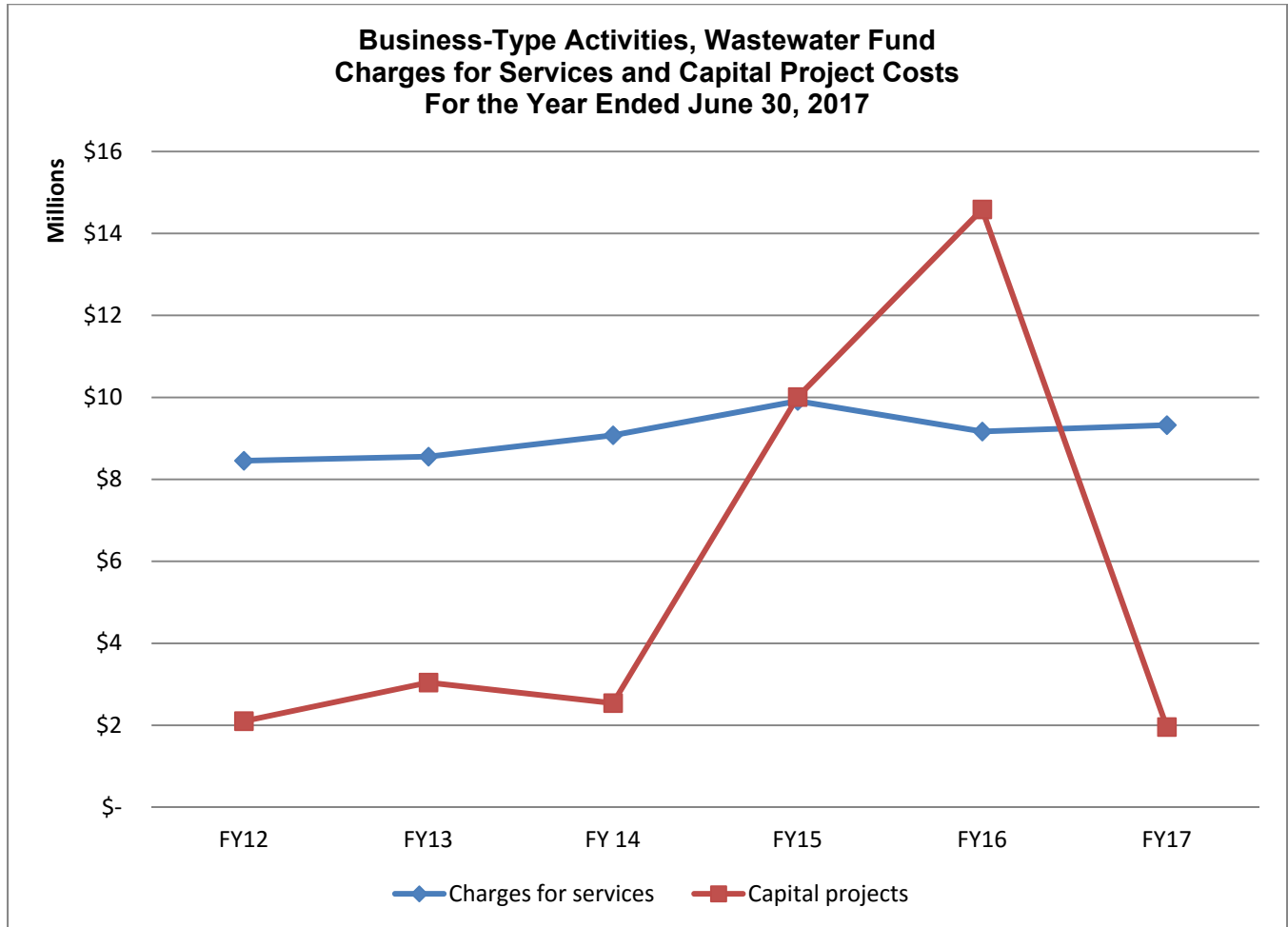
The following bar chart compares each business-type activity expense with the revenue stream for that activity. The significant difference between Wastewater revenue and expenses is due to a financial policy adopted by City Council to set sewer rates at a level sufficient to fund future capital projects on a “pay as you go” basis. The chart indicates that Ambulance expenses exceeded program revenues; payments received for ambulance transports do not cover the cost of providing emergency transport services. Building Department permit permits exceeded expenses, reflecting an increase in building construction activity, while staffing levels for the Building Department remained consistent with the prior year.

**Business-Type Activities**  
**Net Expenses and Program Revenues by Function**  
**For the Year Ended June 30, 2017**



## City of McMinnville - Management's Discussion and Analysis

The line graph below focuses on Wastewater charges for services and capital project costs for the last five years. The graph illustrates that charges for services are relatively consistent, while capital project costs can vary due to the number and size of projects in a given year. The graph reflects the completion of the Water Reclamation Facilities expansion project in fiscal year 2016 and a reduction in capital construction costs in 2017.



**Department - Statement of Activities:** Total operating revenues increased by two percent, largely due to increased revenue from electricity sales. Electricity revenues included rate increases and an increase in consumption of 1.7 percent. Water sales decreased six percent. Operating expenses were up three percent for both electricity and water. Economic and/or weather conditions, along with conservation efforts, continue to affect both water and electricity consumption. Total other net revenue increased four percent largely due to a reduction in other expenses compared to the prior year. Contributions in aid of construction increased by 10 percent.

## City of McMinnville - Management's Discussion and Analysis

### Fund Financial Analysis

Fund accounting segregates revenues according to their intended purposes and is used to aid management in demonstrating legal and contractual compliance with revenue source spending requirements. The following schedule reflects fund balance classifications as defined in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

#### Governmental Funds –Ending Fund Balances June 30, 2017 and 2016 (in thousands)

Ending Fund Balances											
Major Funds											
	General		Airport Maintenance		Transportation		Debt Service		Non-major Funds		Total
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017 2016
Nonspendable	\$ 2,245	\$ 68	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,245 \$ 68
Restricted	-	-	-	-	11,577	17,446	1,228	1,849	4,718	3,547	\$ 17,523 22,842
Committed	-	-	636	869	-	-	-	-	136	117	\$ 772 986
Assigned	674	647	-	-	-	-	-	-	152	157	\$ 826 804
Unassigned	6,445	6,769	-	-	-	-	-	-	(2,082)	(189)	\$ 4,363 6,580
<b>Total ending fund balance</b>	<b>\$ 9,364</b>	<b>\$ 7,484</b>	<b>\$ 636</b>	<b>\$ 869</b>	<b>\$ 11,577</b>	<b>\$ 17,446</b>	<b>\$ 1,228</b>	<b>\$ 1,849</b>	<b>\$ 2,924</b>	<b>\$ 3,632</b>	<b>\$ 25,729 \$ 31,280</b>

The General Fund is the City's main operating fund and is used to account for administration and finance (general government); engineering and planning (community development); police, municipal court, and fire (public safety); and parks and recreation and library (culture and recreation activities).

Total General Fund revenues increased by \$0.9 million compared to the prior year. Property tax revenue increased by \$0.4 million due to growth in assessed property values and new construction. Licenses and permits, charges for services, and fines and forfeitures remained relatively consistent with the prior year. Intergovernmental revenues increased by \$0.4 million due to reimbursement from the McMinnville Fire District for fire vehicles and increases in state shared revenues.

Total General Fund expenditures increased by \$4.2 million compared to the prior year, primarily due to an increase in debt service payments of \$3.5 million in 2017. In October 2016, the City executed a \$3.5 million loan to refinance pension related debt and obtain savings in interest costs. Payment to retire the original debt is included in debt service. In October 2016, the City also executed a loan for street improvement projects in the urban renewal district. Loan proceeds of \$5.7 million were recorded as an other financing source.

In the General Fund, total revenues exceeded expenditures by \$1.9 million in 2017. However, after eliminating the effect of one-time transactions related to loans executed in 2017, the General Fund net change in fund balance was a decrease of \$0.2 million.

General Fund assigned fund balance includes \$0.6 million of Length of Service Award Program (LOSAP) plan assets. LOSAP is a non-qualified retirement plan for the City's volunteer firefighters. LOSAP is described in more detail in the notes to the financial statements, Note IV.D.2. Unassigned fund balance decreased by \$0.3 million compared with the prior year.

## City of McMinnville - Management's Discussion and Analysis

The Airport Maintenance Fund committed balance was \$0.6 million at the end of 2017. Charges for services revenue, including rental payments for land and building leases, were consistent with operating expenditures. Expenditures, primarily maintenance and improvements costs for buildings and runways, vary from year to year depending on projects. The City received \$1.8 million in Federal Aviation Administration (FAA) grant funds for runway rehabilitation projects in 2017. However, because grant funds are received on a reimbursement basis, no portion of the Airport fund balance is restricted for FAA grant proceeds at June 30, 2017.

The Transportation Fund restricted balance decreased by \$5.9 million compared to 2016 due to the spend down of \$16.1 million in general obligation bond proceeds and bond premium of \$2.2 million which were received in April 2015. Bond proceeds and the bond premium are being used to for expansion and improvement of City streets.

The Debt Service Fund restricted balance decreased by \$0.6 million compared to the prior year. The amount of taxes levied for debt service payments due on the general obligation bonds decreased due to the timing of debt service payments for the 2015 advance refunding bonds which were issued to retire the 2006 Public Safety Facilities Improvements bonds.

Non-major governmental fund ending fund balances include amounts restricted for street maintenance, and capital projects. The negative unassigned fund balance is related to interfund activities in the Urban Renewal Debt Service and Urban Renewal Fund.

### Proprietary Funds – Ending Net Position June 30, 2017 and 2016 (in thousands)

	Unrestricted		Restricted		Net Investment in Capital Assets		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Fund:								
Wastewater	\$ 20,174	\$ 16,066	\$ -	\$ -	\$ 56,016	\$ 57,074	\$ 76,190	\$ 73,140
Ambulance	(1,793)	(1,333)	-	-	533	796	(1,260)	(537)
Building	-	-	708	437	242	256	950	693
Internal Service	1,330	1,160	-	-	512	532	1,842	1,692
<b>Total ending net position</b>	<b>\$ 19,711</b>	<b>\$ 15,893</b>	<b>\$ 708</b>	<b>\$ 437</b>	<b>\$ 57,303</b>	<b>\$ 58,658</b>	<b>\$ 77,722</b>	<b>\$ 74,988</b>

**For proprietary funds**, total ending net position for proprietary funds, including internal services funds, increased by \$2.7 million compared to 2016, primarily due to an increase in Wastewater unrestricted net position. A \$1.4 million decrease in net investment in capital assets resulted from an increase in accumulated depreciation and disposal of several vehicles in the Ambulance Fund. An increase in unrestricted net position occurred due to Wastewater charges for services revenue exceeding expenses, as the City continues to build a capital reserve in the Wastewater Fund to fund future capital projects.

Ambulance unrestricted net position decreased by more than \$0.4 million, as operating expenses of \$4.9 million exceeded operating revenues of \$3.5 million by \$1.4 million. In 2017, an \$800,000 transfer from the General Fund was necessary to maintain sufficient working capital in the Ambulance Fund.

The \$0.3 million increase in Building Fund net position resulted from charges for services, including \$0.4 million in systems development charges, exceeding operating expenses.

Internal service funds include Information Systems & Services and Insurance Services Funds. Net position for both funds was relatively consistent with the prior year. Operating departments pay premiums to the Insurance Services Fund for property, liability, and workers compensation insurance. For fiscal year 2017, the amount of premiums paid exceeded the cost of claims by more than \$1.0 million. The City purchases property, liability, and workers compensation insurance from City County Insurance Services, a public entity risk pool.

## City of McMinnville - Management's Discussion and Analysis

### General Fund Budgetary Highlights

During the fiscal year, no supplemental budgets were adopted by the City Council that amended the General Fund budget. Appropriation transfers were adopted by the City Council to allow for unanticipated Fire equipment purchases, an increase in the interfund transfer to the Urban Renewal Fund, and recording accrued payroll for the last week of the fiscal year.

Total General Fund revenues exceeded budgeted revenues by \$0.3 million, primarily due to higher than anticipated property tax collections. Total expenditures were approximately \$1.2 million less than budgeted, excluding the operating contingency. This favorable variance was due to savings achieved in all General Fund departments, including nearly \$0.5 million in Police and Fire. The majority of savings for Police and Fire resulted from employee turnover and unfilled vacant positions.

### Capital Assets

The City's capital assets are used to provide services to the public and include land, buildings, machinery and equipment, and vehicles. Infrastructure includes streets, traffic lights, sanitary sewer lines, and storm drains.

<b>Capital Assets</b> <b>June 30, 2017 and 2016</b> (in millions)						
	<b>Governmental</b> <b>Activities</b>		<b>Business-Type</b> <b>Activities</b>		<b>Total City</b>	
	<b>Restated</b>					
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Land	\$ 28.4	\$ 28.4	\$ 0.8	\$ 0.8	\$ 29.2	\$ 29.2
Easements	1.9	1.9	0.2	0.2	2.1	2.1
Public art	0.2	0.2	-	-	0.2	0.2
Land improvements	18.7	18.6	0.1	0.1	18.8	18.7
Buildings	32.7	32.7	54.4	54.3	87.1	87.0
Machinery and equipment	6.2	6.1	2.3	2.4	8.5	8.5
Vehicles	5.0	4.9	1.7	2.0	6.7	6.9
Infrastructure	58.8	54.6	45.5	44.1	104.3	98.7
Construction in progress	7.3	2.5	0.7	-	8.0	2.5
<b>Total capital assets</b>	<b>159.2</b>	<b>149.9</b>	<b>105.7</b>	<b>103.9</b>	<b>264.9</b>	<b>253.8</b>
Accumulated depreciation	(77.3)	(74.3)	(48.9)	(45.8)	(126.2)	(120.1)
<b>Net capital assets</b>	<b>\$ 81.9</b>	<b>\$ 75.6</b>	<b>\$ 56.8</b>	<b>\$ 58.1</b>	<b>\$ 138.7</b>	<b>\$ 133.7</b>

**Capital Assets:** The City's total net capital assets increased \$5.0 million when including the restatement to 2016 construction in progress. In fiscal year 2016, the Airport Department began the design phase of a runway rehabilitation project. The expenditures for this project at June 30, 2016 totaled approximately \$0.6 million. These project costs were not included in construction in progress in the 2016 Comprehensive Annual Financial Report, resulting in a restatement of beginning capital assets to correct this error. The \$11.1 million increase in total capital assets was offset by \$6.1 million in depreciation.

- Governmental activities total capital assets increased by \$9.3 million, including the effect of the prior year restatement, primarily due increases in street infrastructure projects and construction in progress funded with general obligation bond proceeds and \$1.9 million for an Airport runway project funded with federal grant dollars. This increase was offset by \$3.0 million in depreciation expense.



## City of McMinnville - Management's Discussion and Analysis

- For business-type activities, total capital assets increased \$1.8 million, due to Wastewater infrastructure projects and construction in progress. Including depreciation of \$3.1 million, net capital assets decreased by \$1.3 million.

Additional information regarding City and Department capital assets can be found in the notes to the financial statements, Note III. C.

### Debt Administration

The City issues general obligation bonds and full faith and credit obligations to finance capital improvement projects. City debt also includes a pension related debt for the PERS transition liability.

#### Outstanding Debt June 30, 2017 and 2016 (in millions)

	Governmental Activities		Business-Type Activities		Total City	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 27.8	\$ 30.3	\$ -	\$ -	\$ 27.8	\$ 30.3
Full Faith and Credit	5.5	3.2	-	-	5.5	3.2
Pension related debt	2.6	2.7	1.0	1.0	3.6	3.7
<b>Total outstanding debt</b>	<b>\$ 35.9</b>	<b>\$ 36.2</b>	<b>\$ 1.0</b>	<b>\$ 1.0</b>	<b>\$ 36.9</b>	<b>\$ 37.2</b>

**Outstanding Debt:** At June 30, 2017, the City had \$35.9 million in outstanding debt compared to \$36.2 million in the prior year, a net decrease of \$0.3 million. A decrease in general obligation bonds of \$2.5 million was due to principal payments made during fiscal year 2017. Full faith and credit debt increased by \$2.3 million due to an increase in the amount owed to ODOT for the Dundee Bypass loan and a loan executed in fiscal year 2017 for urban renewal street improvement projects. In 2017, the City executed a loan to payoff the balance of the City's PERS transition liability. Pension related debt decreased slightly due to principal payments on the loan. Of the total outstanding debt for governmental activities, approximately \$2.8 million is due within one year.

For business-type activities, the total debt outstanding of \$1.0 million at June 30, 2017 is pension related debt.

The \$27.8 million in governmental activities general obligation debt is entirely payable from property taxes levied specifically for that purpose. The remaining \$5.5 million in full faith and credit obligation and \$2.6 million in pension related debt will be repaid from general revenues of the City. City and Department outstanding debt are described in more detail in the notes to the financial statements, Note III. G.

**Bond Ratings:** The City received an Aa3 rating from Moody's Investor's Services, Inc. for the 2015 General Obligation and Refunding bonds sold in April 2015. At that time Moody's Investor's Services, Inc. affirmed the Aa3 rating on the City's other outstanding general obligation debt.

### Economic Factors and Future Operations

**Governmental activities:** The following economic factors currently affect the City of McMinnville's governmental activities:

- In 2017, maximum assessed property values increased by 2.2 percent compared to the prior year, per the Yamhill County Assessor. However, maximum assessed value for 2016 was overstated due to a significant non-profit entity that had not yet filed for tax-exemption at the time the tax roll was certified in November 2016. The tax-exemption for that entity was subsequently filed and granted for 2016. When adjusting the 2016 assessed value for the impact of the late filing, the increase in assessed values for 2017 was 4.0 percent.

## City of McMinnville - Management's Discussion and Analysis

- Real market values increased by 9.6 percent in 2017 compared to the prior year. Real market values decreased from 2010 through 2014, but have been steadily increasing since 2014. For fiscal year 2017, assessed property values are 73 percent of real market value.
- The total value of commercial, industrial and residential building permits increased to \$71.0 million in 2017 compared to \$38.2 million in 2016, due to a \$45.4 million increase in commercial and industrial permits. This increase is primarily related to several large projects in 2017 including bond related school district projects, construction of a four-story hotel, and other large commercial projects. This increase was partially offset by a decrease in residential permits from \$29.9 million in 2016 to \$17.2 million in 2017.
- Unemployment rates in Yamhill County are trending downward and are consistent with unemployment rate trends for the State of Oregon. Unemployment rates (not seasonally adjusted) for Yamhill County were 3.8 percent in June 2017 compared to 5.1 percent in June 2016.
- In 2013, the City Council created an Urban Renewal Agency and adopted an Urban Renewal Plan to promote development of the historic downtown and neighboring properties. The Agency began collecting incremental taxes in fiscal year 2015. The City executed a \$2.2 million dollar loan in October 2016 to facilitate street improvement projects in the urban renewal district.
- The cost of employee fringe benefits, including health insurance premiums, continues to rise. In recent years, City employees have transitioned to copay health insurance plans to partially mitigate the increasing cost of premiums. The potential impact of recent legislative reform related to health care is unknown.
- The City's PERS employer contribution rates increased by 20 percent for the 2015-17 biennium compared to the prior biennium. PERS has projected that most PERS employers will see a 20 percent increase in contribution rates in the 2019 – 2021 and 2021 – 2023 biennia.

### Business-type activities:

- **Wastewater operations:** In 2013, City Council adopted the updated Sanitary Sewer Conveyance System Master Plan, the Water Reclamation Facilities Plan, and the Wastewater System Financial Plan. The Conveyance System and Facilities Plans established a cost-effective plan for wastewater management through 2023. The Financial Plan projected that moderate annual rate increases, as well as spending down of the substantial reserve set aside for capital projects, will allow the City to continue a “pay as you go” funding strategy for wastewater capital improvements. The City is currently updating the financial portion of the Master Plan. The City plans to complete wastewater system and facilities upgrades of nearly \$28 million in the next five years.
- **Ambulance operations:** Ambulance transport net revenues increased by nearly three percent and 18 percent in fiscal year 2017 and 2016, respectively. The increase in 2016 was attributable to several factors. Due to the Affordable Care Act, more individuals were covered by health insurance, particularly Oregon Medicaid. In addition, the number of adult care facilities continues to increase, resulting in a three percent increase in 2017 in transports billed to federal Medicare. The City is currently considering options to address the increase in transports and the increasing costs of providing emergency medical services to the community.
- **Building operations:** Building charges for services increased by \$0.2 million compared to the prior year. Increases in commercial and industrial construction permit revenues was offset by decreases in residential permit revenue. Commercial and industrial permit values increased from \$8.3 million to \$53.7 million in 2017 due to several large projects, including school district buildings funded with bond proceeds. However, residential construction permit valuation experienced a decrease from \$29.9 million to \$17.2 million in 2017. For comparison, total building permit valuation was \$70.9 million, \$38.2 million, and \$58.6 million in 2017, 2016, and 2015 respectively.

Additional economic factors affecting McMinnville are described in the transmittal letter of this report.

## City of McMinnville - Management's Discussion and Analysis

### Information Requests

The City's *Comprehensive Annual Financial Report* has been prepared to provide a general overview of the City of McMinnville's finances. Questions concerning any of the information provided in this report or requests for additional information may be directed to the City's Finance Department at 230 NE Second Street, McMinnville, OR 97128. The Finance Director may be contacted at 503-434-2350, or at [Marcia.Baragary@ci.mcminnville.or.us](mailto:Marcia.Baragary@ci.mcminnville.or.us).

## **BASIC FINANCIAL STATEMENTS**

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to Basic Financial Statements



## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

- Statement of Net Position
- Statement of Activities



**City of McMinnville, Oregon**  
**Statement of Net Position**  
**June 30, 2017**

	Primary Government			
	Governmental	Business-Type		Component
	Activities	Activities	Total	Units
<b>Assets</b>				
Cash and investments	\$ 14,475,039	\$ 21,936,307	\$ 36,411,346	\$ 42,731,750
Receivables, net of allowances for uncollectibles	3,852,944	2,159,649	6,012,593	4,768,145
Prepays	19,958	8,691	28,649	-
Due from (to) other funds	152,498	(152,498)	-	-
Due from component unit	102,234	721,370	823,604	-
Restricted cash and investments	13,927,468	-	13,927,468	-
Inventories	-	-	-	834,468
Other current assets	-	-	-	766,498
Renewable energy certificates	-	-	-	942,495
Regulatory asset-conservation charges	-	-	-	1,869,672
Capital assets:				
Non-depreciable capital assets	37,797,666	1,731,045	39,528,711	9,645,159
Depreciable capital assets	121,366,732	103,905,635	225,272,367	165,447,061
Accumulated depreciation	(77,292,363)	(48,844,690)	(126,137,053)	(51,725,801)
Total assets	114,402,176	81,465,509	195,867,685	175,279,447
<b>Deferred Outflows of Resources</b>				
Deferred outflow of resources - charges on refunding	359,042	-	359,042	-
Deferred outflow of resources - pension	9,939,366	3,680,221	13,619,587	5,111,021
Total deferred outflows of resources	10,298,408	3,680,221	13,978,629	5,111,021
<b>Liabilities</b>				
Accounts payable	2,141,376	432,983	2,574,359	3,220,790
Accrued payroll and other payroll liabilities	938,080	119,579	1,057,659	268,914
Due to primary government	-	-	-	823,604
Accrued interest payable	524,908	-	524,908	-
Advances and deposits	156,118	-	156,118	418,379
Other liabilities	84,636	-	84,636	265,494
Unearned revenue	419,055	1,300	420,355	-
Compensated absences	820,189	260,820	1,081,009	476,691
Non-current liabilities				
Due within one year	2,827,072	57,666	2,884,738	-
Due in more than one year	53,571,467	8,044,778	61,616,245	10,781,508
Total Liabilities	61,482,901	8,917,126	70,400,027	16,255,380
<b>Deferred Inflows of Resources</b>				
Deferred inflow of resources - pension	941,049	348,439	1,289,488	483,906
<b>Net Position</b>				
Net investment in capital assets	66,165,718	56,791,990	122,957,708	123,366,419
Restricted for:				
Capital projects	12,624,484	-	12,624,484	-
Debt service	1,520,354	-	1,520,354	-
Highways and streets	1,980,503	-	1,980,503	-
Tourism promotion	152,279	-	152,279	-
Building inspection	-	707,615	707,615	-
Unrestricted	(20,166,704)	18,380,560	(1,786,144)	40,284,763
Total net position	\$ 62,276,634	\$ 75,880,165	\$ 138,156,799	\$ 163,651,182

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



**City of McMinnville, Oregon**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
General government	\$ 3,233,556	\$ 1,102,898	\$ 22,632	\$ -
Community development	1,536,152	128,813	-	-
Public Safety:				
Police	9,664,865	688,349	5,515	-
Fire	3,155,530	562,245	19,185	-
Highways and streets	3,539,224	14	1,989,985	738,670
Culture and recreation:				
Parks and recreation	4,246,590	1,116,841	145,913	197,990
Library	1,581,460	38,658	181,571	-
Airport	598,401	256,854	-	1,750,050
Interest on long-term debt	1,229,866	-	-	-
Total governmental activities	28,785,644	3,894,672	2,364,801	2,686,710
Business-Type Activities:				
Building Division	361,604	612,659	-	-
Wastewater	7,039,396	9,323,139	-	617,329
Ambulance	4,934,709	3,494,130	-	-
Total business-type activities	12,335,709	13,429,928	-	617,329
Total primary government	\$ 41,121,353	\$ 17,324,600	\$ 2,364,801	\$ 3,304,039
<b>Component Unit</b>				
Water and Light	\$ 46,506,252	\$ 46,246,552	\$ -	\$ 1,076,976
General Revenues:				
Taxes:				
Property taxes				
Franchise fees				
Transient lodging taxes				
Unrestricted state shared revenues				
Unrestricted investment earnings				
Timber sales, net of related expenses				
Other, net				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Restatement (see Note IV.K.)				
Net position - beginning as restated				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Water and Light	
\$ (2,108,026)	\$ -	\$ (2,108,026)	\$ -	-
(1,407,339)	-	(1,407,339)	-	-
(8,971,001)	-	(8,971,001)	-	-
(2,574,100)	-	(2,574,100)	-	-
(810,555)	-	(810,555)	-	-
(2,785,846)	-	(2,785,846)	-	-
(1,361,231)	-	(1,361,231)	-	-
1,408,503	-	1,408,503	-	-
(1,229,866)	-	(1,229,866)	-	-
(19,839,461)	-	(19,839,461)	-	-
-	251,055	251,055	-	-
-	2,901,072	2,901,072	-	-
-	(1,440,579)	(1,440,579)	-	-
-	1,711,548	1,711,548	-	-
(19,839,461)	1,711,548	(18,127,913)	-	-
			\$ 817,276	
15,028,217	-	15,028,217	-	-
2,420,309	-	2,420,309	-	-
691,102	-	691,102	-	-
913,376	-	913,376	-	-
317,994	157,027	475,021	469,319	-
-	-	-	1,837,271	-
483,825	-	483,825	998,285	-
(715,800)	715,800	-	-	-
19,139,023	872,827	20,011,850	3,304,875	-
(700,438)	2,584,375	1,883,937	4,122,151	-
62,410,147	73,295,790	135,705,937	159,529,031	-
566,925	-	566,925	-	-
62,977,072	73,295,790	136,272,862	159,529,031	-
\$ 62,276,634	\$ 75,880,165	\$ 138,156,799	\$ 163,651,182	-



## **FUND FINANCIAL STATEMENTS**

- Governmental Funds:
  - Balance Sheet
  - Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
  - Statement of Revenues, Expenditures, and Changes in Fund Balances
  - Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
  - Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:
    - General Fund
    - Airport Maintenance Fund
- Proprietary Funds:
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows



**City of McMinnville, Oregon**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	General	Airport Maintenance	Transportation	Debt Service	Total Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments	\$ 7,510,738	\$ -	\$ -	\$ 1,193,904	\$ 3,938,529	\$ 12,643,171
Receivables	1,640,139	1,376,247	21,468	219,769	595,321	3,852,944
Due from other funds	402,190	-	-	-	-	402,190
Prepays	14,238	-	-	-	45	14,283
Advances to other funds	2,231,178	-	-	-	-	2,231,178
Due from component unit	102,234	-	-	-	-	102,234
Restricted cash and investments	-	-	12,720,406	-	1,207,062	13,927,468
Total assets	<u>\$ 11,900,717</u>	<u>\$ 1,376,247</u>	<u>\$ 12,741,874</u>	<u>\$ 1,413,673</u>	<u>\$ 5,740,957</u>	<u>\$ 33,173,468</u>
<b>Liabilities</b>						
Accounts payable	\$ 272,097	\$ 264,687	\$ 1,059,497	\$ -	\$ 258,978	\$ 1,855,259
Due to other funds	-	210,035	-	-	39,657	249,692
Accrued payroll and other payroll liabilities	912,441	-	-	-	17,114	929,555
Retainage payable	-	61,343	105,392	-	-	166,735
Advances and deposits	156,118	-	-	-	2,231,178	2,387,296
Unearned revenue	175,493	24,424	-	-	219,138	419,055
Total Liabilities	<u>1,516,149</u>	<u>560,489</u>	<u>1,164,889</u>	<u>-</u>	<u>2,766,065</u>	<u>6,007,592</u>
<b>Deferred inflows of resources:</b>						
Unavailable revenue - taxes	1,016,145	-	-	185,373	8,649	1,210,167
Unavailable revenue - other	4,566	180,347	-	-	41,873	226,786
Total deferred inflows of resources	<u>1,020,711</u>	<u>180,347</u>	<u>-</u>	<u>185,373</u>	<u>50,522</u>	<u>1,436,953</u>
<b>Fund Balances</b>						
Nonspendable	2,245,416	-	-	-	45	2,245,461
Restricted	-	-	11,576,985	1,228,300	4,718,302	17,523,587
Committed	-	635,411	-	-	136,238	771,649
Assigned	673,696	-	-	-	151,909	825,605
Unassigned	6,444,745	-	-	-	(2,082,124)	4,362,621
Total fund balances	<u>9,363,857</u>	<u>635,411</u>	<u>11,576,985</u>	<u>1,228,300</u>	<u>2,924,370</u>	<u>25,728,923</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,900,717</u>	<u>\$ 1,376,247</u>	<u>\$ 12,741,874</u>	<u>\$ 1,413,673</u>	<u>\$ 5,740,957</u>	<u>\$ 33,173,468</u>

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

**City of McMinnville, Oregon**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Position**  
**June 30, 2017**

Total fund balances - governmental funds \$ 25,728,923

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Capital assets	\$ 156,840,808	
Accumulated depreciation	<u>(75,481,011)</u>	81,359,797

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds:

Property taxes earned but not available	1,210,167	
Other receivables earned but not available	226,786	
Deferred outflows of resources - pension	<u>9,730,342</u>	11,167,295

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability	(18,871,724)	
Bonds payable	(33,348,146)	
Deferred amount on bond refunding	359,042	
Pension related debt	(2,495,681)	
Interest payable	(524,908)	
Other post employment benefits payable	(1,217,439)	
Compensated absences payable	(801,591)	
Deferred inflows of resources - pension	<u>(921,259)</u>	(57,821,706)

Internal service funds are used by management to charge costs of insurance and information systems and services to individual funds.

Assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 1,842,325

Total net position - governmental activities \$ 62,276,634

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

**City of McMinnville, Oregon**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	General	Airport Maintenance	Transportation	Debt Service	Total Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property taxes	\$ 12,291,488	\$ -	\$ -	\$ 2,629,738	\$ 176,326	\$ 15,097,552
Special assessments	-	-	-	-	53,265	53,265
Licenses and permits	2,497,580	-	-	-	963,735	3,461,315
Intergovernmental	1,820,043	1,750,050	259,130	-	2,139,883	5,969,106
Charges for services	2,619,933	256,854	479,540	-	145,078	3,501,405
Fines and forfeitures	566,537	-	-	-	-	566,537
Miscellaneous	176,080	18,394	158,327	8,799	94,373	455,973
Total revenues	19,971,661	2,025,298	896,997	2,638,537	3,572,660	29,105,153
<b>Expenditures</b>						
Current:						
General government	2,162,838	-	-	-	857,919	3,020,757
Community development	1,352,798	-	-	-	-	1,352,798
Public Safety	10,580,887	-	-	-	807,975	11,388,862
Highways and streets	-	-	2,465,488	-	1,715,093	4,180,581
Culture and recreation	4,815,794	-	-	-	100,908	4,916,702
Airport	-	448,629	-	-	-	448,629
Capital outlay:						
Highways and streets	-	-	5,082,698	-	518,685	5,601,383
Culture and recreation	-	-	-	-	142,519	142,519
Airport	-	1,809,981	-	-	-	1,809,981
Debt service:						
Principal	3,580,448	-	155,400	2,290,000	-	6,025,848
Interest	37,403	-	45,848	1,068,950	1,417	1,153,618
Total expenditures	22,530,168	2,258,610	7,749,434	3,358,950	4,144,516	40,041,678
Excess (deficiency) of revenues over (under) expenditures	(2,558,507)	(233,312)	(6,852,437)	(720,413)	(571,856)	(10,936,525)
<b>Other Financing Sources (Uses)</b>						
Loan proceeds	5,718,160	-	383,545	-	-	6,101,705
Transfers from other funds	209,171	-	600,000	100,000	3,182,168	4,091,339
Transfers to other funds	(1,489,100)	-	-	-	(3,318,039)	(4,807,139)
Total other financing sources (uses)	4,438,231	-	983,545	100,000	(135,871)	5,385,905
Net change in fund balances	1,879,724	(233,312)	(5,868,892)	(620,413)	(707,727)	(5,550,620)
Fund balances - beginning	7,484,133	868,723	17,445,877	1,848,713	3,632,097	31,279,543
Fund balances - ending	\$ 9,363,857	\$ 635,411	\$ 11,576,985	\$ 1,228,300	\$ 2,924,370	\$ 25,728,923

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



**City of McMinnville, Oregon**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2017**

Net change in fund balances - governmental funds \$ (5,550,620)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is the difference between capital outlays and depreciation in the current period.

Capital asset expenditures	\$ 9,534,993	
Current year depreciation expense	<u>(3,174,735)</u>	6,360,258

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in property taxes earned but not available	(69,335)	
Change in other revenues earned but not available	<u>186,532</u>	117,197

In the statement of activities, only the gain on the sale of capital assets is reported. However, in governmental funds, the proceeds from these sales increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets disposed.

Cost	(264,826)	
Accumulated depreciation	<u>221,387</u>	(43,439)

Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments on long-term obligations	6,025,848	
Increases in long-term obligations	(6,101,705)	
Amortization of premium - general obligation bonds	282,081	
Amortization of deferred charge on bond refunding	<u>(36,825)</u>	169,399

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

Rebutable arbitrage	6,684	
Change in compensated absences	66,013	
Change in other post employment benefits	(180,763)	
Change in pension liability	(1,473,384)	
Change in accrued interest	<u>(321,504)</u>	(1,902,954)

Internal service funds are used by management to charge costs of insurance and information systems and services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. Losses from capital asset transfers from internal service funds to other governmental funds are offset by the receipt of assets within governmental activities and are eliminated on the Statement of Activities.

Net revenue		<u>149,721</u>
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Change in net position - governmental activities \$ (700,438)

**City of McMinnville, Oregon**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Property taxes	\$ 11,931,000	\$ 11,931,000	\$ 12,291,488	\$ 360,488
Licenses and permits	2,488,050	2,488,050	2,497,580	9,530
Intergovernmental	1,712,212	1,875,412	1,820,043	(55,369)
Charges for services	1,401,727	1,401,727	1,398,328	(3,399)
Fines and forfeitures	558,200	558,200	566,537	8,337
Miscellaneous	353,081	353,081	378,770	25,689
Total revenues	18,444,270	18,607,470	18,952,746	345,276
<b>Expenditures</b>				
General government:				
Administration	1,107,286	1,162,286	1,129,899	32,387
Finance	751,854	751,854	688,584	63,270
Community development:				
Engineering	903,100	903,100	869,207	33,893
Planning	549,251	549,251	483,591	65,660
Public safety:				
Police	7,613,385	7,613,385	7,358,602	254,783
Municipal court	466,343	466,343	448,748	17,595
Fire	2,929,453	3,092,653	2,888,828	203,825
Culture and recreation:				
Parks and recreation	2,536,131	2,536,131	2,381,621	154,510
Park maintenance	1,181,630	1,181,630	1,011,185	170,445
Library	1,464,403	1,464,403	1,422,988	41,415
Non-departmental	2,214,455	5,910,015	5,745,944	164,071
Contingencies	900,000	845,000	-	845,000
Total expenditures	22,617,291	26,476,051	24,429,197	2,046,854
Excess (deficiency) of revenues over (under) expenditures	(4,173,021)	(7,868,581)	(5,476,451)	2,392,130
<b>Other Financing Sources (Uses)</b>				
Loan proceeds	2,022,000	5,717,560	5,718,160	600
Transfers from other funds	1,430,875	1,430,875	1,430,776	(99)
Transfers to other funds	(1,810,155)	(1,810,155)	(1,810,155)	-
Total other financing sources (uses)	1,642,720	5,338,280	5,338,781	501
Net change in fund balances	(2,530,301)	(2,530,301)	(137,670)	2,392,631
Fund balances - beginning	7,097,365	7,097,365	7,270,349	172,984
Fund balances - ending	\$ 4,567,064	\$ 4,567,064	7,132,679	\$ 2,565,615
<b>Add (subtract):</b>				
Outstanding Interfund loan			2,231,178	
Fund balance, modified accrual basis			\$ 9,363,857	
<b>Reconciliation:</b>				
Charges for services, budgetary basis			\$ 1,398,328	
Transfers from other funds - services provided			1,221,605	
Charges for services, modified accrual basis			\$ 2,619,933	
Miscellaneous revenue, budgetary basis			\$ 378,770	
Interfund loan payment			(202,690)	
Miscellaneous revenue, modified accrual basis			\$ 176,080	
Expenditures, budgetary basis			\$ 24,429,197	
Transfers to other funds - services provided			321,055	
Interfund loans			(2,220,084)	
Expenditures, modified accrual basis			\$ 22,530,168	
Other financing sources (uses), budgetary basis			\$ 5,338,781	
Transfers from other funds - services provided			(1,221,605)	
Transfers to other funds - services provided			321,055	
Other financing sources (uses), modified accrual basis			\$ 4,438,231	

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

**City of McMinnville, Oregon**  
**Airport Maintenance Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 3,397,176	\$ 3,939,176	\$ 1,750,050	(2,189,126)
Charges for services	247,200	247,200	256,854	9,654
Miscellaneous	11,300	11,300	18,394	7,094
Total revenues	<u>3,655,676</u>	<u>4,197,676</u>	<u>2,025,298</u>	<u>(2,172,378)</u>
<b>Expenditures</b>				
Airport:				
Materials and services	882,775	882,775	372,908	509,867
Capital outlay	2,740,000	3,282,000	1,809,981	1,472,019
Contingencies	300,000	300,000	-	300,000
Total expenditures	<u>3,922,775</u>	<u>4,464,775</u>	<u>2,182,889</u>	<u>2,281,886</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(267,099)</u>	<u>(267,099)</u>	<u>(157,591)</u>	<u>109,508</u>
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	(75,721)	(75,721)	(75,721)	-
Total other financing sources (uses)	<u>(75,721)</u>	<u>(75,721)</u>	<u>(75,721)</u>	<u>-</u>
Net change in fund balances	<u>(342,820)</u>	<u>(342,820)</u>	<u>(233,312)</u>	<u>109,508</u>
Fund balances, budgetary basis - beginning	868,084	868,084	868,723	639
Fund balances, budgetary basis - ending	<u>\$ 525,264</u>	<u>\$ 525,264</u>	<u>\$ 635,411</u>	<u>\$ 110,147</u>
<b>Reconciliation:</b>				
Expenditures, budgetary basis			\$ 2,182,889	
Transfers to other funds - services provided			75,721	
Expenditures, modified accrual basis			<u>\$ 2,258,610</u>	
Other financing sources (uses), budgetary basis			\$ (75,721)	
Transfers to other funds - services provided			75,721	
Other financing sources (uses), modified accrual basis			<u>\$ -</u>	

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

**City of McMinnville, Oregon**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	<b>Business-Type Activities</b>				<b>Governmental Activities</b>
	<b>Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Wastewater Services</b>	<b>Ambulance</b>	<b>Non-major Building</b>	<b>Total</b>	
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 20,957,209	\$ -	\$ 979,098	\$ 21,936,307	\$ 1,831,868
Receivables, net of allowance for uncollectibles	629,982	1,528,880	787	2,159,649	-
Due from component unit	721,370	-	-	721,370	-
Prepays	3,691	5,000	-	8,691	5,675
Total current assets	22,312,252	1,533,880	979,885	24,826,017	1,837,543
Non-current assets:					
Capital assets:					
Non-depreciable capital assets	1,728,625	2,420	-	1,731,045	-
Depreciable capital assets	102,593,172	930,576	381,887	103,905,635	2,323,590
Accumulated depreciation	(48,306,006)	(399,357)	(139,327)	(48,844,690)	(1,811,352)
Total non-current assets	56,015,791	533,639	242,560	56,791,990	512,238
Total assets	78,328,043	2,067,519	1,222,445	81,618,007	2,349,781
<b>Deferred outflow of resources</b>					
Deferred outflow of resources - pension	1,225,613	2,266,312	188,296	3,680,221	209,024
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	391,436	26,351	8,190	425,977	119,382
Due to other funds	-	152,498	-	152,498	-
Retainage payable	7,006	-	-	7,006	-
Accrued payroll and other payroll liabilities	41,571	74,547	3,461	119,579	8,525
Other liabilities	-	-	-	-	84,636
Unearned revenue	1,300	-	-	1,300	-
Compensated absences	92,912	157,037	10,871	260,820	18,598
Total current liabilities	534,225	410,433	22,522	967,180	231,141
Non-current liabilities:					
Pension related debt - due in one year	19,204	35,510	2,952	57,666	0
Other post employment benefits	145,881	220,265	25,692	391,838	27,604
Net pension liability	2,250,545	4,161,542	345,761	6,757,848	383,823
Pension related debt	298,088	551,193	45,811	895,092	54,122
Total non-current liabilities	2,713,718	4,968,510	420,216	8,102,444	465,549
Total liabilities	3,247,943	5,378,943	442,738	9,069,624	696,690
<b>Deferred inflow of resources</b>					
Deferred inflow of resources - pension	116,039	214,572	17,828	348,439	19,790
<b>Net Position</b>					
Net investment in capital assets	56,015,791	533,639	242,560	56,791,990	512,238
Restricted for:					
Building	-	-	707,615	707,615	-
Unrestricted	20,173,883	(1,793,323)	-	18,380,560	1,330,087
Total net position	\$ 76,189,674	\$ (1,259,684)	\$ 950,175	\$ 75,880,165	\$ 1,842,325

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

**City of McMinnville, Oregon**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	Business-Type Activities				Governmental Activities
	Enterprise Funds				Internal Service Funds
	Wastewater Services	Ambulance	Non-major Building	Total	
<b>Operating Revenues</b>					
Charges for services	\$ 9,307,533	\$ 3,465,497	\$ 609,686	\$ 13,382,716	\$ 1,925,438
Intergovernmental	-	10,000	-	10,000	-
Miscellaneous	15,606	18,633	2,973	37,212	122,798
Total operating revenues	9,323,139	3,494,130	612,659	13,429,928	2,048,236
<b>Operating Expenses</b>					
Personnel services	2,078,214	3,778,818	247,771	6,104,803	443,456
Materials and services	1,839,201	897,142	100,604	2,836,947	1,395,195
Depreciation	3,121,981	243,716	13,229	3,378,926	72,634
Total operating expenses	7,039,396	4,919,676	361,604	12,320,676	1,911,285
Operating income (loss)	2,283,743	(1,425,546)	251,055	1,109,252	136,951
<b>Nonoperating Revenues (Expenses)</b>					
Investment earnings	148,995	1,737	6,295	157,027	12,770
Development charges and fees	418,303	-	-	418,303	-
Loss on disposal of capital assets	-	(15,033)	-	(15,033)	-
Total nonoperating revenues (expenses)	567,298	(13,296)	6,295	560,297	12,770
Income (loss) before contributions and transfers	2,851,041	(1,438,842)	257,350	1,669,549	149,721
<b>Capital Contributions and Transfers</b>					
Capital contributions	199,026	-	-	199,026	-
Transfers from other funds	-	800,000	-	800,000	-
Transfers to other funds	-	(84,200)	-	(84,200)	-
Total capital contributions and transfers	199,026	715,800	-	914,826	-
Change in net position	3,050,067	(723,042)	257,350	2,584,375	149,721
Total net position - beginning	73,139,607	(536,642)	692,825	73,295,790	1,692,604
Total net position - ending	\$ 76,189,674	\$ (1,259,684)	\$ 950,175	\$ 75,880,165	\$ 1,842,325

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

**City of McMinnville, Oregon**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	Business-Type Activities				Governmental Activities
	Enterprise Funds				Internal Service Funds
	Wastewater	Ambulance	Building	Total	Funds
<b>Cash Flows From Operating Activities</b>					
Receipts from customers and users	\$ 9,415,264	\$ 2,690,024	\$ 611,942	\$ 12,717,230	\$ -
Receipts from interfund services provided	-	-	-	-	1,921,190
Other operating receipts - insurance reimbursements	-	-	-	-	122,798
Payments to suppliers	(2,346,513)	(898,638)	(97,338)	(3,342,489)	(1,322,312)
Payments to employees	(1,868,665)	(3,260,492)	(225,032)	(5,354,189)	(391,983)
Payments for interfund services used	-	-	-	-	-
Net cash from operating activities	<u>5,200,086</u>	<u>(1,469,106)</u>	<u>289,572</u>	<u>4,020,552</u>	<u>329,693</u>
<b>Cash Flows From Non-Capital Financing Activities</b>					
Principal paid on pension-related obligations	(8,442)	-	(5,658)	(14,100)	(557)
Other receipts	-	-	-	-	-
Transfers from other funds	-	952,498	-	952,498	-
Transfers to other funds	-	(84,200)	-	(84,200)	-
Net cash from non-capital financing activities	<u>(8,442)</u>	<u>868,298</u>	<u>(5,658)</u>	<u>854,198</u>	<u>(557)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Additions to capital assets	(1,865,129)	-	-	(1,865,129)	(52,745)
Proceeds on the disposition of capital assets	-	3,683	-	3,683	-
Development charges and fees	<u>418,303</u>	<u>-</u>	<u>-</u>	<u>418,303</u>	<u>-</u>
Net cash from capital and related financing activities	<u>(1,446,826)</u>	<u>3,683</u>	<u>-</u>	<u>(1,443,143)</u>	<u>(52,745)</u>
<b>Cash Flows From Investing Activities</b>					
Interest received	<u>148,995</u>	<u>1,737</u>	<u>6,295</u>	<u>157,027</u>	<u>12,770</u>
Increase (decrease) in cash and investments	3,893,813	(595,388)	290,209	3,588,634	289,161
Cash and investments - beginning	<u>17,063,396</u>	<u>595,388</u>	<u>688,889</u>	<u>18,347,673</u>	<u>1,542,707</u>
Cash and investments - ending	<u>\$ 20,957,209</u>	<u>\$ -</u>	<u>\$ 979,098</u>	<u>\$ 21,936,307</u>	<u>\$ 1,831,868</u>
<b>Reconciliation of Operating Income (Loss) to</b>					
<b>Net Cash From Operating Activities</b>					
Operating income (loss)	\$ 2,283,743	\$ (1,425,546)	\$ 251,055	\$ 1,109,252	\$ 136,951
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	3,121,981	243,716	13,229	3,378,926	72,634
Pension expense	210,451	475,188	20,206	705,845	47,393
Change in current assets and liabilities:					
Receivables	73,977	(804,106)	(717)	(730,846)	1,427
Due from component unit	18,148	-	-	18,148	-
Prepays	339	(3,038)	2	(2,697)	(2,648)
Accounts payable	(453,096)	1,542	3,264	(448,290)	50,517
Retainage payable	(54,555)	-	-	(54,555)	-
Compensated absences	(21,380)	(6,508)	(45)	(27,933)	(46)
Other post employment benefits	18,167	31,552	2,233	51,952	3,798
Accrued payroll and other payroll liabilities	2,311	3,695	345	6,351	328
Other liabilities	-	14,399	-	14,399	19,339
Unearned revenue	-	-	-	-	-
Net cash from operating activities	<u>\$ 5,200,086</u>	<u>\$ (1,469,106)</u>	<u>\$ 289,572</u>	<u>\$ 4,020,552</u>	<u>\$ 329,693</u>
<b>Non-Cash Investing, Capital, and Financing Activities</b>					
Capital asset contributions from developers	\$ 199,026	\$ -	\$ -	\$ 199,026	\$ -

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



## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2017**

**I. Summary of Significant Accounting Policies**

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

**A. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. *Governmental Activities*, which are normally supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from a legally separate *component unit* for which the primary government is financially accountable.

**B. Reporting Entity**

**1. Primary Government**

The City of McMinnville, Oregon (City), an Oregon municipal corporation, is organized under the general laws of the State of Oregon and the provisions of the *McMinnville City Charter*. The City's council-manager form of government provides for a governing body, or legislative branch, consisting of the Mayor and a six-member City Council. The Mayor and City Council appoint a City Manager who, along with the City department heads, form a management team to lead and direct the administrative and service functions of the City and carry out City Council policy.

The accompanying basic financial statements present the City and its component units, McMinnville Water and Light Department (Department) and McMinnville Urban Renewal Agency (Agency). The Department is a discretely presented component unit and as such is reported in a separate column in the government-wide financial statements to emphasize the Department's separate enterprise operations. The City and the Department have June 30<sup>th</sup> fiscal year ends.

Various other governmental agencies and special service districts provide services within the City's boundaries. However, the City is not financially accountable for any of these entities and accordingly, their financial information is not included in these basic financial statements.

**2. Blended Component Unit**

In accordance with GASB Statement No. 61, the activities of the McMinnville Urban Renewal Agency (the Agency) are included in the City's financial statements as a blended component unit. The Agency is a legally separate entity, created in July 2013, which is governed by a board comprised of the City Council, as stipulated in the bylaws. The Council has the ability to impose its will on the Agency as determined on the basis of budget adoption, taxing authority, and funding. The purpose of the Agency is to undertake urban renewal projects and activities pursuant to the City's downtown and NE Gateway District redevelopment plans. The financial results of the Agency are reported herein as one debt service fund and one special revenue fund. The Agency also prepares a separate component unit financial report which may be obtained from the Agency's administrative offices at 230 NE Second Street, McMinnville, Oregon 97128.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**3. Discretely Presented Component Unit**

The Department, which operates under the provisions of *Chapter X* of the *McMinnville City Charter*, is reported as a discretely presented component unit enterprise fund type. The Department provides electricity and water to residential and commercial customers in the city limits and adjacent areas of McMinnville, Oregon. The Department's governing board, the five-member Water and Light Commission, appoints a General Manager who is responsible for the day-to-day operations of the Department.

The Department is presented as a discretely presented component unit as the City's Mayor appoints and the City Council affirms all members of the Department's Water and Light Commission. While the Department operates as a separate financial entity, the City receives significant franchise fee payments from the Department based on a percentage established by the City Council.

Financial statements for the Department may be obtained at the McMinnville Water and Light Department, Administrative Office, 855 Marsh Lane, McMinnville, Oregon 97128.

**C. Basic Financial Statements**

**1. Government-Wide Financial Statements**

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

Government-wide financial statements present information about the primary government and its component units. The effect of interfund activity has been removed from these statements except for interfund services provided and used between funds which, if eliminated, would distort the direct costs and program revenues reported for the various functions. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

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

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from a function or segment or are otherwise directly affected by it; 2) operating grants and contributions that are restricted to meeting requirements of a particular function or segment; and 3) capital grants and contributions that are restricted to meeting requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

**2. Fund Financial Statements**

Fund financial statements present information at the individual fund level. Funds are classified and summarized as governmental, proprietary, or fiduciary type. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are combined into a single column in the fund financial statements and are detailed in the supplemental information. Internal service funds are also combined into a single column in the fund financial statements and are detailed in the supplemental information. The City does not report any fiduciary funds.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**D. Measurement Focus and Basis of Accounting**

Government-wide financial statements and proprietary fund financial statements are presented using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Capital assets are capitalized and depreciated and City debt is reported as a liability with premiums and discounts amortized over the life of the debt.

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both *measurable and available*. *Measurable* means the amount of the transaction can be determined and revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of year end. Property taxes, franchise fees from the Department, assessment liens, and state shared revenues are susceptible to the year-end 60-day accrual. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**E. Financial Statement Presentation**

The financial transactions of the City are recorded in individual funds. A fund is an independent accounting entity with a self-balancing set of accounts comprised of assets, liabilities, deferred inflows/outflows of resources, fund balances, revenues, and expenditures. Fund accounting segregates resources according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

Accounting principles generally accepted in the United States of America (GAAP) set forth minimum criteria for the determination of major funds. The City elected to include the Airport Maintenance fund as major funds due to community interest.

The City reports the following major governmental funds:

- General Fund – is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund. Principal sources of revenue are property taxes; licenses and permits, which includes franchise fees; and intergovernmental revenues. Expenditures are for police, municipal court, fire, parks and recreation, park maintenance, library, engineering, planning, administration, and finance.
- Airport Maintenance Fund – is a special revenue fund which accounts for airport property rental income committed for operations and Federal Aviation Administration (FAA) grants restricted for airport improvement projects.
- Debt Service Fund – accounts for property taxes levied for payment of principal and interest on general obligation bonds.
- Transportation Fund – accounts for the acquisition and construction of major capital projects related to highways and roads.

Additionally, the City reports non-major funds within the governmental classification which include the following fund types:

- Special Revenue Funds – account for revenue sources that are restricted or committed to expenditures for specific purposes.
- Capital Projects Funds – account for the acquisition and construction of major capital projects other than those being financed by proprietary funds.
- Debt Service Fund – accounts for urban renewal tax increment revenue and payment of principal and interest on urban renewal debt.
- The City reports the following major enterprise funds:
- Wastewater Fund – combines budgetary basis Wastewater Services Fund and Wastewater Capital Fund for full accrual presentation.
- Wastewater Services Fund – accounts for charges for services to support wastewater operations and rate payer transfer to the Wastewater Capital Fund.
- Wastewater Capital Fund – accounts for sanitary sewer system development charges used for major sanitary sewer system construction projects and transfers from the Wastewater Services Fund supporting debt service and major capital projects.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

- Ambulance Fund – accounts for emergency medical services revenues, the General Fund operating support, and related expenses.

The City reports one non-major enterprise fund, the Building Fund.

The City also reports internal service funds within the proprietary fund type. The City's internal service funds include a fund which accounts for the City's property, liability, and workers' compensation insurance and a fund which accounts for computer support, including personnel services, repairs and maintenance, and software and hardware purchases.

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

**1. Cash and Investments**

Cash and investments, including restricted cash and investments, consist of cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and the State of Oregon Local Government Investment Pool deposits. Investments in the LGIP are stated at share value, which approximates fair value, and is the value at which the shares can be withdrawn.

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

The City's investment policy, adopted by the City Council, essentially mirrors the requirements of the Oregon Revised Statutes. Currently, the City's investment portfolio consists of investments in the LGIP and a Public Money Market Savings account.

Investments are stated at fair value. Fair value is based on current market prices. Changes in the fair value of investments are recognized as revenue. GASB Statement 72, *Fair Value Measurement and Application*, which was implemented by the City in the fiscal year ending June 30, 2016, provides a fair value hierarchy that prioritized the inputs for valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). There was no material impact to the financial statements caused by the implementation of GASB Statement 72.

**2. Receivables and Payables**

Transactions between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year, as well as all other outstanding balances between funds or between the primary government and its component unit are referred to as "due to", "advance to" or "due from", "advance from" other funds or component unit. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Property taxes are assessed as of January 1 and become a lien as of July 1 on all taxable property. Property taxes are due on November 15. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due or two-thirds of the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

In the government-wide financial statements, property taxes are recognized as revenue in the year for which they are levied. In the fund financial statements, property taxes receivable which have been collected within 60 days subsequent to year-end are considered *measurable* and *available* and are recognized as revenues. All other property taxes receivable are offset by deferred inflows of resources as they are deemed unavailable to finance operations of the current period.

In the government-wide financial statements and in the proprietary fund financial statements, an allowance for uncollectible accounts is recorded in business-type activities for ambulance transport charges and in the Department. No allowance for uncollectible accounts is recorded for sewer charges as uncollectible accounts are deemed immaterial. No allowance for uncollectible accounts is considered necessary in governmental activities as receivables either become property liens when past due or are considered immaterial.

Receivables of the proprietary fund types and the Department are recorded as revenue when earned. Accounts receivables in the Department also include estimated revenues, that are accrued for power and water deliveries not yet billed to customers from meter reading dates prior to month end (unbilled revenue) and are reversed in the following year when the billings occur. In the Department, the allowance for uncollectible accounts is determined by considering a number of factors, including the length of time trade accounts receivable are past due, the customer's previous loss history, the customer's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. In the Ambulance Fund, a collection percentage is calculated based on payments as a percentage of total charges. To estimate the allowance for uncollectible accounts, the collection percentage is applied to the year-end accounts receivable balance.

### **3. Inventories and Prepaid Items**

Inventories of the Department are valued at the lower of average cost or market and charged against operations or construction in progress as used.

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 items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

### **4. Restricted Assets**

Certain cash and investments are restricted, including unspent proceeds from bond and other debt issues, and certain monies received for capital improvements.

### **5. Capital Assets**

In the government-wide financial statements, capital assets include property, plant, equipment, infrastructure assets (streets, traffic lights, storm drain, and sanitary sewer), and intangible assets (easements and land rights) and are reported in the applicable governmental activity, business-type activity, or component unit columns. In the governmental fund financial statements, capital assets are charged to expenditures as purchased; while in the proprietary fund financial statements, capital assets are capitalized when purchased.

Capital assets are defined by the City as assets with an initial cost of \$10,000 or more and an estimated useful life of more than one year. With respect to the Department, utility plant is stated at cost and includes property, plant, and equipment with an initial cost of \$5,000 or more and an estimated useful life of more than one year. Cost generally includes materials, labor and an allocation of overhead costs. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets' lives are not capitalized. Assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. Interest incurred during the construction phase of proprietary fund type's

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

All easements and infrastructure assets, including those acquired before the fiscal year ended June 30, 1980, have been capitalized. Estimated historical cost has been determined by estimating current cost and trending back to the acquisition date using an applicable cost index. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Land, land rights, and easements have an indefinite life and therefore are not amortized. Exhaustible assets of the City and the Department are depreciated using the straight-line method.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
City:	
Land improvements	20
Buildings and building improvements	20-50
Computer equipment	4-5
Machinery and equipment	5-15
Vehicles	5-10
Computer infrastructure	10-50
Street and sewer infrastructure	20-50
Department:	
Office and other equipment	10-14
Transportation equipment	5-10
Electricity and water infrastructure	20-100

## **6. Renewable Energy Certificates**

Renewable Energy Certificates (REC or Certificate) are a unique representation of the environmental, economic, and social benefits associated with the generation of electricity from renewable energy sources that produce qualifying electricity. One Certificate is created in association with the generation of one megawatt-hour (MWh) of qualifying electricity. While a Certificate is always directly associated with the generation of one MWh of electricity, transactions for Certificates may be conducted independently of transactions for the associated electricity.

The Department receives RECs as part of the purchase agreement with Bonneville Power Administration for buying Green Energy Premium Wind. The RECs are available for sale at market price. The Department also receives RECs as part of the renewable energy purchased from Waste Management Renewable Energy (WMRE). These RECs are also available for sale at market prices or are banked to satisfy future Oregon Renewable Portfolio Standard obligations.

## **7. Compensated Absences**

The City's and Department's policies permit employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits. No liability is reported for unpaid accumulated sick leave benefits as sick leave benefits do not vest. In the government-wide and proprietary fund financial statements, all vacation and compensatory time is accrued when incurred. Historically, compensated absences used during the year exceed the year-end balance; therefore management considers all compensated absences to be current liabilities. For governmental activities, compensated absences are generally liquidated by the fund that incurred the liability. The significant fund incurring these liabilities is the General Fund. In the governmental fund financial statements, a liability for compensated absences is reported only if they have matured and thus become due.



**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**8. Pension Obligations**

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

**9. Other Postemployment Benefit Obligations**

In accordance with GASB Statement 45, *Accounting and Financial Reporting by Employers for the Postemployment Benefits Other Than Pensions* (OPEB), the City's net OPEB obligation is recognized as a long-term liability in the government-wide financial statements, the amount of which is actuarially determined. The annual required contribution is recognized on an accrual basis in accordance with actuarial standards. Beginning with fiscal year 2015-16, the City early-implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for its Length of Service Awards Program (LOSAP) that is provided as a benefit to volunteer fire fighters. See Note IV.D.2 for more information on this OPEB plan.

**10. Long-Term Debt**

In the government-wide and proprietary fund type financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Premiums, discounts and deferred amounts on refunding are amortized over the life of the related debt issue. Long-term debt payable is reported net of the related unamortized premium or discount. Issuance costs are reported as period costs in the year of issue.

In the governmental fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums are also reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**11. Pensions**

A pension liability is reported in government-wide and proprietary fund financial statements as a liability in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Interest and amortization are reported as pension expense in the government wide statement of activities for governmental and business-type activities, and as operating expense in the proprietary funds.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows or resources related to pension, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. 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.

**12. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents 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.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of*

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

*resources*, represents 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 City has two types of deferred inflows that qualify for reporting in this category. *Unavailable revenue* from property taxes is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The governmental funds report unavailable revenues from two sources: property taxes and donations where a timing requirement has not been met. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also reports deferred amounts related to pension. This amount is deferred and recognized as an inflow of resources in the period when the City recognizes pension income. Deferred inflows are included in the government-wide Statement of Net Position and the proprietary funds State of Net Position.

**13. Net Position Flow Assumption**

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

**14. Fund Balance**

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

Fund balance is reported as nonspendable when the resources 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 and prepayments.

Fund balance is reported as restricted when the constraints placed on the use of the resources are 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.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority are reported as committed fund balances. The City reports fund balances as committed when the City Council passes a resolution that places specific constraints on how the resources may be used. The City Council can modify or rescind the resolution at any time through passage of an additional resolution.

Amounts that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the City Council approves certain amounts during the adoption of the annual budget.

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

The City considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. For unrestricted fund balance amounts, the City considers that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

A formal fund balance policy was adopted by the City Council in fiscal year 2011-12. The fund balance policy establishes a goal for General Fund unassigned fund balance levels and is intended to serve as a guide for important budgetary decisions. The policy recommends that cash flow needs, bond credit ratings, unforeseen emergencies, and capital reserves should be considered in determining the minimum fund balance level. Generally, 25 percent of General Fund annual budgeted expenditures provides an adequate cash reserve to cover operating expenditures prior to the receipt of current year property tax revenues. The policy does not stipulate the conditions under which the fund balance may fall below the minimum, but, rather, establishes a target amount that the City believes should be maintained to provide a reasonable level of assurance that day-to-day operations can continue if revenues are insufficient to cover expenditures.

**G. Use of Estimates**

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 the reported amounts of assets, liabilities and deferred inflows, the disclosure of contingent assets, liabilities and deferred inflows at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

**II. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

All City governmental funds adopt annual budgets on a budgetary basis of accounting, which is similar to the modified accrual basis of accounting with certain differences. All City proprietary funds adopt annual budgets on a budgetary basis of accounting, which is similar to the modified accrual basis of accounting, with certain full accrual basis adjustments that are acceptable under State of Oregon Budget Law. Budget to modified accrual or budget to full accrual reconciling items are listed on the individual fund Statements/Schedules of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual. All annual appropriations lapse at June 30<sup>th</sup>.

The City begins its budgeting process by appointing Budget Committee members in January of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the proposed budget in May. Public notices of the approved budget and City Council public hearing are generally published in May and June with the budget public hearing held in June. The City Council adopts the budget, makes appropriations, and declares the operating and debt service property tax levies and tax rate no later than June 30<sup>th</sup>.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. For the General and Wastewater Services Funds, levels of budgetary control are established at the department level. For all other funds, appropriations are established at the personal services, materials and services, capital outlay, debt service, operating contingencies, and other requirements level.

All changes and amendments to the budget require the approval of the City Council. Supplemental budgets less than 10 percent of a fund's original budget may be adopted by the City Council at a regular City Council meeting. A supplemental budget greater than 10 percent of a fund's original budget requires publication, a hearing before the public, and approval by the City Council. Three General Fund supplemental budgets were approved by the City Council during the current fiscal year. Original and supplemental budgets may be modified by the use of appropriation transfers between levels of control. Such transfers also require approval by the City Council. The City Council approved one appropriation transfer during the fiscal year ending June 30, 2017. The Statements/Schedules of Revenues, Expenditures, and Changes in Fund Balance, Budget and

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

Actual present both the budget as originally adopted and the budget after adjustments for all legally authorized revisions.

The Department is exempt from Oregon Local Budget Law, pursuant to Oregon Revised Statutes (ORS) 294.316, due to being a municipal public utility operating under a separate commission and not receiving ad valorem tax support.

**III. Detailed Notes on Accounts**

**A. Cash and Investments**

Oregon Revised Statutes authorize the City to invest in general obligations of the U.S. Government and its agencies; certain bonded obligations of Oregon municipalities; bank repurchase agreements; certificates of deposit; bankers' acceptances; the State of Oregon Local Government Investment Pool; and certain corporate indebtedness, which includes only the four highest ratings by the ratings agencies.

The State of Oregon Local Government Investment Pool (Pool) is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool. These funds must be invested, and the investments managed as a prudent investor would, exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board which establishes diversification percentages and specifies the types and maturities of investments. The Oregon Audits Division audits the Pool annually. The Division's report on the Pool as of and for the year ended June 30, 2017 was unavailable. The Division's report on the Pool as of and for the year ended June 30, 2016 was unmodified. The fair value of the City's position in the Pool at June 30, 2017 was 100 percent of the value of the Pool shares. The Pool does not have a credit quality rating by a nationally recognized statistical rating organization and is therefore unrated.

At year end, the City's total book balance for deposits with financial institutions was \$7,493,498 and the bank balance was \$8,149,618. The City's bank balances were covered by \$250,000 Federal Depository Insurance. Of the Department's bank balances, \$500,000 was covered by Federal Depository Insurance. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer.

At June 30, 2017, the City's cash and investment balances were as follows:

Cash held in city offices	\$ 3,540
Deposits with financial institutions	7,493,498
Cash with fiscal agent	673,697
Oregon State Local Government Investment Pool - City's general account	28,889,920
Oregon State Local Government Investment Pool - Park System Improvement Bond proceeds	745,250
Oregon State Local Government Investment Pool - Transportation Bond proceeds	10,751,461
Oregon State Local Government Investment Pool - Urban Renewal Loan Proceeds	1,781,448
Total City cash and investments	<u>\$ 50,338,814</u>

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

The City's cash and investments are reflected in the government-wide statement of net position as follows:

	Governmental Activities	Business-type Activities	Total
Cash and investments			
Unrestricted	\$ 14,475,039	\$ 21,936,307	\$ 36,411,346
Restricted	13,927,468	-	13,927,468
Total cash and investments	<u>\$ 28,402,507</u>	<u>\$ 21,936,307</u>	<u>\$ 50,338,814</u>

At June 30, 2017, the Department's cash and investment balances were as follows:

	Fair Value
Cash on hand	\$ 1,700
Deposits with financial institutions	650,777
Oregon State Local Government Investment Pool	42,079,273
Total Department cash and investments	<u>\$ 42,731,750</u>

Custodial credit risk is the risk that, in the event of failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy relating to custodial credit risk. At June 30, 2017, the City does not have investments exposed to custodial credit risk.

The City's investment policy allows 100 percent of the City's investments to be invested in the Pool. As a means to limit exposure to fair value losses arising from changes in interest rates, the City's investment policy requires that all investments other than the Pool mature in less than one year.

**B. Receivables**

**1. Government Funds and Governmental Activities**

Receivables as of year-end for the City's governmental individual major, non-major funds in the aggregate and internal service funds are as follows:

Receivables:	General	Airport Maintenance	Trans- portation	Debt Service	Total Non- Major	Governmental Activities
Accounts	\$ 448,246	\$ 1,376,247	\$21,468	\$ -	\$ 542,770	\$ 2,388,731
Fire Fees	2,737	-	-	-	-	2,737
Property Taxes	1,069,789	-	-	195,526	9,165	1,274,480
Cash with county	117,538	-	-	24,243	1,512	143,293
Assessments	1,829	-	-	-	41,874	43,703
Total	<u>\$ 1,640,139</u>	<u>\$ 1,376,247</u>	<u>\$21,468</u>	<u>\$ 219,769</u>	<u>\$ 595,321</u>	<u>\$ 3,852,944</u>

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

In the government-wide financial statements, property tax revenue is reported net of discounts, adjustments, and interest as follows:

	<u>Total Governmental</u>
Gross Revenue	\$ 15,439,226
Less: discounts, etc.	<u>(411,009)</u>
Net revenue	<u>\$ 15,028,217</u>

In the fund financial statements, governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds report revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, unavailable revenue at the fund statement level includes delinquent property taxes, delinquent special assessments, and delinquent fire fees.

Unearned revenue at the government-wide level includes operating funds received but not earned. At the end of the current fiscal year, unearned revenue at the government-wide level mainly consists of an airport land lease credit and fees for summer recreation programs.

## 2. Business-Type Activities

Receivables as of year-end for the City's individual major enterprise funds are as follows:

	<u>Wastewater</u>	<u>Ambulance</u>	<u>Building</u>	<u>Business-type Activities</u>
Accounts receivable	\$ 629,982	\$ 1,816,485	787	\$ 2,447,254
Less: allowance for uncollectable accounts	<u>-</u>	<u>(287,605)</u>	<u>-</u>	<u>(287,605)</u>
Net receivables	<u>\$ 629,982</u>	<u>\$ 1,528,880</u>	<u>\$ 787</u>	<u>\$ 2,159,649</u>

Ambulance revenue is reported net of uncollectible amounts and direct medical insurance contractual write-off's as follows:

Gross revenue	\$ 3,759,503
Less: medical write-offs	<u>(294,006)</u>
Net revenue	<u>\$ 3,465,497</u>

## 3. Non-Cancellable Leases

The City leases certain property with an approximate net capital cost of \$1,569,000 under long-term operating leases. For fiscal year ended June 30, 2017 total depreciation expense was \$34,388. As of June 30, 2017, accumulated depreciation was \$1,312,000. The minimum future payments to be received under these non-cancellable leases are approximately as follows:

Year Ending June 30	
2018	189,000
2019	165,500
2020	48,300
2021	43,600
2022	43,600
Thereafter	<u>725,500</u>
Total	<u>\$ 1,215,500</u>

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**4. Department**

In the government-wide financial statements, receivables as of year-end for the Department are as follows:

Accounts and notes receivable	\$ 4,822,920
Less: allowance for uncollectibles	<u>(54,775)</u>
Net receivables	<u><u>\$ 4,768,145</u></u>

**C. Capital Assets**

In the government-wide financial statements, the City's governmental activities' capital asset activity for the year ended June 30, 2017 is illustrated in the following table. Activity includes additions, dispositions, annual depreciation expense and adjustments.

	Beginning Balance as originally stated	Restatement	Beginning Balance (restated)	Increases	Decreases	Transfers	Ending Balance
<b>Non-depreciable:</b>							
Land	\$ 28,374,346	\$ -	\$ 28,374,346	\$ -	\$ -	\$ -	\$ 28,374,346
Easements	1,882,592	-	1,882,592	39,604	-	-	1,922,196
Public art	193,235	-	193,235	-	-	-	193,235
Construction in progress	1,920,789	566,925	2,487,714	9,011,572	-	(4,191,397)	7,307,889
Total non-depreciable	<u>32,370,962</u>	<u>566,925</u>	<u>32,937,887</u>	<u>9,051,176</u>	<u>-</u>	<u>(4,191,397)</u>	<u>37,797,666</u>
<b>Depreciable:</b>							
Land improvements	18,561,387	-	18,561,387	-	-	163,091	18,724,478
Buildings	32,711,584	-	32,711,584	-	-	-	32,711,584
Machinery and equipment	6,135,404	-	6,135,404	52,745	-	-	6,188,149
Vehicles	4,938,425	-	4,938,425	293,445	(264,826)	-	4,967,044
Infrastructure	54,556,799	-	54,556,799	190,371	-	4,028,306	58,775,476
Total depreciable	<u>116,903,599</u>	<u>-</u>	<u>116,903,599</u>	<u>536,562</u>	<u>(264,826)</u>	<u>4,191,397</u>	<u>121,366,731</u>
<b>Accumulated depreciation:</b>							
Land improvements	(10,224,868)	-	(10,224,868)	(779,054)	2,023	-	(11,001,899)
Buildings	(18,483,579)	-	(18,483,579)	(750,103)	-	-	(19,233,682)
Machinery and equipment	(5,083,311)	-	(5,083,311)	(292,860)	-	-	(5,376,171)
Vehicles	(3,180,016)	-	(3,180,016)	(274,407)	219,364	-	(3,235,059)
Infrastructure	(37,294,607)	-	(37,294,607)	(1,150,944)	-	-	(38,445,551)
Total accumulated depreciation	<u>(74,266,381)</u>	<u>-</u>	<u>(74,266,381)</u>	<u>(3,247,369)</u>	<u>221,387</u>	<u>-</u>	<u>(77,292,363)</u>
Governmental activities capital assets, net	<u>\$ 75,008,180</u>	<u>\$ 566,925</u>	<u>\$ 75,575,105</u>	<u>\$ 6,340,369</u>	<u>\$ (43,439)</u>	<u>\$ -</u>	<u>\$ 81,872,035</u>

At June 30, 2017, the City's government-wide governmental activities construction in progress consisted of costs related to park system and street improvement bond projects.

In fiscal year 2016, the Airport Department began the design phase of a runway rehabilitation project. The expenditures for this project at June 30, 2016 totaled \$566,925. In the government-wide Statement of Net Position for fiscal year 2016, capital assets were understated by that amount in error. Beginning net position and beginning capital assets have been restated to reflect the correction of this error.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 149,813
Community development	38,665
Public safety:	
Police	504,057
Fire	255,710
Emergency communications	33,504
Highways and streets	1,157,016
Culture and recreation:	
Parks and recreation	654,711
Library	35,818
Airport	345,441
Internal service fund capital asset depreciation in the government- wide financial statements is charged to the various functions based on their usage of the assets.	<u>72,634</u>
Total governmental activities depreciation expense	<u><u>\$ 3,247,369</u></u>



**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

In the government-wide financial statements and proprietary fund financial statements, the City's business-type activities' capital asset activity for the year ended June 30, 2017 is illustrated in the following table. Activity includes additions, dispositions, annual depreciation expense, and adjustments.

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable:				
Land	\$ 785,223	\$ -	\$ -	\$ 785,223
Easements	241,444	-	-	241,444
Construction in progress	2,420	701,958	-	704,378
Total non-depreciable	<u>1,029,087</u>	<u>701,958</u>	<u>-</u>	<u>1,731,045</u>
Depreciable:				
Land improvements	84,445	-	-	84,445
Buildings	54,297,051	41,460	-	54,338,511
Machinery and equipment	2,411,043	28,650	(136,506)	2,303,187
Vehicles	1,978,563	4,215	(278,102)	1,704,676
Infrastructure	44,169,802	1,305,014	-	45,474,816
Total Depreciable	<u>102,940,904</u>	<u>1,379,339</u>	<u>(414,608)</u>	<u>103,905,635</u>
Accumulated depreciation:				
Land improvements	(70,987)	(3,108)	-	(74,095)
Buildings	(31,599,761)	(2,010,133)	-	(33,609,894)
Machinery and equipment	(1,433,821)	(275,158)	136,483	(1,572,496)
Vehicles	(1,086,328)	(145,434)	242,268	(989,494)
Infrastructure	(11,653,617)	(945,093)	-	(12,598,710)
Total accumulated depreciation	<u>(45,844,514)</u>	<u>(3,378,926)</u>	<u>378,751</u>	<u>(48,844,689)</u>
Business-type activities capital assets, net	<u>\$ 58,125,477</u>	<u>\$ (1,297,629)</u>	<u>\$ (35,857)</u>	<u>\$ 56,791,990</u>

At June 30, 2017, the City's business-type activities construction in progress consisted of costs related to a remodel project at the Fire Hall, with costs allocated to the Fire Department and the Ambulance Fund.

Depreciation expense was charged to business-type activities functions as follows:

Wastewater	\$ 3,121,981
Ambulance	243,716
Building	13,229
Total business-type activities depreciation expense	<u>\$ 3,378,926</u>

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

The Department's capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable:				
Land	\$ 7,260,869	\$ 14,354	\$ -	\$ 7,275,223
Construction in progress	890,323	3,241,384	(1,761,771)	2,369,936
Total non-depreciable	<u>8,151,192</u>	<u>3,255,738</u>	<u>(1,761,771)</u>	<u>9,645,159</u>
Depreciable:				
Structures and improvements	8,892,300	129,635	-	9,021,935
Water treatment plant	34,735,996	264,026	-	35,000,022
Supply and distribution system	114,413,173	1,704,252	(512,205)	115,605,220
Furniture and equipment	2,643,757	182,183	-	2,825,940
Transportation equipment	2,961,040	123,827	(90,923)	2,993,944
Total depreciable	<u>163,646,266</u>	<u>2,403,923</u>	<u>(603,128)</u>	<u>165,447,061</u>
Accumulated depreciation:				
Electric plant	(22,284,270)	(1,961,710)	572,946	(23,673,034)
Water plant	(24,654,095)	(1,680,641)	27,885	(26,306,851)
Transportation equipment	(1,745,916)	-	-	(1,745,916)
Total accumulated depreciation	<u>(48,684,281)</u>	<u>(3,642,351)</u>	<u>600,831</u>	<u>(51,725,801)</u>
Governmental activities capital assets, net	<u>\$ 123,113,177</u>	<u>\$ 2,017,310</u>	<u>\$ (1,764,068)</u>	<u>\$ 123,366,419</u>

For the Department, accumulated depreciation information for beginning balances, increases, decreases, and ending balances by major class of capital assets is unavailable.

**D. Interfund Balances and Transfers**

The City's General Fund receives a monthly franchise fee from the Department. The Department bills and collects the City's sewer user charges which are turned over to the City on a monthly basis. The City and Department also work together on common projects which result in miscellaneous reimbursements between the two entities.

The following due to/due from balances between the primary government and its component unit resulted from the routine monthly cycle timing between the dates that payments between entities were made and received:

Receivable Entity	Payable Entity	Amount
Major governmental fund - General Fund	Department	\$ 102,234
Major enterprise fund - Wastewater Fund	Department	721,370
Internal service Fund	Department	-
		<u>\$ 823,604</u>

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

Interfund transfers for the year ended June 30, 2017, consisted of the following:

**Interfund Transfers:**

Transfers In:						
	General Fund	Transportation Fund	Debt Service Fund	Nonmajor Governmental funds	Enterprise Fund Ambulance Fund	Total
Transfer Out:						
General Fund	-	-	-	689,100	800,000	1,489,100
Nonmajor Governmental Funds	209,171	600,000	100,000	34,690	-	943,861
Ambulance Fund	-	-	-	84,200	-	84,200
	<u>209,171</u>	<u>600,000</u>	<u>100,000</u>	<u>807,990</u>	<u>800,000</u>	<u>2,517,161</u>

Transfers are used to: 1) move allocations of system development charges from the receipting funds to the debt service fund; 2) move allocations of revenues from the receipting funds to support specific capital projects or programs.

**Advances to/from other funds**

<u>Receivable Fund</u>	<u>Payable fund</u>	
General Fund	Non major governmental funds	<u>\$2,231,178</u>

The amount payable to the General Fund relates to advances from the General Fund to the Urban Renewal funds for accounts payable, a loan for preliminary urban renewal feasibility study costs, and a loan for street improvements in the urban renewal district, as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2018	\$ 63,878
2019	110,000
2020	146,060
2021	149,060
2022	152,120
2023-2027	808,660
2028-2032	801,400
Total	<u>\$ 2,231,178</u>

**E. Renewable Energy Certificates (REC) – Department**

As of June 30, 2017, the Department has 242,137 RECs banked in its Western Renewable Energy

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

Generation Information System (WREGIS) account, valued at \$3.89 per REC, for a total value of \$942,495. The value of these RECs is based on management's estimate of fair value.

The Department also holds 229,192 in its WREGIS account for RECs received from Waste Management Renewable Energy. As these RECs are internally generated, they have no corresponding value on the statement on net position at June 30, 2017.

**F. Regulatory Asset - Conservation Charges - Department**

In November 2008, the Department entered into a long-term power purchase agreement with the Bonneville Power Administration. The Commission also authorized conservation funding in order to secure a more favorable rate structure over the delivery period of 17 years. The Department will amortize these expenditures over the 17 year period which commenced October 1, 2011.

**G. Long-Term Liabilities**

**1. General Obligation Bonds – Governmental Activities**

General obligation bonds have been issued for governmental activities to provide funds for the acquisition and construction of major capital facilities including park system and transportation improvements and new public safety and civic hall buildings.

The Park System Improvement and Transportation Bonds are subject to federal arbitrage rebate calculations, although there is no contingent rebatable arbitrage liability as of June 30, 2017 related to these bonds.

The 2006 Public Safety and Civic Buildings Bonds were subject to federal arbitrage rebate calculations. The final calculation was completed in 2016 and there is no contingent rebatable arbitrage liability as of June 30, 2017.

Interest rates are associated with respective maturities and do not represent variable rate debt.

**2. Full Faith and Credit Obligations**

Full Faith and Credit obligations include a loan to purchase fire equipment and a loan from Oregon Department of Transportation related to the Newberg-Dundee Bypass. The fire equipment loan is subject to interest at 3.1% through June 30, 2024 at which time the interest rate will be adjusted based on current market rates. The loan may be prepaid without penalty after June 30, 2021.

In October 2016, the City entered into a financing agreement with JPMorgan Chase Bank to borrow \$3,525,860 to refinance the City's OPERS transition liability. The loan is subject to interest at 2.73% through 2027. The debt will be repaid from both governmental activities and business-type activities, \$2,573,102 and \$952,758, respectively.

In October 2016, the City also entered into a financing agreement with JPMorgan Chase Bank to borrow \$2,192,300 for urban renewal related capital improvements. The loan is subject to interest at 2.04% through 2031.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

Annual debt service requirements to maturity for business-type activities, including general obligation bonds and full faith and credit obligations, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,827,068	\$ 1,240,430
2019	2,638,903	1,132,892
2020	2,785,110	1,043,152
2021	2,889,111	946,042
2022	2,884,081	859,045
2023-2027	13,272,885	2,634,431
2028-2032	5,604,744	356,684
Total	<u>\$ 32,901,902</u>	<u>\$ 8,212,676</u>

Annual debt service requirements to maturity for business-type activities for full faith and credit obligations, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 57,670	\$ 32,244
2019	69,117	23,973
2020	74,327	22,051
2021	79,793	19,985
2022	85,535	17,768
2023-2027	524,111	49,751
2028	62,205	848
Total	<u>\$ 952,758</u>	<u>\$ 166,620</u>

### 3. Pension Related Debt

In 2001 the City and Department became members of OPERS Local Government Rate Pool (LGRP). Pooling allows separate employers to be part of one group for the purpose of determining employer pension costs and contribution rates. Subsequent to the City joining the LGRP, the Oregon legislature merged the LGRP with the State/Community College Pool, forming the State and Local Government Rate Pool (SLGRP). In 2001, the City elected to become a member of the SLGRP.

Upon joining the LGRP in 2001, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased by interest charges at an assumed interest rate, originally 8 percent, which was reduced to 7.75 percent in 2013 and to 7.5 percent in 2015.

The transition liability was to be amortized over twenty-five years, ending in December 2027. The government elected to pay the balance owed on the transition liability in October 2016.

<u>Balance</u>			<u>Balance</u>
<u>June 30 2016</u>	<u>Interest</u>	<u>Payment</u>	<u>June 30 2017</u>
\$ 4,903,101	\$ -	\$ (4,903,101)	\$ -

The Department used available cash to pay off its share of the liability. The City entered into a financing agreement as disclosed in Note III.G.2 above.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**4. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2017 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
General obligation bonds:					
Series 2011 - Parks, interest 2.0-4.0%, original issue \$5,590,000, due 2021	\$ 3,470,000	\$ -	\$ (550,000)	\$ 2,920,000	\$ 555,000
Series 2006, Public Safety, interest 3.75-5.5%, original issue \$13,120,000, due 2026	640,000	-	(640,000)	-	-
Series 2015, Public Safety Refunding, 2.5-5.0%, original issue \$7,235,000, due 2030	7,170,000	-	-	7,170,000	650,000
Series 2015 Transportation, interest 2.5-5.0%, original issue \$16,085,000, due 2030	15,775,000	-	(1,100,000)	14,675,000	1,200,000
Full faith and credit obligations:					
2014 Loan, Fire Equipment, interest 3.1-variable% original amount \$1,370,000, due 2021	1,225,877	-	(77,888)	1,147,989	80,321
2013 Loan, Dundee Bypass, interest 2.26% total amount \$3,209,600, due 2036	1,995,364	383,546	(155,400)	2,223,510	150,997
2016 Loan, Urban Renewal Improvements, interest 2.04%, total amount \$2,192,300, due 2031	-	2,192,300	-	2,192,300	35,000
Plus: bond issuance premium	3,278,129	-	(282,081)	2,996,048	-
	33,554,370	2,575,846	(2,805,369)	33,324,847	2,671,318
Pension related debt (PERS transition liability)	2,663,648	-	(2,663,648)	-	-
2016 Loan, PERS Transition Liability Refinancing interest 2.73%, total amount \$3,525,860, due 2027	-	2,573,102	-	2,573,102	155,754
Rebatable arbitrage	6,684	-	(6,684)	-	-
Other post employment benefits	1,092,294	152,749	-	1,245,043	-
Total governmental activities	<u>\$ 37,316,996</u>	<u>\$ 5,301,697</u>	<u>\$ (5,475,701)</u>	<u>\$ 37,142,992</u>	<u>\$ 2,827,072</u>
<u>Business-Type Activities</u>					
Pension related debt ((PERS transition liability)	\$ 952,459	\$ -	\$ (952,459)	\$ -	-
2016 Loan, PERS Transition Liability Refinancing interest 2.73%, total amount \$3,525,860, due 2027	-	952,758	-	952,758	57,666
Other post employment benefits	339,886	51,952	-	391,838	-
Total business-type activities	<u>\$ 1,292,345</u>	<u>\$ 1,004,710</u>	<u>\$ (952,459)</u>	<u>\$ 1,344,596</u>	<u>\$ 57,666</u>

Internal service funds predominantly serve the governmental funds. Accordingly, internal service funds' long-term liabilities of \$27,604 and \$54,122 for other post-employment benefits and pension related debt are included as part of the totals for governmental activities.

For governmental activities, other post-employment benefits are generally liquidated by the fund that incurred the liability. The significant fund incurring these liabilities is the General Fund.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**H. Fund Balances**

Fund balances by classification for the year ended June 30, 2017 were as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Airport</u>	<u>Transportation</u>	<u>Debt Service</u>	<u>Other Government Funds</u>	<u>Total Government Funds</u>
Nonspendable:						
In Form:	\$ 2,245,416	\$ -	\$ -	\$ -	\$ 45	\$ 2,245,461
Restricted for:						
Street Maintenance	-	-	-	-	1,980,503	1,980,503
Tourism Promotion	-	-	-	-	152,279	152,279
Capital Projects	-	-	11,576,985	-	2,585,520	14,162,505
Debt Service	-	-	-	1,228,300	-	1,228,300
Committed to:						
Emergency	-	-	-	-	136,238	136,238
Airport Maintenance	-	635,411	-	-	-	635,411
Assigned to:						
LOSAP	673,696	-	-	-	-	673,696
Special Assessments	-	-	-	-	150,084	150,084
Telecommunications	-	-	-	-	1,825	1,825
Unassigned:	6,444,745	-	-	-	(2,082,124)	4,362,621
Total fund balances	<u>\$ 9,363,857</u>	<u>\$ 635,411</u>	<u>\$ 11,576,985</u>	<u>\$ 1,228,300</u>	<u>\$ 2,924,370</u>	<u>\$ 25,728,923</u>

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**IV. Other Information**

**A. Risk Management**

**1. City**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees. The City is covered for comprehensive liability, property, auto liability and physical damage, employer's liability, and workers' compensation insurance through City County Insurance Services (CIS), a public entity risk pool. The pooling agreement does not permit the pool to make additional assessments to its members in the event of unanticipated losses.

For property and liability insurance and for workers' compensation insurance, settlements did not exceed insurance coverage in any of the past three fiscal years.

**2. Department**

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees. The Department is covered for comprehensive liability, property, auto liability and physical damage, employer's liability, and workers' compensation insurance through City County Insurance Services (CIS), a public entity risk pool.

For property and liability insurance, settlements did not exceed insurance coverage in any of the past three fiscal years.

**B. Deferred Compensations Plans**

The City offers employees two deferred compensation plans and the Department offers employees one deferred compensation plan created in accordance with Internal Revenue Code Section 457. All plan assets are maintained by separate deferred compensation companies and are valued at market. The plans permit employees to defer a portion of their salary until future years. The City does not contribute to the plan. Deferred compensation is not available to participants until termination, retirement, death, or certain unforeseeable emergency. The assets and income of the plans are held in trust for the exclusive benefit of the participants and their beneficiaries and accordingly are not included in the City's or the Department's financial statements. Employees are immediately vested in all contributions to the plan.

For the year ended June 30, 2017 City and Department employee contributions to the plans were \$450,561 and \$310,795, respectively.

**C. Other Post-Employment Benefits (OPEB)**

**1. Post-Employment Healthcare Plan – City**

**Plan Description**

The City does not have a formal post-employment benefits plan for any employee group; however, the City is required by Oregon Revised Statutes 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. Governmental Accounting Standards Board *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB Statement 45) is applicable to the City due only to the implicit rate subsidy. This "plan" is a single-employer plan that does not stand-alone, and therefore does not issue its own financial statements.



**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**Funding Policy**

The City's insurance company, City County Insurance Services (CIS), contracts with a third party to bill and collect premiums from retirees, which then pays health and dental insurance premiums for all retirees at the blended rate for each family classification. The required contributions to the plan include the employer's pay-as-you-go amount, an amount paid by retirees and an additional amount calculated to prefund future benefits as determined by the actuary.

For fiscal year ended June 30, 2017, the City contributed \$54,197 consisting of retiree payments. The City has elected to not prefund the actuarially determined future cost amount \$1,636,879.

The required monthly contributions of the plan members for medical, vision and dental coverage were as follows for the year ended June 30, 2017:

	General Service Retirees	Police Retirees	Fire Union Retirees
Employee	\$ 576	\$ 748	\$ 553
Employee & child	1,050	1,371	1,006
Employee & spouse	1,197	1,564	1,147
Employee & children	1,440	1,866	1,382
Employee & family	1,657	2,148	1,590

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual other post-employment benefit cost is calculated based on the Annual Required Contribution (ARC) of the employer, 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 over a period of 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation.

Normal Cost	\$ 142,568
Amortization of unfunded actuarial accrued liability (UAAL)	238,410
Annual required contribution (ARC)	380,978
Interest on net OPEB obligation	50,126
Adjustment to ARC	(172,207)
Annual OPEB cost	258,897
Contribution	(54,197)
Increase in Net OPEB obligation	204,700
Net OPEB obligation, beginning of year	1,432,179
Net OPEB obligation, end of year.	1,636,879

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

The City's annual OPEB cost, contribution, percentage of the annual OPEB cost contributed to the plan, and net OPEB obligation for the current year and two preceding years were as follows:

<u>Fiscal Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Contribution</u>	<u>Percent of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2015	\$ 253,233	\$ 77,238	31%	\$1,284,487
2016	211,065	63,373	30	1,432,179
2017	258,897	54,197	21	1,636,879

**Funded Status and Funding Progress**

As of July 1, 2016, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,982,769, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,982,769, which is 16% of the \$12,704,769 covered payroll. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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

The results of the August 1, 2016 actuarial valuation were used to prepare GASB Statement 45 accounting results for the fiscal year ending June 30, 2017. In the August 1, 2016 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 2.50 percent general inflation rate, 3.5 percent discount rate, and a first year healthcare cost trend rate of 7.00 percent, followed by trends varying between 7.5 percent and 5.25 percent, and finally at 5.00 percent. The UAAL is being amortized as a level dollar amount over an open period of ten years.

**2. Post-Employment Healthcare Plan – Department - Plan Description**

The Department provides post-employment health benefits, as per a contractual obligation, for certain retirees who were hired prior to August 1, 2005, and who are at least 60 years old and their dependents. The benefits vary depending on the years of service of the retiree. The Department pays 100 percent of all health insurance costs for those employees with over 20 years of service up until the retiree reaches Medicare age. For those employees with over 25 years of service the Department also pays for all health insurance costs of the retiree's spouse until they reach Medicare age and the children of the retiree until they reach the age of maturity. The plan is financed by the Department on a pay-as-you-go basis. Retired employees who do not have 20 years of service may continue to participate in the health insurance plan until they reach Medicare age provided the retired employees pay all insurance premiums. This "plan" is a single-employer plan, which is not a stand-alone plan and therefore does not issue its own financial statements. The Commission is responsible for establishing and amending benefits and funding policies.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**Funding Policy**

At June 30, 2017, there were 15 retired employees and spouses receiving health insurance coverage provided by the Department. For fiscal year ended June 30, 2017, the Department incurred \$95,271 of expenses for these health insurance premiums.

**Annual OPEB Cost and Net OPEB Obligation**

The Department's annual other post-employment benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the employer, 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 the actuarial liability over one year. The following table shows the components of the Department's annual OPEB cost for the year, amounts actually contributed to the plan, and the changes in the Department's net OPEB obligation:

Normal cost	\$ 51,427
Amortization of unfunded actuarial accrued liability (UAAL)	\$ 1,285,440
Annual required contribution (ARC)	1,336,867
Interest on prior year net OPEB obligation	42,690
Adjustment to ARC	(1,262,403)
Annual OPEB cost	117,154
Contribution	(90,244)
Increase in net OPEB obligation	26,910
Net OPEB obligation, beginning of year	1,219,713
Net OPEB obligation, end of year	\$ 1,246,623

The Department's annual OPEB cost, contribution, percentage of the annual OPEB cost contributed to the plan, and net OPEB obligation for the current year and two preceding years were as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost (credit)	Contribution	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	102,965	73,557	71	1,482,607
2016	(128,115)	101,321	(79)	1,253,171
2017	117,154	90,244	77	1,246,623

**Funded Status and Funding Progress**

As of July 1, 2016, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,325,957, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,325,957, which is 98% of the \$2,373,910 covered payroll. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**Actuarial Methods and Assumptions**

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

In the August 1, 2016 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a discount rate of 3.50 percent and an annual healthcare cost trend rate of approximately 7.00 percent initially, then varying between 7.50 percent and 5.25 percent, and finally at 5.00 percent. The UAAL is being amortized as a level dollar amount over an open period of ten years.

**3. Retirement Health Insurance Account (RHIA)**

**Plan Description**

As a member of Oregon Public Employees Retirement System (OPERS), the City and the Department contribute to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplemental information. The report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700 or by calling 503-598-7377.

**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 OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS. The rates applied to annual covered payroll for the fiscal year 2016-17 were 0.53 percent for Tier 1 and 2 members and 0.45 percent for OPSRP members. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The City's contributions to RHIA for the fiscal years ended June 30, 2017, 2016, and 2015 were \$62,000, \$64,000, and \$61,000, which equaled the required contributions each year. The Department's contributions to RHIA for the fiscal years ended June 30,

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

2017, 2016, and 2015 were \$24,000, \$24,000, and \$26,000 which equaled the required contributions each year.

**D. Employee Retirement Pension Plan**

**1. Oregon Public Employees Retirement System (OPERS)**

**Plan Description.** The City and the Department are participating employers in the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at:

[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

**ORS 238 Tier One/Tier Two Retirement Benefits.** The PERS retirement allowance benefit is payable monthly for life. It may be selected from thirteen retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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 services 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 eligible service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60.

**Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met: (1) member was employed by a OPERS employer at the time of death; (2) member died within 120 days after termination of OPERS-covered employment; (3) member died as a result of injury sustained while employed in a OPERS-covered job; or (4) member was on an official leave of absence from a OPERS-covered job at the time of death.

**Disability Benefits.** A member with ten or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

**Benefit Changes after Retirement.** Members may choose to continue participation in a variable equities investment account after 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 cost-of-living

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

changes in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

**ORS 238A OPSRP Pension Program Benefits.** The Pension Program provides benefits to members hired on or after August 29, 2003. Benefits under this portion of OPSRP provide a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

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

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

Members become vested on the earliest of the 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, and, if the pension program is terminated, the date on which termination becomes effective.

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

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

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

**OPSRP Individual Account Program (IAP).** An IAP member becomes vested on the date the employee account is established or on the date the rollover account is 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 OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5, 10, 15, or 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 amount.

**Recordkeeping.** OPERS contracts with VOYA Financial to maintain IAP participant records.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

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

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation. The City's rates for the year ended June 30, 2017 were 17.77 percent for OPERS members, 10.63 percent for general service OPSRP members, 14.74 percent for police and fire OPSRP members, and 6.00 percent for the Individual Account Program (IAP). The Department's rates are 16.49 for OPERS and 10.63 percent for OPSRP. The contribution requirements for plan members and the City and Department are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Employer contributions for the City and Department for the year ended June 30, 2017, were approximately \$1,903,000 and \$605,000, respectively, excluding amounts to fund employer specific liabilities.

A four year Schedule of Contributions can be found in the Required Supplementary Information, which immediately follows the Notes in this report.

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

Information included in the following section for the Department is as reported in the "Report of Independent Auditors and Combined Financial Statements for McMinnville Water and Light Department" for fiscal years ending June 30, 2016 and 2015. Due to differences used by the City and the Department for calculation of pension liabilities, pension expenses, and deferred outflows and inflows of resources related to pensions, City and Department amounts, in the aggregate, do not agree to amounts reported by OPERS. Variances in these amounts are immaterial.

At June 30, 2017, the City and Department reported liabilities of \$25,009,124 and \$9,385,171, respectively for their proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Their proportionate shares were based on a projection of their long term share of contributions to the pension plan relative to the projected contributions of all participating members of the cost sharing pool, actuarially determined. At June 30, 2017, the City's and Department's proportion was 0.1665906 and 0.0625165 respectively. On June 30, 2016 the City's and Department's proportion was 0.18762836 percent and 0.07041127 percent, respectively.

For the year ended June 30, 2017, the City and Department recognized pension expense of \$2,339,912 and \$1,628,153, respectively. The Department has elected to use regulatory accounting to recognize pension expense in conjunction with the required employer contribution rates. Accordingly, the Department recognized pension expense related to Tier One/Tier Two and OPSRP of \$605,177.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

At June 30, 2017, the City and Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City		Department	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 827,411	\$ -	\$ 310,503	\$ -
Change of assumptions	5,333,845	-	2,001,632	-
Net difference between projected and actual earnings on pension plan investments	4,940,754	-	1,854,116	-
Changes in proportionate share	64,576	1,132,552	24,233	425,012
Differences between employer contributions and employer's proportionate share of contributions	550,108	156,937	206,439	58,894
Contributions subsequent to the measurement date	1,902,892	-	714,098	-
Total	<u>\$ 13,619,586</u>	<u>\$ 1,289,489</u>	<u>\$ 5,111,021</u>	<u>\$ 483,906</u>

For City and Department, the amount of the balance of deferred outflows of resources that will be recognized as a reduction of the net pension liability is \$1,902,892 and \$714,098, respectively.

For the City, deferred outflows of resources related to pensions will be recognized and deferred inflows of resources will be recognized in pension expense (income) as follows:

Year ended June 30:	Deferred Inflows of Resources	Deferred Outflows of Resources	Total
2017	(309,542)	2,164,858	1,855,316
2018	(309,542)	2,164,858	1,855,316
2019	(309,542)	3,966,306	3,656,764
2020	(281,847)	2,989,385	2,707,538
2021	(79,016)	431,287	352,271
	<u>\$ (1,289,489)</u>	<u>\$ 11,716,694</u>	<u>\$ 10,427,205</u>

For the Department, deferred outflows of resources related to pensions will be recognized and deferred inflows of resources will be recognized in pension expense (income) as follows:

Year ended June 30:	Deferred Inflows of Resources	Deferred Outflows of Resources	Total
2018	116,162	812,406	928,568
2019	116,162	812,406	928,568
2020	116,162	1,488,435	1,604,597
2021	105,768	1,121,827	1,227,595
2022	29,652	161,849	191,501
	<u>\$ 483,906</u>	<u>\$ 4,396,923</u>	<u>\$ 4,880,829</u>



**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**Actuarial Assumptions.** The employer contribution rates effective July 1, 2016 through June 30, 2017, were set using the entry age normal actuarial cost method.

For the ORS 238 Tier One/Tier Two component of the OPERS defined benefit plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over twenty years.

For the ORS 238A OPSRP Pension Program component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year) and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over sixteen years.

The total pension liability in the December 2014 actuarial valuation was determined using the following assumptions:

**Actuarial Methods and Assumptions**

• Valuation Date	December 31, 2014
• Measurement Date	June 30, 2016
• Experience Study Report	2014, published September 2015
• Actuarial cost method	Entry Age Normal
• Amortization method	Amortized as a level percentage of payroll; Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year); Amortization periods are closed
• Equivalent single amortization period	Twenty years
• Asset valuation method	Market value of assets
• Actuarial assumptions	
○ Inflation rate	2.50 percent
○ Long-Term Expected Rate of Return	7.50 percent
○ Projected salary increases	3.50 percent
○ Cost of Living Adjustment	Blend of 2.00 percent COLA and graded COLA
• Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB with collar adjustments and set-backs as described in the valuation.
	Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation
	Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct generational per Scale BB, disabled mortality table

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts 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

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four year period ending on December 31, 2014.

**Long-Term Expected Rate of Return.** The long term expected rate of return is based on a consistent set of underlying assumptions for each asset class and includes adjustment for the inflation assumption. These assumptions are not based on historical return, but instead are based on a forward-looking capital market economic model. To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Short-Term Bonds	8.00	3.61
Bank/Leveraged Loans	3.00	5.42
High Yield Bonds	1.00	6.20
Large Cap US Equities	15.73	6.70
Small Cap US Equities	3.88	6.99
Micro Cap US Equities	1.31	7.01
Developed Foreign Equities	13.13	6.73
Emerging Foreign Equities	4.12	7.25
Non-US Small Cap Equities	1.88	7.22
Private Equity	17.50	7.97
Real Estate (Property)	10.00	5.84
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds - Diversified	2.50	4.64
Hedge Fund - Event-driven	0.63	6.72
Timber	1.88	5.85
Farmland	1.88	6.37
Infrastructure	3.75	7.13
Commodities	1.88	4.58

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

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of 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 PERS' 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 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the 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 and Department's proportionate share of the net pension asset to changes in the discount rate.** The following represents the City's proportionate share of the pension (asset)/liability calculated using the discount rate of 7.50 percent, as well as what the City's share of the net pension (asset)/liability would be if it were calculated using a discount rate that is one percentage point lower than the current rate or one percentage point higher than the current rate:

	1% Decrease ⌘ (6.50%)	Discount Rate ⌘ (7.50%)	1% Increase ⌘ (8.50%)
City's proportionate share of net pension (asset)/liability	\$ 40,381,397	\$ 25,009,124	\$ 12,160,594
Department's proportionate share of net pension (asset)/liability	15,153,922	9,385,171	4,563,505

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

**Payable to OPERS.** At June 30, 2017, the City's payable to OPERS for defined benefit contributions was approximately \$225,909. This amount represents legally required contributions to the plan for services incurred in the current fiscal year. The Department did not have outstanding contributions at June 30, 2017.

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

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

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

Changes in Plan Provisions Subsequent to Measurement Date. There were no changes subsequent to the June 30, 2016 measurement date.

Members of OPERS and OPSRP are required to contribute 6 percent of their salary covered under the plan which is invested in the IAP. The City and Department make this contribution on behalf of their employees. The City and Department contributed approximately \$763,000 and \$294,000 respectively for the year ended June 30, 2017.

## **2. McMinnville Fire Department Length of Service Awards Program**

### **Plan Description**

Effective July 1, 1994, the City established the McMinnville Fire Department Length of Service Awards Program (LOSAP), a non-qualified retirement plan for the City's volunteer fire fighters. The LOSAP is a length of service award plan as provided for in Internal Revenue Code Section 457(e)(11)(A)(ii). The purpose of the LOSAP is to provide a retirement income for volunteers in recognition of their service to the City. This is a single employer, stand-alone plan, which does not issue its own financial statements.

### **Plan Benefits**

LOSAP participants become 100 percent vested upon five years of active service. Entitlement age varies depending on the years of service. Vested volunteer fire fighters attaining entitlement age are entitled to maximum annual benefits of \$20 per month multiplied by total years of service, not to exceed \$400 per month. At the inception of the plan, past service was limited to ten years and service prior to July 1, 1984 was excluded. Vested volunteer fire fighters who become inactive retain vested pension benefits earned through date of resignation. In addition to retirement benefits, the LOSAP also provides a \$20,000 term life insurance policy and a disability benefit to active members. The LOSAP is administered by VFIS, a division of Glatfelter Insurance Group. VFIS is an insurance provider that specializes in offering insurance products to emergency services organizations such as fire departments, ambulance and rescue squads, and 911 centers.

### **Contributions.**

The City's LOSAP plan is unfunded as defined by governmental accounting standards. Contributions to the plan are determined on a pay-as-you-go basis. The LOSAP Master Plan does not require the City to guarantee the pay out of benefits nor to continue the plan. In addition, it is not intended that any trust for the benefit of participants is to be created by setting aside assets and/or purchasing annuities. However, the City has set aside assets and/or purchased annuities to discharge all or part of its expected benefit payments under the LOSAP. These assets remain in the name of the City and do not qualify as plan assets.

At June 30, 2017 there were 23 active employees, 20 inactive employees that are entitled but not yet receiving benefit payments and 4 inactive employees that are receiving benefit payments.

Employer contributions for the City were \$90,250, \$95,276, and \$24,003 for fiscal years 2017, 2016, and 2015, respectively.

### **Pension Assets, Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources related to Pensions**

For the year ended June 30, 2017, the LOSAP pension expense as defined by GASB 73 was \$49,835.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

For the LOSAP plan, at June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,286	\$ -
Change of assumptions	-	(32,377)
Total	<u>\$ 5,286</u>	<u>\$ (32,377)</u>

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

Year ended June 30:	Change in Assumptions	Change in Experience	Total
2018	\$ (5,498)	\$ 898	\$ (4,600)
2019	(5,498)	898	(4,600)
2020	(5,498)	898	(4,600)
2021	(5,498)	898	(4,600)
2022	(5,498)	898	(4,600)
Thereafter	(4,887)	796	(4,091)
	<u>\$ (32,377)</u>	<u>\$ 5,286</u>	<u>\$ (27,091)</u>

**Actuarial Assumptions.** Costs and liabilities for LOSAP were calculated using the entry age normal actuarial cost method.

Under this method, the actuarial present value of the projected benefits of each active volunteer included in the valuation is allocated on a level percent of pay basis over the service of the active volunteer between assumed entry age (date of hire) and assumed exit age(s). The portion of this actuarial present value allocated to the valuation year is called the service cost for that active volunteer. The sum of these individual service costs is the LOSAP's Service Cost for the valuation year.

**Actuarial Methods and Assumptions.**

- Valuation Date July 1, 2016
- Measurement Date June 30, 2017
- Actuarial cost method Entry Age Normal
- Actuarial assumptions
  - Discount Rate 3.2 percent
  - Inflation Rate 2.5 percent
  - Annuity Purchases-0 to 30 years 4.6 percent
  - Annuity Purchases-30+ years 3.0 percent
- Mortality rates RP 2014 Blue Collar generational tables projected forward using Scale MP 2015

Liabilities will be satisfied through the purchase of annuities. The cost of these annuities was based on the interest rates listed above.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**Sensitivity of the proportionate share of the LOSAP net pension liability to changes in the discount rate.** The following represents the proportionate share of the LOSAP pension liability calculated using the discount rate of 3.2 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease # (2.2%)	Discount Rate # (3.2%)	1% Increase # (4.2%)
Net pension (asset)/liability	\$ 1,012,718	\$ 972,459	\$ 933,974

**Changes in total pension liability:**

Beginning total pension liability:	\$ 1,044,369
Benefit payments	(90,250)
Service cost	22,655
Interest on total pension liability	31,976
Change in assumptions	(43,373)
Experience loss	7,082
Change in total pension liability	# (71,910)
Ending total pension liability	\$ 972,459

**E. Commitments and Contingencies**

**1. City**

At June 30, 2017, the City was committed to fourteen contracts. In the major governmental funds, a total of approximately \$10,560,636 was committed for construction contracts, with \$1,136,154 for street improvement projects and \$5,706,364 for runway rehabilitation at the Municipal Airport. In the non-major fund for Urban Renewal \$1,300,685 was committed for construction contracts. In the Wastewater Fund, a business-type activity, approximately \$99,327 remained for Wastewater Facility Construction and \$245,280 on contracts for sanitary sewer rehabilitation projects.

The City purchases workers' compensation insurance from City County Insurance Services, a public entity risk pool. The initial premium contribution for the plan is calculated using a retrospective rate. The premium is then adjusted throughout the period of coverage based on the City's actual workers' compensation claims. The premium is subject to a minimum (initial contribution) and a maximum limit. The maximum limit is designed to compensate the insurer if larger than expected losses are incurred. At June 30, 2017, the City had three open plan years with a total potential remaining liability of \$1,240,000. The potential remaining liability is the difference between the premium that has been paid by the City and the maximum limit for the premium. For comparison purposes, workers' compensation retrospective plan premiums paid by the City in fiscal years ended June 30, 2017, 2016, and 2015 were \$235,000, \$215,000 and \$202,000, respectively.

In 2013, the City entered into a loan agreement with the Oregon Department of Transportation (ODOT) in the amount of \$3,209,600 at 2.26% interest per annum. The loan is to cover the City's portion of costs for Phase 1 of the Newberg-Dundee Bypass constructed by ODOT and will be repaid with Federal and State transportation funds. The City made a principal and interest payment on the City's share of ODOT's expended funds through March 2017. Principal and interest payments will continue until January 2036. At June 30, 2017 ODOT had expended approximately \$2,379,000 of City funds on the project and interest of approximately \$60,000 had accrued.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

**2. Department**

The Department purchases power from Priest Rapids Development and Wanapum Development, and is required to pay a portion of the development costs under these contracts through April 1, 2052, which coincides with the expiration of the new FERC license (unless terminated earlier under terms of the contract.) Costs associated with these contracts for the year ended June 30, 2017 were approximately \$605,000.

**F. Major Customer and Supplier – Department**

Department sales of electricity were made to one major commercial customer during the year ended June 30, 2017 in amounts exceeding ten percent of total sales. This customer accounted for approximately \$13,416,000 of revenues during the year ended June 30, 2017. At June 30, 2017, accounts receivable from this same customer amounted to approximately \$1,249,000.

Department purchases were made from one major supplier of power, including supply, transmission and distribution during the year ended June 30, 2017 in amounts exceeding ten percent of the total of such purchases. The supplier accounted for \$27,699,000 of purchases during the year ended June 30, 2017. At June 30, 2017, amounts due to this same supplier, and included in accounts payable, amounted to \$2,308,000.

**G. Jointly Governed Organization**

**1. City**

The City entered into a joint operational agreement effective January 1, 1988 with other local governments. Under the terms of this agreement, an intergovernmental agency known as Yamhill Communications Agency (YCOM) was established to provide public safety communication services to member jurisdictions.

YCOM is partially funded by member contributions, which are based on a cost-sharing formula determined by the YCOM Executive Board. The City paid \$770,000 in member contributions to YCOM in fiscal year 2016. YCOM also receives 911 Excise Taxes that are charged on telephone exchange access services and are collected by the State of Oregon. The City received approximately \$28,000 from YCOM for providing operational space within the Police Department.

The governing body of YCOM is a five-member Executive Board. The five members include the Sheriff of Yamhill County, a Yamhill County Commissioner, a representative of the City of McMinnville, a representative of YCOM's city members excluding the City of McMinnville, and a representative of YCOM's fire districts. The Sheriff serves as the Chair of the Executive Board. The Executive Board members have full voting powers over all areas affecting YCOM including budget, public policy, and administration.

Associate members do not receive direct public safety communication services but wish to remain affiliated with YCOM. Associate members may not serve on the Executive Board. Contributions for associate members are determined by the Executive Board.

Financial statements for YCOM may be obtained at Yamhill County, Accounting Division, 535 NE 5th Street, McMinnville, Oregon 97128.

**H. BPA Overpayment - Department**

The Residential Exchange Program (REP) is used to distribute financial benefits of the Federal Columbia River Power System to the residential and small farm customers of the region's investor-owned utilities (IOUs). On May 3, 2007, the United States Ninth Circuit Court of Appeals (Court) ruled that Bonneville Power Administration (BPA) exceeded its settlement authority in 2000 when it

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

executed the REP settlements with six IOUs, holding that BPA's decision to allocate costs of the settlements to publicly-owned utilities was not in accordance with the law.

The Court remanded the issue back to BPA and as a result of the Court's decisions, BPA suspended monthly program benefits to the IOUs. This resulted in BPA's over-collection of funds from its publicly-owned utility customers. This left BPA with larger than anticipated financial reserves. Because of the over-collection from public utilities, BPA has refunded amounts directly to public utilities as well as issuing "lookback adjustments" that show as credits against power costs on monthly BPA bills. The overpayment that was attributed to the Department was \$3,700,000 and is recorded as a reduction to supply and transmission expense within operating expenses. This was refunded to the Department in October 2008.

The fiscal year 2017 credits for 2002-2006 look back adjustments were \$1,080,000. For fiscal year 2018 the lookback credit will be \$1,089,000. Future look back credits have not yet been determined.

**I. McMinnville Rural Fire Protection District**

McMinnville Rural Fire Protection District (MRFPD) contracts with the City for fire protection services. For fiscal year 2017, the City received \$347,000 from MRFPD for contract services, which is included in Fire Department Charges for Services in the Government Wide Statement of Activities and in the General Fund's Intergovernmental Revenue in the Fund Financial Statement of Revenues, Expenditures, and Changes in Fund Balances.

**J. New Accounting Pronouncement – GASB Statement No. 75 and 77**

The Governmental Accounting Standards Board (GASB) has issued *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement 75 replaces GASB Statement 45, GASB Statement 57, and GASB Statement 74 and establishes new accounting and financial reporting requirements for OPEB plans. GASB Statement 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The City implemented Statement 75 was not required to be implemented until the fiscal year ending June 30, 2018, however, the City elected to early-implement the Statement for the McMinnville Fire Department Length of Service Awards Program.

*Statement No. 77, Tax Abatement Disclosures*. GASB Statement 77 requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other government and that reduce the reporting government's tax revenues. The City implemented GASB Statement 77 in the year ending June 30, 2017, as required.

As of June 30, 2017, tax abatement agreements entered into by Yamhill County include Housing for Low Income Rentals (ORS 307.517). In 1989, the Oregon legislature authorized a property tax exemption for low income housing held by for profit entities. The tax exemption is intended to benefit low income renters by alleviating the property tax burden on those entities providing this type of housing. Entities must own or have a leasehold interest in the property and must lower the rent to reflect the full value of the exemption. Properties must be occupied by renters who are at or below 60 percent of median income. The exemption is limited to new construction rental units. The abatement for low income housing is reduced through a 100 percent reduction in assessed value of new construction, so long as the entities continue to meet requirements set by statute. Five entities on the 2016 tax roll utilized this abatement, with a total abatement of \$33,619.

To be eligible for the tax abatement for Historic Property, an application must be submitted to the State Historic Preservation Officer to determine whether the application meets the requirements of ORS 358.487. After receiving recommendations from the county assessor and governing body, the State Historic Preservation Officer may approve or deny the application. For any property that is certified for special assessment as historic property under ORS 358.490, the county assessor shall



**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2017**

for 10 consecutive tax years list on the assessment and tax roll a specially assessed value that equals the product of the real market value of the property for the tax year in which the application was made multiplied by the ratio of the average maximum assessed value over the average real market value for that tax year of property in the same area and property class. Owners of commercial property are eligible to reapply for a second term without needing local government approval. Owners of residential property are only eligible to reapply for a second term if the local government has not passed an ordinance or resolution prohibiting a second term. Five entities on the 2016 tax roll utilized this abatement, with a total abatement of \$3,672.

**K. Restatement – City**

An error was discovered in the fiscal year 2016 Comprehensive Annual Financial Report. In fiscal year 2016, the Airport Department began the design phase of the runway rehabilitation project. The expenditures for this project at June 30, 2016 totaled \$566,925. In the government-wide Statement of Net Position, capital assets in governmental-activities were understated by that amount. The net impact of the error caused an increase in government-wide governmental activities beginning net position of \$566,925. Beginning net position and beginning capital assets have been restated to reflect the correction of this error.

**L. Deficit Fund Balance/Net Position**

The following funds had a deficit fund balance/net position at June 30, 2017. These deficits will be financed through future revenues.

<u>Fund</u>	<u>Amount</u>
Urban Renewal Debt Service Fund	\$ (2,082,124)
Ambulance Fund	\$ (1,259,684)

**M. Subsequent Events**

In October 2017, the City awarded a \$100,000 grant to a local developer to assist in construction of a four-story luxury boutique hotel in the urban renewal district. The City and developer have entered into a five-year forgivable loan agreement that is conditioned upon the developer meeting specific milestones of construction and continued hotel operations for each qualifying year. The loan will be forgiven in an equal amount for each year of the loan. The City has secured a personal guarantee from one of the members of the developer's limited liability corporation.

## **REQUIRED SUPPLEMENTARY INFORMATION**

- Required Supplementary Information Schedules
- Notes to Required Supplementary Information



## **REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES**

- Post-Employment Healthcare Plan Schedule of Funding Progress
- Schedule of the Proportionate Share of the Net Pension Liability
- Schedule of Contributions



## Required Supplementary Information

### City of McMinnville, Oregon Post Employment Healthcare Plan Schedule of Funding Progress

#### City

Actuarial Valuation Date August 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2012	-	1,623,759	1,623,759	-	10,951,360	15%
2014	-	1,575,145	1,575,145	-	11,167,210	14%
2016	-	1,982,769	1,982,769	-	12,704,671	16%

#### Department

Actuarial Valuation Date August 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2012	-	1,377,227	1,377,227	-	2,477,432	56%
2014	-	1,399,058	1,399,058	-	2,458,630	57%
2016	-	2,325,957	2,325,957	-	2,373,910	98%

## Required Supplementary Information

### City of McMinnville, Oregon Schedule of the Proportionate Share of the Net Pension Liability For the last four fiscal years

#### City

Year Ended June 30,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	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
	(a)	(b)	(c)	(b/c)	
2017	0.16659100%	25,009,124	12,346,146	202.47%	80.50%
2016	0.18762836%	10,772,610	11,689,472	92.16%	91.90%
2015	0.18541902%	(4,202,920)	11,141,496	-37.72%	103.60%
2014	0.18541902%	9,462,204	10,951,360	86.02%	91.97%

#### Department

Year Ended June 30,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	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
	(a)	(b)	(c)	(b/c)	
2017	0.06251600%	9,385,171	4,876,213	192.47%	80.50%
2016	0.07041000%	3,990,001	4,858,713	81.83%	91.88%
2015	0.06593000%	(1,494,371)	4,665,911	-30.76%	103.60%
2014	0.06592673%	3,364,338	n/a	-	91.97%

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

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

## Required Supplementary Information (Continued)

### City of McMinnville, Oregon Schedule of Contributions For the last four fiscal years

#### City

Year ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percent of covered payroll
	(a)	(b)	(a-b)	(c)	(b/c)
2017	\$ 2,144,698	\$ 2,144,698	\$ -	\$ 12,704,671	16.88%
2016	2,115,936	2,115,936	-	12,346,146	17.14%
2015	1,692,462	1,692,462	-	11,689,472	14.48%
2014	1,658,475	1,658,475	-	11,141,496	14.89%

#### Department

Year ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percent of covered payroll
	(a)	(b)	(a-b)	(c)	(b/c)
2017	\$ 804,840	\$ 804,840	\$ -	\$ 4,999,100	16.10%
2016	691,701	691,701	-	4,876,213	14.19%
2015	601,765	601,765	-	4,858,713	12.39%
2014	589,680	589,680	-	4,665,911	13.10%

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

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



**City of McMinnville, Oregon**  
**Notes to Required Supplementary Information**  
**June 30, 2017**

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

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This is a change in benefit terms that was not included in the net pension liability (asset) proportionate shares provided by OPERS for the years ending June 30, 2015 and June 30, 2014.

**Changes of Assumptions.** Details and a comprehensive list of changes in methods and assumptions can be found in the 2014 and 2016 Experience Study for the System, which were published on September 2015, and July 2017, respectively. These reports can be found at <http://www.oregon.gov/pers/Documents/2016-Exp-Study.pdf>

## **OTHER SUPPLEMENTARY INFORMATION**

- Combining and Individual Fund Statements and Schedules
- Other Financial Schedules



## **COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

- Governmental Funds
- Proprietary Funds



## **GOVERNMENTAL FUNDS**

- Combining Balance Sheet – Non-Major Governmental Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
- Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:
  - Special Assessment Fund
  - Transient Lodging Tax Fund
  - Telecommunications Fund
  - Emergency Communications Fund
  - Street Fund
  - Urban Renewal Debt Service Fund
  - Debt Service Fund
  - Public Safety Facilities Construction Fund
  - Park Development Fund
  - Urban Renewal Fund
  - Transportation Fund







**City of McMinnville, Oregon**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**June 30, 2017**

	Special Revenue Funds					Total
	Special Assessment	Transient Lodging Tax	Telecomm- unications	Emergency Commun- ications	Street	
<b>Assets</b>						
Cash and investments	\$ 150,083	\$ -	\$ 1,825	\$ 132,915	\$ 1,876,127	\$ 2,160,950
Receivables	41,874	192,211	60,612	6,461	171,858	473,016
Prepays	-	-	-	-	45	45
Restricted cash and investments	-	-	-	-	-	-
Total assets	<u>\$ 191,957</u>	<u>\$ 192,211</u>	<u>\$ 62,437</u>	<u>\$ 139,376</u>	<u>\$ 2,048,030</u>	<u>\$ 2,634,011</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 275	\$ 60,612	\$ 3,138	\$ 50,368	\$ 114,393
Due to other funds	-	39,657	-	-	-	39,657
Accrued payroll and other payroll liabilities	-	-	-	-	17,114	17,114
Unearned revenue	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>39,932</u>	<u>60,612</u>	<u>3,138</u>	<u>67,482</u>	<u>171,164</u>
<b>Deferred inflows of resources</b>						
Deferred revenue taxes	-	-	-	-	-	-
Deferred revenue other	41,873	-	-	-	-	41,873
Total deferred inflows of resources	<u>41,873</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,873</u>
<b>Fund Balances</b>						
Nonspendable	-	-	-	-	45	45
Restricted	-	152,279	-	-	1,980,503	2,132,782
Committed	-	-	-	136,238	-	136,238
Assigned	150,084	-	1,825	-	-	151,909
Unassigned	-	-	-	-	-	-
Total fund balances	<u>150,084</u>	<u>152,279</u>	<u>1,825</u>	<u>136,238</u>	<u>1,980,548</u>	<u>2,420,974</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 191,957</u>	<u>\$ 192,211</u>	<u>\$ 62,437</u>	<u>\$ 139,376</u>	<u>\$ 2,048,030</u>	<u>\$ 2,634,011</u>

Debt Service Urban Renewal Debt Service	Capital Projects Funds				Total Nonmajor Governmental Funds
	Public Safety Facilities Constr	Park Develop- ment	Urban Renewal	Total	
\$ 147,026	\$ -	\$ -	\$ 1,630,553	\$ 1,630,553	\$ 3,938,529
10,677	-	111,628	-	111,628	595,321
-	-	-	-	-	45
-	2,880	1,204,182	-	1,207,062	1,207,062
<u>\$ 157,703</u>	<u>\$ 2,880</u>	<u>\$ 1,315,810</u>	<u>\$ 1,630,553</u>	<u>\$ 2,949,243</u>	<u>\$ 5,740,957</u>
\$ -	\$ -	\$ 52,053	\$ 92,532	\$ 144,585	\$ 258,978
-	-	-	-	-	39,657
-	-	-	-	-	17,114
-	-	219,138	-	219,138	219,138
2,231,178	-	-	-	-	2,231,178
<u>2,231,178</u>	<u>-</u>	<u>271,191</u>	<u>92,532</u>	<u>363,723</u>	<u>2,766,065</u>
8,649	-	-	-	-	8,649
-	-	-	-	-	41,873
<u>8,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,522</u>
-	-	-	-	-	45
-	2,880	1,044,619	1,538,021	2,585,520	4,718,302
-	-	-	-	-	136,238
-	-	-	-	-	151,909
(2,082,124)	-	-	-	-	(2,082,124)
<u>(2,082,124)</u>	<u>2,880</u>	<u>1,044,619</u>	<u>1,538,021</u>	<u>2,585,520</u>	<u>2,924,370</u>
<u>\$ 157,703</u>	<u>\$ 2,880</u>	<u>\$ 1,315,810</u>	<u>\$ 1,630,553</u>	<u>\$ 2,949,243</u>	<u>\$ 5,740,957</u>

**City of McMinnville, Oregon**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2017**

	Special Revenue Funds					Total
	Special Assessment	Transient Lodging Tax	Telecommunications	Emergency Communications	Street	
<b>Revenues</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	53,265	-	-	-	-	53,265
Licenses and permits	-	691,102	243,386	29,233	14	963,735
Intergovernmental	73,606	-	-	7,500	1,989,985	2,071,091
Charges for services	-	-	-	15,730	-	15,730
Miscellaneous	1,216	663	157	780	17,672	20,488
Total Revenues	128,087	691,765	243,543	53,243	2,007,671	3,124,309
<b>Expenditures</b>						
Current:						
General government:	132,891	481,642	243,386	-	-	857,919
Public Safety	-	-	-	807,425	-	807,425
Highways and streets	-	-	-	-	1,531,382	1,531,382
Culture and recreation	-	-	-	-	-	-
Capital outlay:						
Culture and recreation	-	-	-	-	-	-
Highways and streets	-	-	-	-	3,431	3,431
Debt service:						
Interest	-	-	-	-	-	-
Total expenditures	132,891	481,642	243,386	807,425	1,534,813	3,200,157
Excess (deficiency) of revenues over (under) expenditures	(4,804)	210,123	157	(754,182)	472,858	(75,848)
<b>Other Financing Sources (Uses):</b>						
Transfers from other funds	-	-	-	773,300	-	773,300
Transfers to other funds	-	(209,171)	-	-	(600,000)	(809,171)
Total other financing sources (Uses)	-	(209,171)	-	773,300	(600,000)	(35,871)
Net change in fund balances	(4,804)	952	157	19,118	(127,142)	(111,719)
Fund balances - beginning	154,888	151,327	1,668	117,120	2,107,690	2,532,693
Fund balances - ending	\$ 150,084	\$ 152,279	\$ 1,825	\$ 136,238	\$ 1,980,548	\$ 2,420,974

Debt Service Urban Renewal Debt Service	Capital Projects Funds				Total Nonmajor Governmental
	Public Safety Facilities Constr	Park Develop- ment	Urban Renewal	Total	
\$ 176,326	\$ -	\$ -	\$ -	\$ -	\$ 176,326
-	-	-	-	-	53,265
-	-	-	-	-	963,735
-	-	68,792	-	68,792	2,139,883
-	-	129,198	150	129,348	145,078
2,000	27	55,106	16,752	71,885	94,373
178,326	27	253,096	16,902	270,025	3,572,660
-	-	-	-	-	857,919
-	550	-	-	550	807,975
-	-	-	183,711	183,711	1,715,093
-	-	100,908	-	100,908	100,908
-	-	142,519	-	142,519	142,519
-	-	-	515,254	515,254	518,685
1,417	-	-	-	-	1,417
1,417	550	243,427	698,965	942,942	4,144,516
176,909	(523)	9,669	(682,063)	(672,917)	(571,856)
-	-	-	2,408,868	2,408,868	3,182,168
(2,408,868)	-	(100,000)	-	(100,000)	(3,318,039)
(2,408,868)	-	(100,000)	2,408,868	2,308,868	(135,871)
(2,231,959)	(523)	(90,331)	1,726,805	1,635,951	(707,727)
149,835	3,403	1,134,950	(188,784)	949,569	3,632,097
\$ (2,082,124)	\$ 2,880	\$ 1,044,619	\$ 1,538,021	\$ 2,585,520	\$ 2,924,370

**City of McMinnville, Oregon**  
**Special Assessment Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Special assessments	\$ 72,300	\$ 72,300	\$ 53,265	\$ (19,035)
Intergovernmental	160,000	160,000	73,606	(86,394)
Miscellaneous	700	700	1,216	516
Total revenues	<u>233,000</u>	<u>233,000</u>	<u>128,087</u>	<u>(104,913)</u>
<b>Expenditures</b>				
General government:				
Materials and services	232,300	232,300	126,871	105,429
Contingencies	80,000	80,000	-	80,000
Total expenditures	<u>312,300</u>	<u>312,300</u>	<u>126,871</u>	<u>185,429</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(79,300)</u>	<u>(79,300)</u>	<u>1,216</u>	<u>80,516</u>
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	(6,020)	(6,020)	(6,020)	-
Total other financing sources (uses)	<u>(6,020)</u>	<u>(6,020)</u>	<u>(6,020)</u>	<u>-</u>
Net change in fund balances	<u>(85,320)</u>	<u>(85,320)</u>	<u>(4,804)</u>	<u>80,516</u>
Fund balances, budgetary basis - beginning	154,512	154,512	154,888	376
Fund balances, budgetary basis - ending	<u>\$ 69,192</u>	<u>\$ 69,192</u>	<u>\$ 150,084</u>	<u>\$ 80,892</u>
<b>Reconciliation:</b>				
Expenditures, budgetary basis			\$ 126,871	
Transfers to other funds - services provided			6,020	
Expenditures, modified accrual basis			<u>\$ 132,891</u>	
Other financing sources (uses), budgetary basis			\$ (6,020)	
Transfers to other funds - services provided			6,020	
Other financing sources (uses), modified accrual basis			<u>\$ -</u>	

**City of McMinnville, Oregon**  
**Transient Lodging Tax Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Licenses and permits	\$ 693,000	\$ 693,000	\$ 691,102	\$ (1,898)
Miscellaneous	1,100	1,100	663	(437)
Total revenues	694,100	694,100	691,765	(2,335)
<b>Expenditures</b>				
General government:				
Materials and services	484,830	484,830	481,642	3,188
Total expenditures	484,830	484,830	481,642	3,188
Excess (deficiency) of revenues over (under) expenditures	209,270	209,270	210,123	853
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	(209,270)	(209,270)	(209,171)	99
Total other financing sources (uses)	(209,270)	(209,270)	(209,171)	99
Net change in fund balances	-	-	952	952
Fund balances, budgetary basis - beginning	-	-	151,327	-
Fund balances, budgetary basis - ending	\$ -	\$ -	\$ 152,279	\$ 952

**City of McMinnville, Oregon**  
**Telecommunications Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Licenses and permits	\$ 234,500	\$ 244,500	\$ 243,386	\$ (1,114)
Miscellaneous	100	100	157	57
Total revenues	<u>234,600</u>	<u>244,600</u>	<u>243,543</u>	<u>(1,057)</u>
<b>Expenditures</b>				
General government:				
Materials and services	234,500	244,500	243,386	1,114
Contingencies	1,450	1,450	-	1,450
Total expenditures	<u>235,950</u>	<u>245,950</u>	<u>243,386</u>	<u>2,564</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,350)</u>	<u>(1,350)</u>	<u>157</u>	<u>1,507</u>
Net change in fund balances	<u>(1,350)</u>	<u>(1,350)</u>	<u>157</u>	<u>1,507</u>
Fund balances - beginning	1,750	1,750	1,668	(82)
Fund balances - ending	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 1,825</u>	<u>\$ 1,425</u>

**City of McMinnville, Oregon**  
**Emergency Communications Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Licenses and permits	\$ 31,500	\$ 31,500	\$ 29,233	\$ (2,267)
Intergovernmental	18,000	18,000	7,500	(10,500)
Charges for services	12,090	12,090	15,730	3,640
Miscellaneous	500	500	780	280
Total revenues	<u>62,090</u>	<u>62,090</u>	<u>53,243</u>	<u>(8,847)</u>
<b>Expenditures</b>				
Public safety:				
Materials and services	819,316	819,316	807,425	11,891
Contingencies	75,000	75,000	-	75,000
Total expenditures	<u>894,316</u>	<u>894,316</u>	<u>807,425</u>	<u>86,891</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(832,226)</u>	<u>(832,226)</u>	<u>(754,182)</u>	<u>78,044</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	773,300	773,300	773,300	-
Total other financing sources (uses)	<u>773,300</u>	<u>773,300</u>	<u>773,300</u>	<u>-</u>
Net change in fund balances	<u>(58,926)</u>	<u>(58,926)</u>	<u>19,118</u>	<u>78,044</u>
Fund balances - beginning	134,609	134,609	117,120	(17,489)
Fund balances - ending	<u>\$ 75,683</u>	<u>\$ 75,683</u>	<u>\$ 136,238</u>	<u>\$ 60,555</u>



**City of McMinnville, Oregon**  
**Street Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Licenses and permits	\$ 50	\$ 50	\$ 14	\$ (36)
Intergovernmental	1,925,000	1,925,000	1,989,985	64,985
Miscellaneous	7,800	7,800	17,672	9,872
Total revenues	<u>1,932,850</u>	<u>1,932,850</u>	<u>2,007,671</u>	<u>74,821</u>
<b>Expenditures</b>				
Highways and streets:				
Personnel services	734,812	734,812	711,555	23,257
Materials and services	880,046	876,615	612,625	263,990
Capital Outlay	-	3,431	3,431	-
Contingencies	250,000	250,000	-	250,000
Total expenditures	<u>1,864,858</u>	<u>1,864,858</u>	<u>1,327,611</u>	<u>537,247</u>
Excess (deficiency) of revenues over (under) expenditures	<u>67,992</u>	<u>67,992</u>	<u>680,060</u>	<u>612,068</u>
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	<u>(807,202)</u>	<u>(807,202)</u>	<u>(807,202)</u>	<u>-</u>
Total other financing sources (uses)	<u>(807,202)</u>	<u>(807,202)</u>	<u>(807,202)</u>	<u>-</u>
Net change in fund balances	<u>(739,210)</u>	<u>(739,210)</u>	<u>(127,142)</u>	<u>612,068</u>
Fund balances, budgetary basis - beginning	2,046,632	2,046,632	2,107,690	61,058
Fund balances, budgetary basis - ending	<u>\$ 1,307,422</u>	<u>\$ 1,307,422</u>	<u>\$ 1,980,548</u>	<u>\$ 673,126</u>
Reconciliation:				
Expenditures, budgetary basis			\$ 1,327,611	
Transfers to other funds - services provided			207,202	
Expenditures, modified accrual basis			<u>\$ 1,534,813</u>	
Other financing sources (uses), budgetary basis			\$ (807,202)	
Transfers to other funds - services provided			207,202	
Other financing sources (uses), modified accrual basis			<u>\$ (600,000)</u>	

**City of McMinnville, Oregon**  
**Urban Renewal Debt Service Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 133,870	\$ 133,870	\$ 176,326	\$ 42,456
Miscellaneous	400	400	2,000	1,600
Total revenues	<u>134,270</u>	<u>134,270</u>	<u>178,326</u>	<u>44,056</u>
<b>Expenditures</b>				
Debt service	<u>251,855</u>	<u>251,855</u>	<u>204,107</u>	<u>47,748</u>
Net change in fund balances	<u>(117,585)</u>	<u>(117,585)</u>	<u>(25,781)</u>	<u>91,804</u>
Fund balances - beginning	<u>148,125</u>	<u>148,125</u>	<u>174,835</u>	<u>26,710</u>
Fund balances - ending	<u>\$ 30,540</u>	<u>\$ 30,540</u>	<u>149,054</u>	<u>\$ 118,514</u>
Add (subtract):				
Interfund loan balance			(2,231,178)	
Fund balance, modified accrual basis			<u>\$ (2,082,124)</u>	
Reconciliation:				
Other financing sources, budgetary basis			\$ -	
Interfund advance transfer			<u>(2,408,868)</u>	
Other financing sources, modified accrual basis			<u>\$ (2,408,868)</u>	

**City of McMinnville, Oregon**  
**Debt Service Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Property taxes	\$ 2,547,800	\$ 2,547,800	\$ 2,629,738	\$ 81,938
Miscellaneous	3,600	3,600	8,799	5,199
Total revenues	<u>2,551,400</u>	<u>2,551,400</u>	<u>2,638,537</u>	<u>87,137</u>
<b>Expenditures</b>				
Debt service	<u>3,358,950</u>	<u>3,358,950</u>	<u>3,358,950</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(807,550)</u>	<u>(807,550)</u>	<u>(720,413)</u>	<u>87,137</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	<u>108,276</u>	<u>108,276</u>	<u>100,000</u>	<u>(8,276)</u>
Total other financing sources (uses)	<u>108,276</u>	<u>108,276</u>	<u>100,000</u>	<u>(8,276)</u>
Net change in fund balances	<u>(699,274)</u>	<u>(699,274)</u>	<u>(620,413)</u>	<u>78,861</u>
Fund balances - beginning	<u>1,811,459</u>	<u>1,811,459</u>	<u>1,848,713</u>	<u>37,254</u>
Fund balances - ending	<u><u>\$ 1,112,185</u></u>	<u><u>\$ 1,112,185</u></u>	<u><u>\$ 1,228,300</u></u>	<u><u>\$ 116,115</u></u>

**City of McMinnville, Oregon**  
**Public Safety Facilities Construction Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Miscellaneous	\$ 200	\$ 200	\$ 27	\$ (173)
Total revenues	<u>200</u>	<u>200</u>	<u>27</u>	<u>(173)</u>
<b>Expenditures</b>				
Public Safety:				
Materials and services	<u>1,100</u>	<u>1,100</u>	<u>550</u>	<u>550</u>
Total expenditures	<u>1,100</u>	<u>1,100</u>	<u>550</u>	<u>550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(900)</u>	<u>(900)</u>	<u>(523)</u>	<u>377</u>
Net change in fund balances	(900)	(900)	(523)	377
Fund balances, budgetary basis - beginning	<u>3,276</u>	<u>3,276</u>	<u>3,403</u>	<u>127</u>
Fund balances, budgetary basis - ending	<u><u>\$ 2,376</u></u>	<u><u>\$ 2,376</u></u>	<u><u>\$ 2,880</u></u>	<u><u>\$ 504</u></u>

**City of McMinnville, Oregon**  
**Park Development Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 335,862	\$ 335,862	\$ 68,792	\$ (267,070)
Charges for services	275,340	275,340	129,198	(146,142)
Miscellaneous	306,458	306,458	55,106	(251,352)
Total revenues	<u>917,660</u>	<u>917,660</u>	<u>253,096</u>	<u>(664,564)</u>
<b>Expenditures</b>				
Culture and recreation:				
Materials and services	233,158	233,158	45,909	187,249
Capital outlay	1,636,125	1,636,125	142,519	1,493,606
Contingencies	31,295	31,295	-	31,295
Total expenditures	<u>1,900,578</u>	<u>1,900,578</u>	<u>188,428</u>	<u>1,712,150</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(982,918)</u>	<u>(982,918)</u>	<u>64,668</u>	<u>1,047,586</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	25,000	25,000	-	(25,000)
Transfers to other funds	(154,999)	(154,999)	(154,999)	-
Total other financing sources (uses)	<u>(129,999)</u>	<u>(129,999)</u>	<u>(154,999)</u>	<u>(25,000)</u>
Net change in fund balances	<u>(1,112,917)</u>	<u>(1,112,917)</u>	<u>(90,331)</u>	<u>1,022,586</u>
Fund balances, budgetary basis - beginning	1,128,917	1,128,917	1,134,950	6,033
Fund balances, budgetary basis - ending	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 1,044,619</u>	<u>\$ 1,028,619</u>
<b>Reconciliation:</b>				
Expenditures, budgetary basis			\$ 188,428	
Transfers to other funds - services provided			54,999	
Expenditures, modified accrual basis			<u>\$ 243,427</u>	
Other financing sources (uses), budgetary basis			\$ (154,999)	
Transfers to other funds - services provided			54,999	
Other financing sources (uses), modified accrual basis			<u>\$ (100,000)</u>	

**City of McMinnville, Oregon**  
**Urban Renewal Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Charges for Services	\$ -	\$ -	\$ 150	\$ 150
Miscellaneous	-	-	16,752	16,752
Total revenues	-	-	16,902	16,752
<b>Expenditures</b>				
Materials and services	164,330	264,330	183,711	80,619
Capital outlay	1,900,000	1,800,000	515,254	1,284,746
Total expenditures	2,064,330	2,064,330	698,965	1,365,365
Excess (deficiency) of revenues over (under) expenditures	(2,064,330)	(2,064,330)	(682,063)	1,382,117
<b>Other Financing Sources (Uses)</b>				
Interfund loan proceeds	2,064,330	2,064,330	2,220,084	155,754
Total other financing sources (uses)	2,064,330	2,064,330	2,220,084	155,754
Net change in fund balances	-	-	1,538,021	1,537,871
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 1,538,021	\$ 1,537,871
Reconciliation:				
Other financing sources (uses), budgetary basis			\$ 2,220,084	
Interfund loan proceeds			(2,220,084)	
Interfund advance transfer			2,408,868	
Other financing sources, modified accrual basis			<u>\$ 2,408,868</u>	

**City of McMinnville, Oregon**  
**Transportation Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	
<b>Revenues</b>				
Intergovernmental	\$ 451,248	\$ 451,248	\$ 259,130	\$ (192,118)
Charges for services	150,000	150,000	479,540	329,540
Miscellaneous	54,200	54,200	158,327	104,127
Total revenues	655,448	655,448	896,997	241,549
<b>Expenditures</b>				
Highways and streets:				
Materials and services	2,309,794	2,484,794	1,932,463	552,331
Capital outlay	9,452,000	9,277,000	5,082,698	4,194,302
Debt Service	201,248	201,248	201,248	-
Contingencies	500,000	500,000	-	500,000
Total expenditures	12,463,042	12,463,042	7,216,409	5,246,633
Excess (deficiency) of revenues over (under) expenditures	(11,807,594)	(11,807,594)	(6,319,412)	5,488,182
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	600,000	600,000	600,000	-
Transfers to other funds	(149,480)	(149,480)	(149,480)	-
Total other financing sources (uses)	450,520	450,520	450,520	-
Net change in fund balances	(11,357,074)	(11,357,074)	(5,868,892)	5,488,182
Fund balances, budgetary basis - beginning	17,222,128	17,222,128	17,445,877	223,749
Fund balances, budgetary basis - ending	\$ 5,865,054	\$ 5,865,054	\$ 11,576,985	\$ 5,711,931
<b>Reconciliation:</b>				
Expenditures, budgetary basis			\$ 7,216,409	
Expenditures performed by other governments			383,545	
Transfers to other funds - services provided			149,480	
Expenditures, modified accrual basis			\$ 7,749,434	
Other financing sources (uses), budgetary basis			\$ 450,520	
Loan proceeds - Dundee Bypass			383,545	
Transfers to other funds - services provided			149,480	
Other financing sources (uses), modified accrual basis			\$ 983,545	

## **PROPRIETARY FUNDS**

- Combining Statement of Net Position – Internal Service Funds
- Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds
- Combining Statement of Cash Flows – Internal Service Funds
- Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:
  - Wastewater Services Fund
  - Wastewater Capital Fund
  - Wastewater Services Fund Reconciliation of Budgetary Basis to Full Accrual Basis
  - Ambulance Fund
  - Building Fund
  - Information Systems & Services Fund
  - Insurance Services Fund





**City of McMinnville**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2017**

	<b>Information Systems &amp; Services</b>	<b>Insurance Services</b>	<b>Total Internal Service Funds</b>
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 213,843	\$ 1,618,025	\$ 1,831,868
Prepays	-	5,675	5,675
Total current assets	<u>213,843</u>	<u>1,623,700</u>	<u>1,837,543</u>
Non-current assets:			
Capital assets:			
Depreciable capital assets	2,323,590	-	2,323,590
Accumulated depreciation	(1,811,352)	-	(1,811,352)
Total Non-current assets	<u>512,238</u>	<u>-</u>	<u>512,238</u>
Total assets	<u>726,081</u>	<u>1,623,700</u>	<u>2,349,781</u>
<b>Deferred outflows of resources</b>			
Deferred outflow of resources - pension	<u>209,024</u>	<u>-</u>	<u>209,024</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	19,007	100,375	119,382
Accrued payroll and other payroll liabilities	8,525	-	8,525
Claims payable	-	84,636	84,636
Compensated absences	18,598	-	18,598
Total current liabilities	<u>46,130</u>	<u>185,011</u>	<u>231,141</u>
Non-current liabilities:			
Other post employment benefits	27,604	-	27,604
Pension related debt	54,122	-	54,122
Net pension liability	383,823	-	383,823
Total non-current liabilities	<u>465,549</u>	<u>-</u>	<u>465,549</u>
Total liabilities	<u>511,679</u>	<u>185,011</u>	<u>696,690</u>
<b>Deferred inflow of resources</b>			
Deferred inflow of resources - pension	<u>19,790</u>	<u>-</u>	<u>19,790</u>
<b>Net position</b>			
Invested in capital assets	512,238	-	512,238
Unrestricted	(108,602)	1,438,689	1,330,087
Total Net Position	<u>\$ 403,636</u>	<u>\$ 1,438,689</u>	<u>\$ 1,842,325</u>

**City of McMinnville**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2017**

	<b>Information Systems &amp; Services</b>	<b>Insurance Services</b>	<b>Total Internal Service Funds</b>
<b>Operating revenues</b>			
Charges for services	\$ 971,434	\$ 954,004	\$ 1,925,438
Miscellaneous	-	122,798	122,798
Total Operating revenues	<u>971,434</u>	<u>1,076,802</u>	<u>2,048,236</u>
<b>Operating expenses</b>			
Personnel services	443,456	-	443,456
Materials and services	504,199	890,996	1,395,195
Depreciation	72,634	-	72,634
Total operating expenses	<u>1,020,289</u>	<u>890,996</u>	<u>1,911,285</u>
Operating income (loss)	<u>(48,855)</u>	<u>185,806</u>	<u>136,951</u>
<b>Nonoperating Revenues</b>			
Investment earnings	1,542	11,228	12,770
Total nonoperating revenues	<u>1,542</u>	<u>11,228</u>	<u>12,770</u>
Change in Net Position:	(47,313)	197,034	149,721
Net position - beginning	450,949	1,241,655	1,692,604
Net position - ending	<u>\$ 403,636</u>	<u>\$ 1,438,689</u>	<u>\$ 1,842,325</u>

**City of McMinnville, Oregon**  
**Combining Statement of Cash Flows**  
**Internal Services Funds**  
**For the Year Ended June 30, 2017**

	<b>Information Systems &amp; Services</b>	<b>Insurance Services</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from interfund services provided	\$ 971,434	\$ 949,756	\$ 1,921,190
Other operating receipts	-	122,798	122,798
Payments to suppliers	(525,558)	(796,754)	(1,322,312)
Payments to employees	(391,983)	-	(391,983)
Net cash from operating activities	<u>53,893</u>	<u>275,800</u>	<u>329,693</u>
<b>Cash Flows From Non-Capital Financing Activities</b>			
Principal on pension related obligation	<u>(557)</u>	-	<u>(557)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Additions to capital assets	<u>(52,745)</u>	-	<u>(52,745)</u>
<b>Cash Flows From Investing Activities</b>			
Interest received	<u>1,542</u>	<u>11,228</u>	<u>12,770</u>
<b>Increase in Cash and Investments</b>	2,133	287,028	289,161
<b>Cash and Investments - Beginning</b>	<u>211,710</u>	<u>1,330,997</u>	<u>1,542,707</u>
<b>Cash and Investments - Ending</b>	<u><u>\$ 213,843</u></u>	<u><u>\$ 1,618,025</u></u>	<u><u>\$ 1,831,868</u></u>
<b>Reconciliation of Operating Income to Net Cash From Operating Activities</b>			
Operating income	\$ (48,855)	\$ 185,806	\$ 136,951
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	72,634	-	72,634
Pension expense	47,393	-	47,393
Change in current assets and liabilities:			
Receivables	-	1,427	1,427
Prepays	3,027	(5,675)	(2,648)
Accounts payable	(24,386)	74,903	50,517
Compensated absences	(46)	-	(46)
Other post employment benefits	3,798	-	3,798
Accrued payroll and other payroll liabilities	328	-	328
Other liabilities	-	19,339	19,339
Net cash from operating activities	<u><u>\$ 53,893</u></u>	<u><u>\$ 275,800</u></u>	<u><u>\$ 329,693</u></u>

**City of McMinnville, Oregon**  
**Wastewater Services Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Charges for services	\$ 9,543,537	\$ 9,543,537	\$ 9,307,533	\$ (236,004)
Miscellaneous	8,800	8,800	13,583	4,783
Total revenues	<u>9,552,337</u>	<u>9,552,337</u>	<u>9,321,116</u>	<u>(231,221)</u>
<b>Expenditures</b>				
Wastewater:				
Wastewater services administration	594,900	594,900	552,885	42,015
Plant	1,714,501	1,714,501	1,615,441	99,060
Environmental services	467,462	467,462	433,045	34,417
Conveyance systems	784,412	784,412	630,087	154,325
Contingencies	300,000	300,000	-	300,000
Total expenditures	<u>3,861,275</u>	<u>3,861,275</u>	<u>3,231,458</u>	<u>629,817</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,691,062</u>	<u>5,691,062</u>	<u>6,089,658</u>	<u>398,596</u>
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	(6,538,984)	(6,538,984)	(6,538,984)	-
Total other financing sources (uses)	<u>(6,538,984)</u>	<u>(6,538,984)</u>	<u>(6,538,984)</u>	<u>-</u>
Net change in fund balances	<u>(847,922)</u>	<u>(847,922)</u>	<u>(449,326)</u>	<u>398,596</u>
Fund balances, budgetary basis - beginning	2,463,722	2,463,722	2,699,950	236,228
Fund balances, budgetary basis - ending	<u>\$ 1,615,800</u>	<u>\$ 1,615,800</u>	<u>\$ 2,250,624</u>	<u>\$ 634,824</u>

Wastewater Services Fund and Wastewater Capital Fund Reconciliation of Budgetary Basis to Full Accrual Basis follows  
Wastewater Capital Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

**City of McMinnville, Oregon**  
**Wastewater Capital Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Charges for services	\$ 325,000	\$ 325,000	\$ 418,303	\$ 93,303
Miscellaneous	68,450	68,450	151,018	82,568
Total revenues	<u>393,450</u>	<u>393,450</u>	<u>569,321</u>	<u>175,871</u>
<b>Expenditures</b>				
Wastewater:				
Materials and services	809,450	809,450	194,999	614,451
Capital outlay	2,700,000	2,700,000	1,653,544	1,046,456
Contingencies	500,000	500,000	-	500,000
Total expenditures	<u>4,009,450</u>	<u>4,009,450</u>	<u>1,848,543</u>	<u>2,160,907</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,616,000)</u>	<u>(3,616,000)</u>	<u>(1,279,222)</u>	<u>2,336,778</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	6,238,346	6,238,346	6,238,346	-
Transfers to other funds	(203,109)	(203,109)	(203,109)	-
Total other financing sources (uses)	<u>6,035,237</u>	<u>6,035,237</u>	<u>6,035,237</u>	<u>-</u>
Net change in fund balances	<u>2,419,237</u>	<u>2,419,237</u>	<u>4,756,015</u>	<u>2,336,778</u>
Fund balances, budgetary basis - beginning	14,629,030	14,629,030	14,864,300	235,270
Fund balances, budgetary basis - ending	<u>\$ 17,048,267</u>	<u>\$ 17,048,267</u>	<u>\$ 19,620,315</u>	<u>\$ 2,572,048</u>

Wastewater Services Fund and Wastewater Capital Fund Reconciliation of Budgetary Basis to Full Accrual Basis follows  
Wastewater Capital Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

**City of McMinnville, Oregon**  
**Wastewater Services Fund**  
**Reconciliation of Budgetary Basis to Full Accrual Basis**  
**For the Year Ended June 30, 2017**

Reconciliation:

Wastewater Services Fund balances, budgetary basis - ending	\$ 2,250,624
Wastewater Capital Fund balances, budgetary basis - ending	19,620,315
Capital assets	104,321,797
Accumulated depreciation	(48,306,006)
Compensated absences payable	(92,912)
Other post employment benefits	(145,881)
Net pension liability	(2,250,545)
Deferred outflows of resources - pension	1,225,613
Deferred inflows of resources - pension	(116,039)
Pension-related obligation	(317,292)
Net position, full accrual - ending	<u><u>\$ 76,189,674</u></u>

Wastewater Services charges for services, budgetary basis	\$ 9,307,533
Wastewater Capital charges for services, budgetary basis	418,303
Development charges and fees	(418,303)
Other revenue, property rentals	-
Charges for services, full accrual basis	<u><u>\$ 9,307,533</u></u>

Wastewater Services expenditures, budgetary basis	\$ 3,231,458
Wastewater Capital expenditures, budgetary basis	1,848,543
Change in compensated absences	(21,380)
Change in other post employment benefits	18,167
Pension expense	210,451
Principal payment on pension-related obligations	(8,442)
Expenditures capitalized	(1,865,129)
Transfers to other funds - services provided	503,747
Depreciation	3,121,981
Operating expenses, full accrual basis	<u><u>\$ 7,039,396</u></u>

Wastewater Services other financing sources (uses), budgetary basis	\$ (6,538,984)
Wastewater Capital other financing sources (uses), budgetary basis	6,035,237
Transfers to other funds - services provided	503,747
Total contributions and transfers, full accrual basis	<u><u>\$ -</u></u>

**City of McMinnville, Oregon**  
**Ambulance Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 15,200	\$ 15,200	\$ 10,000	\$ (5,200)
Charges for services	3,760,000	3,760,000	3,759,503	(497)
Miscellaneous	36,500	36,500	41,195	4,695
Total revenues	<u>3,811,700</u>	<u>3,811,700</u>	<u>3,810,698</u>	<u>(1,002)</u>
<b>Expenditures</b>				
Personnel services	3,209,373	3,274,373	3,264,187	10,186
Materials and services	901,082	896,426	798,803	97,623
Capital outlay	35,000	39,656	4,656	35,000
Contingencies	300,000	235,000	-	235,000
Total expenditures	<u>4,445,455</u>	<u>4,445,455</u>	<u>4,067,646</u>	<u>377,809</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(633,755)</u>	<u>(633,755)</u>	<u>(256,948)</u>	<u>376,807</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	800,000	800,000	800,000	-
Transfers to other funds	(325,326)	(325,326)	(325,326)	-
Total other financing sources (uses)	<u>474,674</u>	<u>474,674</u>	<u>474,674</u>	<u>-</u>
Net change in fund balances	<u>(159,081)</u>	<u>(159,081)</u>	<u>217,726</u>	<u>376,807</u>
Fund balances, budgetary basis - beginning	<u>1,234,847</u>	<u>1,234,847</u>	<u>1,350,363</u>	<u>115,516</u>
Fund balances, budgetary basis - ending	<u>\$ 1,075,766</u>	<u>\$ 1,075,766</u>	<u>1,568,089</u>	<u>\$ 492,323</u>
Add (deduct):				
Allowance for uncollectibles			(287,605)	
Capital assets			932,996	
Accumulated depreciation			(399,357)	
Compensated absences payable			(157,037)	
Other post employment benefits			(220,265)	
Net pension liability			(4,161,542)	
Deferred outflow of resources - pension			2,266,312	
Deferred inflow of resources - pension			(214,572)	
Pension-related obligation			(586,703)	
Net position, full accrual - ending			<u>\$ (1,259,684)</u>	
Reconciliation:				
Charges for service, budgetary basis			3,759,503	
Medical write-offs			(294,006)	
Charges for services, full accrual basis			<u>\$ 3,465,497</u>	
Expenditures, budgetary basis			\$ 4,067,646	
Change in compensated absences			(6,508)	
Change in accrued payroll and other payroll liabilities			-	
Change in other post employment benefits			31,552	
Pension expense			475,188	
Change in pension-related obligations			14,399	
Change in allowance for doubtful accounts			163,705	
Medical write-offs			(294,006)	
Expenditures capitalized			(17,142)	
Transfers to other funds - services provided			241,126	
Depreciation			243,716	
Operating expenses, full accrual basis			<u>\$ 4,919,676</u>	
Other financing sources (uses), budgetary basis			\$ 474,674	
Transfers to other funds - services provided			241,126	
Total contributions and transfers, full accrual basis			<u>\$ 715,800</u>	



**City of McMinnville, Oregon**  
**Building Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Licenses and permits	\$ 384,500	\$ 384,500	\$ 609,686	\$ 225,186
Miscellaneous	4,400	4,400	9,268	4,868
Total revenues	<u>388,900</u>	<u>388,900</u>	<u>618,954</u>	<u>230,054</u>
<b>Expenditures</b>				
Building:				
Personnel services	349,653	348,653	231,035	117,618
Materials and services	65,558	65,798	57,735	8,063
Capital Outlay	-	760	760	-
Contingencies	75,000	75,000	-	75,000
Total expenditures	<u>490,211</u>	<u>490,211</u>	<u>289,530</u>	<u>200,681</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(101,311)</u>	<u>(101,311)</u>	<u>329,424</u>	<u>430,735</u>
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	(42,109)	(42,109)	(42,109)	-
Total other financing sources (uses)	<u>(42,109)</u>	<u>(42,109)</u>	<u>(42,109)</u>	<u>-</u>
Net change in fund balances	<u>(143,420)</u>	<u>(143,420)</u>	<u>287,315</u>	<u>430,735</u>
Fund balances, budgetary basis - beginning	631,101	631,101	680,919	49,818
Fund balances, budgetary basis - ending	<u>\$ 487,681</u>	<u>\$ 487,681</u>	<u>968,234</u>	<u>\$ 480,553</u>
<b>Add (deduct):</b>				
Capital assets			381,887	
Accumulated depreciation			(139,327)	
Compensated absences payable			(10,871)	
Other post employment benefits			(25,692)	
Net pension liability			(345,761)	
Deferred outflow of resources - pension			188,296	
Deferred inflow of resources - pension			(17,828)	
Pension-related obligation			(48,763)	
Net position, full accrual - ending			<u>\$ 950,175</u>	
<b>Reconciliation:</b>				
Expenditures, budgetary basis			\$ 289,530	
Change in compensated absences			(45)	
Change in other post employment benefits			2,233	
Transfers to other funds - services provided			42,109	
Depreciation			13,229	
Pension expense			20,206	
Principal payment on pension-related obligations			(5,658)	
Operating expenses, full accrual basis			<u>\$ 361,604</u>	
Other financing sources (uses), budgetary basis			\$ (42,109)	
Transfers to other funds - services provided			42,109	
Total contributions and transfers, full accrual basis			<u>\$ -</u>	

**City of McMinnville, Oregon**  
**Information Systems & Services Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Charges for services	\$ 625,834	\$ 625,834	\$ 547,384	\$ (78,450)
Miscellaneous	800	800	1,542	742
Total revenues	<u>626,634</u>	<u>626,634</u>	<u>548,926</u>	<u>(77,708)</u>
<b>Expenditures</b>				
Personnel services	424,050	424,050	392,868	31,182
Materials and services	610,170	557,654	482,329	75,325
Capital outlay	41,664	94,180	74,615	19,565
Contingencies	65,000	65,000	-	65,000
Total expenditures	<u>1,140,884</u>	<u>1,140,884</u>	<u>949,812</u>	<u>191,072</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(514,250)</u>	<u>(514,250)</u>	<u>(400,886)</u>	<u>113,364</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	424,050	424,050	424,050	-
Total other financing sources (uses)	<u>424,050</u>	<u>424,050</u>	<u>424,050</u>	<u>-</u>
Net change in fund balances	(90,200)	(90,200)	23,164	113,364
Fund balances, budgetary basis - beginning	155,702	155,702	163,147	7,445
Fund balances, budgetary basis - ending	<u>\$ 65,502</u>	<u>\$ 65,502</u>	<u>186,311</u>	<u>\$ 120,809</u>
<b>Add (deduct):</b>				
Capital assets			2,323,590	
Accumulated depreciation			(1,811,352)	
Pension liability			(383,823)	
Deferred outflows of resources - pension			209,024	
Deferred inflows of resources - pension			(19,790)	
Compensated absences payable			(18,598)	
Other post employment benefits			(27,604)	
Pension related debt			(54,122)	
Net position, full accrual - ending			<u>\$ 403,636</u>	
<b>Reconciliation:</b>				
Charges for services, budgetary basis			\$ 547,384	
Transfers from other funds - services provided			424,050	
Charges for services, full accrual basis			<u>\$ 971,434</u>	
Expenditures, budgetary basis			\$ 949,812	
Change in compensated absences			(46)	
Change in other post employment benefits			3,798	
Pension expense			47,393	
Expenditures capitalized			(52,745)	
Depreciation			72,634	
Principal paid on pension related obligation			(557)	
Operating expenses, full accrual basis			<u>\$ 1,020,289</u>	
Other financing sources (uses), budgetary basis			\$ 424,050	
Transfers from other funds - services provided			(424,050)	
Total contributions and transfers, full accrual basis			<u>\$ -</u>	

**City of McMinnville, Oregon**  
**Insurance Services Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Charges for services	\$ 1,042,717	\$ 1,042,717	\$ 954,004	\$ (88,713)
Miscellaneous	142,700	142,700	134,026	(8,674)
Total revenues	1,185,417	1,185,417	1,088,030	(97,387)
<b>Expenditures</b>				
Materials and services	1,018,295	1,018,295	827,461	190,834
Contingencies	100,000	100,000	-	100,000
Total expenditures	1,118,295	1,118,295	827,461	290,834
Excess (deficiency) of revenues over (under) expenditures	67,122	67,122	260,569	193,447
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	(69,196)	(69,196)	(44,196)	25,000
Total other financing sources (uses)	(69,196)	(69,196)	(44,196)	25,000
Net change in fund balances	(2,074)	(2,074)	216,373	218,447
Fund balances, budgetary basis - beginning	1,319,387	1,319,387	1,306,952	(12,435)
Fund balances, budgetary basis - ending	<u>\$ 1,317,313</u>	<u>\$ 1,317,313</u>	<u>1,523,325</u>	<u>\$ 206,012</u>
Add (deduct):				
Insurance claims payable			(84,636)	
Net position, full accrual - ending			<u>\$ 1,438,689</u>	
Reconciliation:				
Expenditures, budgetary basis			\$ 827,461	
Transfers to other funds - services provided			44,196	
Change in insurance claims liability			19,339	
Operating expenses, full accrual basis			<u>\$ 890,996</u>	
Other financing sources (uses), budgetary basis			\$ (44,196)	
Transfers to other funds - services provided			44,196	
Total contributions and transfers, full accrual basis			<u>\$ -</u>	

## **OTHER FINANCIAL SCHEDULES**

- Schedule of Accountability for Independently Elected Officials



**City of McMinnville, Oregon**  
**Schedule of Accountability for Independently Elected Officials**  
**June 30, 2017**

The City has no independently elected officials who collect or receive money for or from the City.



## STATISTICAL SECTION

This part of the City's *Comprehensive Annual Financial Report (CAFR)* presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about the City's overall financial health.

### 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.

### Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax and sewer charges.

### 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.

### 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.

### Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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







**City of McMinnville, Oregon**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
(full accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Primary Government:</b>			
Governmental activities:			
Invested in capital assets (b) (e)	\$ 65,247,969	\$ 64,720,490	\$ 64,577,951
Restricted (a) (f)	3,827,337	3,011,121	3,223,454
Unrestricted (c)	<u>10,479,495</u>	<u>9,478,673</u>	<u>8,881,472</u>
Total governmental activities net position (d)	<u>\$ 79,554,801</u>	<u>\$ 77,210,284</u>	<u>\$ 76,682,877</u>
Business-type activities:			
Invested in capital assets (b)	\$ 33,806,347	\$ 35,556,686	\$ 38,573,448
Restricted (a)	-	374,891	284,065
Unrestricted	<u>17,833,067</u>	<u>19,339,695</u>	<u>19,444,666</u>
Total business-type activities net position (d)	<u>\$ 51,639,414</u>	<u>\$ 55,271,272</u>	<u>\$ 58,302,179</u>
Primary government:			
Invested in capital assets	\$ 99,054,316	\$ 100,277,176	\$ 103,151,399
Restricted	3,827,337	3,386,012	3,507,519
Unrestricted (h)	<u>28,312,562</u>	<u>28,818,368</u>	<u>28,326,138</u>
Total primary government net position (d)	<u>\$ 131,194,215</u>	<u>\$ 132,481,556</u>	<u>\$ 134,985,056</u>
<b>Component unit:</b>			
Water and Light:			
Invested in capital assets (g)	\$ 83,072,182	\$ 97,147,985	\$ 103,852,317
Unrestricted (h)	<u>42,264,683</u>	<u>33,751,837</u>	<u>28,853,295</u>
Total component unit	<u>\$ 125,336,865</u>	<u>\$ 130,899,822</u>	<u>\$ 132,705,612</u>

(a) As of fiscal year 2008-09, Building moved from governmental activity to business-type activity.

(b) In fiscal year 2009-10, the City implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This required a restatement of beginning net position of \$1,372,088 for governmental activities and \$231,078 for business-type activities making a total adjustment to primary government of \$1,603,166 for retroactive easements.

(c) In fiscal year 2010-11, the City recorded prior period adjustment of \$316,997 in governmental activities to account for assets set aside in an investment account for the Length of Service Awards program (LOSAP). Beginning net position is restated from \$76,365,880 to \$76,682,877.

(d) In fiscal year 2012-13, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result, net assets have been renamed to net position.

**Fiscal Year Ended June 30,**

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014 Restated</u>	<u>2015 Restated</u>	<u>2016</u>	<u>2017</u>
\$ 62,431,482	\$ 59,774,579	\$ 60,826,806	\$ 59,579,789	\$ 59,688,968	\$ 60,243,871	\$ 66,165,718
3,745,053	4,034,072	4,139,865	5,932,257	23,156,125	22,841,795	16,277,620
<u>9,436,731</u>	<u>9,748,354</u>	<u>10,719,116</u>	<u>1,318,592</u>	<u>(11,568,107)</u>	<u>(20,675,519)</u>	<u>(20,166,704)</u>
<u>\$ 75,613,266</u>	<u>\$ 73,557,005</u>	<u>\$ 75,685,787</u>	<u>\$ 66,830,638</u>	<u>\$ 71,276,986</u>	<u>\$ 62,410,147</u>	<u>\$ 62,276,634</u>
\$ 41,736,064	\$ 44,032,172	\$ 45,568,283	\$ 48,275,891	\$ 55,205,674	\$ 58,125,477	\$ 56,791,990
183,776	148,044	178,933	299,781	482,442	437,036	707,615
<u>18,683,904</u>	<u>18,976,324</u>	<u>20,057,090</u>	<u>17,437,601</u>	<u>15,948,799</u>	<u>14,733,277</u>	<u>18,380,560</u>
<u>\$ 60,603,744</u>	<u>\$ 63,156,540</u>	<u>\$ 65,804,306</u>	<u>\$ 66,013,273</u>	<u>\$ 71,636,915</u>	<u>\$ 73,295,790</u>	<u>\$ 75,880,165</u>
\$ 104,167,546	\$ 103,806,751	\$ 106,395,089	\$ 107,855,680	\$ 114,894,642	\$ 118,369,348	\$ 122,957,708
3,928,829	4,182,116	4,318,798	6,232,038	23,638,567	23,278,831	16,985,235
<u>28,120,635</u>	<u>28,724,678</u>	<u>30,776,206</u>	<u>18,756,193</u>	<u>4,380,692</u>	<u>(5,942,242)</u>	<u>(1,786,144)</u>
<u>\$ 136,217,010</u>	<u>\$ 136,713,545</u>	<u>\$ 141,490,093</u>	<u>\$ 132,843,911</u>	<u>\$ 142,913,901</u>	<u>\$ 135,705,937</u>	<u>\$ 138,156,799</u>
\$ 103,521,631	\$ 106,683,105	\$ 115,135,213	\$ 118,079,561	\$ 121,446,462	\$ 123,113,177	\$ 123,366,419
<u>32,006,301</u>	<u>33,671,841</u>	<u>31,952,469</u>	<u>31,127,734</u>	<u>36,515,824</u>	<u>36,415,854</u>	<u>40,284,763</u>
<u>\$ 135,527,932</u>	<u>\$ 140,354,946</u>	<u>\$ 147,087,682</u>	<u>\$ 149,207,295</u>	<u>\$ 157,962,286</u>	<u>\$ 159,529,031</u>	<u>\$ 163,651,182</u>

- (e) In fiscal year 2013-14, the City had a restatement to account for a change in accounting principle. The City changed street and sewer infrastructure depreciation from the composite method to the straight line method. This required a restatement of beginning net position of \$3,263,218 for governmental activities.
- (f) In fiscal year 2013-14, the City had a restatement to recognize revenue of \$383,161. Governmental activities net position required a restatement increasing restricted net positions for Highways and Streets by \$155,728 and unrestricted net position by \$227,433.
- (g) In fiscal year 2012-13, the component unit Water & Light included an interfund loan and invested in capital assets. This was corrected in fiscal year 2013-14 with no change to total net position.
- (h) In fiscal year 2014-15, the City and the Department had a restatement of \$11,324,390 and \$4,026,413, respectively, to account for the implementation of GASB Statement 68, Accounting and Financial Reporting for Pensions and to correct an error relating to accounting for transition liability.

# City of McMinnville, Oregon

## Changes in Net Position

### Last Ten Fiscal Years

(full accrual basis of accounting)

Functions/Programs	2008	2009	2010
<b>Expenses</b>			
Primary government:			
Governmental activities:			
General government	\$ 1,984,604	\$ 2,347,704	\$ 2,060,894
Community development (d)	1,811,174	1,246,693	1,299,144
Public safety:			
Police	6,450,363	7,265,395	7,366,299
Fire	1,704,098	2,522,183	2,544,874
Highways and streets	3,137,661	3,616,479	3,478,409
Culture and recreation:			
Parks and recreation	3,528,723	3,985,158	4,014,812
Library	1,488,868	1,534,563	1,567,266
Airport	590,710	640,968	517,465
Interest on long-term debt	915,543	871,822	826,167
Total governmental activities expenses	<u>21,611,744</u>	<u>24,030,965</u>	<u>23,675,330</u>
Business-type activities:			
Wastewater	6,052,599	5,873,978	5,811,243
Ambulance	2,264,966	2,373,384	2,449,268
Building (d)	-	596,800	446,236
Total business-type activities expenses	<u>8,317,565</u>	<u>8,844,162</u>	<u>8,706,747</u>
Total primary government expenses	<u>\$ 29,929,309</u>	<u>\$ 32,875,127</u>	<u>\$ 32,382,077</u>
Component unit:			
Water and Light	<u>\$ 39,809,429</u>	<u>\$ 33,326,936</u>	<u>\$ 36,062,095</u>
Indirect expense allocation (e)			
Primary government:			
Governmental activities:			
General government	\$ (703,624)	\$ -	\$ -
Community development	(339,846)	-	-
Public safety:			
Police	95,954	-	-
Fire	429,429	-	-
Highways and streets	187,281	-	-
Culture and recreation:			
Parks and recreation	177,972	-	-
Library	59,720	-	-
Airport	26,608	-	-
Total governmental activities indirect expenses	<u>(66,506)</u>	<u>-</u>	<u>-</u>
Business-type activities:			
Wastewater	269,875	-	-
Ambulance	(203,369)	-	-
Total business-type activities indirect expenses	<u>66,506</u>	<u>-</u>	<u>-</u>
Total primary government indirect expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

**City of McMinnville, Oregon**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
(full accrual basis of accounting)

<u>Functions/Programs</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Program revenues</b>			
Primary government:			
Governmental activities:			
Charges for services:			
General government	\$ 389,323	\$ 540,622	\$ 496,923
Community development (d)	957,770	503,816	488,288
Public safety:			
Police	1,011,006	981,277	956,903
Fire	286,520	278,779	295,593
Highways and streets (b)	883,058	131,051	169,585
Culture and recreation:			
Parks and recreation	1,265,177	1,071,145	1,073,688
Library	54,006	54,417	58,820
Airport	218,171	188,858	220,329
Operating grants and contributions	1,966,268	1,764,579	2,554,203
Capital grants and contributions (c)	3,889,300	3,278,780	1,087,252
Total governmental activities program revenues	<u>10,920,599</u>	<u>8,793,324</u>	<u>7,401,584</u>
Business-type activities:			
Charges for services:			
Wastewater	8,999,557	8,351,447	8,244,213
Ambulance	2,120,051	2,390,286	2,320,010
Building (d)	-	201,002	334,380
Operating grants and contributions	-	3,065	33,979
Capital grants and contributions (c)	672,870	-	34,704
Total business-type activities program revenues	<u>11,792,478</u>	<u>10,945,800</u>	<u>10,967,286</u>
Total primary government program revenues	<u>\$ 22,713,077</u>	<u>\$ 19,739,124</u>	<u>\$ 18,368,870</u>
Component unit:			
Water and Light:			
Charges for services	\$ 41,198,256	\$ 34,620,277	\$ 35,302,190
Operating grants and contributions	441,624	187,957	510,961
Capital grants and contributions	1,592,616	364,500	254,723
Total component unit program revenues	<u>\$ 43,232,496</u>	<u>\$ 35,172,734</u>	<u>\$ 36,067,874</u>
<b>Net revenue (expense)</b>			
Primary government:			
Governmental activities	\$ (10,624,639)	\$ (15,237,641)	\$ (16,273,746)
Business-type activities	3,408,407	2,101,638	2,260,539
Total primary government net revenue (expense)	<u>\$ (7,216,232)</u>	<u>\$ (13,136,003)</u>	<u>\$ (14,013,207)</u>
Component unit:			
Water and Light	<u>\$ 3,423,067</u>	<u>\$ 1,845,798</u>	<u>\$ 5,779</u>

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 485,866	\$ 482,333	\$ 477,936	\$ 569,633	\$ 719,791	\$ 1,074,482	\$ 1,102,898
515,582	524,366	571,421	611,380	743,044	770,042	128,813
817,709	824,755	905,505	730,264	673,672	751,326	688,349
323,276	313,154	340,253	347,407	378,028	419,445	562,245
324,786	194,534	190,481	160,383	344,459	253,342	14
1,217,185	1,223,292	1,248,255	1,317,763	1,574,113	1,525,952	1,116,841
55,200	56,719	69,482	45,433	55,294	44,693	38,658
233,651	237,082	239,436	244,969	247,965	260,293	256,854
2,174,634	2,263,584	2,234,195	2,281,464	2,460,484	2,654,786	2,364,801
1,935,658	674,099	761,169	679,849	1,949,416	2,542,985	2,686,710
<u>8,083,547</u>	<u>6,793,918</u>	<u>7,038,133</u>	<u>6,988,545</u>	<u>9,146,266</u>	<u>10,297,346</u>	<u>8,946,183</u>
8,292,062	8,453,886	8,554,156	9,076,321	9,911,181	9,166,543	9,323,139
2,275,122	2,739,983	2,846,540	2,646,881	2,911,613	3,373,134	3,494,130
295,934	297,204	290,537	390,852	561,441	393,079	612,659
-	-	564	-	76	-	-
-	24,943	106,632	37,206	377,475	650,082	617,329
<u>10,863,118</u>	<u>11,516,016</u>	<u>11,798,429</u>	<u>12,151,260</u>	<u>13,761,786</u>	<u>13,582,838</u>	<u>14,047,257</u>
<u>\$ 18,946,665</u>	<u>\$ 18,309,934</u>	<u>\$ 18,836,562</u>	<u>\$ 19,139,805</u>	<u>\$ 22,908,052</u>	<u>\$ 23,880,184</u>	<u>\$ 22,993,440</u>
\$ 36,534,385	\$ 41,122,520	\$ 43,030,261	\$ 44,662,133	\$ 44,944,442	\$ 45,275,019	\$ 46,246,552
187,233	400,388	-	-	-	-	-
<u>334,413</u>	<u>242,183</u>	<u>474,900</u>	<u>909,683</u>	<u>1,560,929</u>	<u>974,832</u>	<u>1,076,976</u>
<u>\$ 37,056,031</u>	<u>\$ 41,765,091</u>	<u>\$ 43,505,161</u>	<u>\$ 45,571,816</u>	<u>\$ 46,505,371</u>	<u>\$ 46,249,851</u>	<u>\$ 47,323,528</u>
\$(15,816,390)	\$(16,876,585)	\$(16,769,753)	\$(16,111,694)	\$(12,081,074)	\$(25,924,036)	\$(19,839,461)
2,161,331	2,187,675	2,306,916	2,550,607	5,144,412	192,712	1,711,548
<u>\$(13,655,059)</u>	<u>\$(14,688,910)</u>	<u>\$(14,462,837)</u>	<u>\$(13,561,087)</u>	<u>\$(6,936,662)</u>	<u>\$(25,731,324)</u>	<u>\$(18,127,913)</u>
<u>\$ (746,110)</u>	<u>\$ 1,138,456</u>	<u>\$ 1,921,316</u>	<u>\$ 2,384,492</u>	<u>\$ 4,406,071</u>	<u>\$ 1,338,161</u>	<u>\$ 817,276</u>

(Continued)



# City of McMinnville, Oregon

## Changes in Net Position Last Ten Fiscal Years (full accrual basis of accounting)

Functions/Programs	2008	2009	2010
<b>General revenues and other changes in net position</b>			
Primary government:			
Governmental activities:			
Taxes			
Property taxes	\$ 10,350,548	\$ 11,053,039	\$ 11,573,566
Franchise taxes	2,376,220	2,140,723	2,191,818
Transient lodging taxes	-	-	-
Unrestricted state shared revenues	662,919	672,334	685,444
Unrestricted investment earnings (f)	614,480	235,839	57,829
Gain (loss) on disposal of capital assets	2,740	-	-
Other, net	-	-	-
Transfers (a)	(298,387)	(1,208,811)	(451,403)
Total governmental activities	<u>13,708,520</u>	<u>12,893,124</u>	<u>14,057,254</u>
Business-type activities:			
Unrestricted investment earnings (f)	664,552	321,409	87,887
Gain (loss) on disposal of capital assets	-	-	-
Other, net	-	-	-
Transfers (a)	298,387	1,208,811	451,403
Total business-type activities	<u>962,939</u>	<u>1,530,220</u>	<u>539,290</u>
Total primary government	<u>\$ 14,671,459</u>	<u>\$ 14,423,344</u>	<u>\$ 14,596,544</u>
Component unit:			
Water and Light:			
Unrestricted investment earnings (f)	\$ 1,712,036	\$ 872,186	\$ 323,950
Gain (loss) on disposal of capital assets	94,862	-	-
Timber sales, net of related expenses	1,460,202	1,726,608	832,598
Other, net	1,026,491	1,118,365	643,463
Interest expense	-	-	-
Total component unit	<u>\$ 4,293,591</u>	<u>\$ 3,717,159</u>	<u>\$ 1,800,011</u>
<b>Change in net position</b>			
Primary government:			
Governmental activities	\$ 3,083,881	\$ (2,344,517)	\$ (2,216,492)
Business-type activities	4,371,346	3,631,858	2,799,829
Total primary government	<u>\$ 7,455,227</u>	<u>\$ 1,287,341</u>	<u>\$ 583,337</u>
Component unit:			
Water and Light	<u>\$ 7,716,658</u>	<u>\$ 5,562,957</u>	<u>\$ 1,805,790</u>

(a) From 2006-07 through 2014-15, transfers from the General Fund to Ambulance Fund to subsidize operations. During 2008-09, Building net position of \$763,000 was transferred from governmental to business-type activities.

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 11,860,485	\$ 11,880,645	\$ 12,145,519	\$ 12,457,511	\$ 12,937,499	\$ 14,751,884	\$ 15,028,217
2,202,237	2,441,291	2,486,923	2,538,348	2,548,881	2,504,237	2,420,309
-	-	-	235,874	574,911	644,878	691,102
692,662	683,388	760,551	807,749	834,087	825,156	913,376
60,685	85,988	95,507	97,482	78,040	86,079	317,994
4,858	3,475	3,300	1,637	(56,454)	-	-
-	-	-	-	-	617,243	483,825
(74,148)	(274,463)	(239,644)	(537,400)	(389,542)	(1,327,911)	(715,800)
<u>14,746,779</u>	<u>14,820,324</u>	<u>15,252,156</u>	<u>15,601,201</u>	<u>16,527,422</u>	<u>18,101,566</u>	<u>19,139,023</u>
66,086	90,657	101,206	100,694	89,688	76,170	157,027
-	-	-	-	-	(50,308)	-
-	-	-	-	-	112,390	-
<u>74,148</u>	<u>274,463</u>	<u>239,644</u>	<u>537,400</u>	<u>389,542</u>	<u>1,327,911</u>	<u>715,800</u>
<u>140,234</u>	<u>365,120</u>	<u>340,850</u>	<u>638,094</u>	<u>479,230</u>	<u>1,466,163</u>	<u>872,827</u>
<u>\$ 14,887,013</u>	<u>\$ 15,185,444</u>	<u>\$ 15,593,006</u>	<u>\$ 16,239,295</u>	<u>\$ 17,006,652</u>	<u>\$ 19,567,729</u>	<u>\$ 20,011,850</u>
\$ 425,450	\$ 422,467	\$ 182,845	\$ 199,400	\$ 167,244	\$ 264,782	\$ 469,319
-	-	-	-	(199,620)	(913,815)	-
1,355,475	2,605,898	3,962,482	2,243,586	3,324,530	2,364,804	1,837,271
1,787,505	660,193	666,093	1,318,548	1,019,342	1,304,702	998,285
-	-	-	-	37,424	(60,735)	-
<u>\$ 3,568,430</u>	<u>\$ 3,688,558</u>	<u>\$ 4,811,420</u>	<u>\$ 3,761,534</u>	<u>\$ 4,348,920</u>	<u>\$ 2,959,738</u>	<u>\$ 3,304,875</u>
\$ (1,069,611)	\$ (2,056,261)	\$ (1,517,597)	\$ (510,493)	\$ 4,446,348	\$ (7,822,470)	\$ (700,438)
<u>2,301,565</u>	<u>2,552,795</u>	<u>2,647,766</u>	<u>3,188,701</u>	<u>5,623,642</u>	<u>1,658,875</u>	<u>2,584,375</u>
<u>\$ 1,231,954</u>	<u>\$ 496,534</u>	<u>\$ 1,130,169</u>	<u>\$ 2,678,208</u>	<u>\$ 10,069,990</u>	<u>\$ (6,163,595)</u>	<u>\$ 1,883,937</u>
<u>\$ 2,822,320</u>	<u>\$ 4,827,014</u>	<u>\$ 6,732,736</u>	<u>\$ 6,146,026</u>	<u>\$ 8,754,991</u>	<u>\$ 4,297,899</u>	<u>\$ 4,122,151</u>

(Continued)

**City of McMinnville, Oregon**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
(full accrual basis of accounting)

(b) During fiscal year 2007-08, transportation system development charges (SDC) included construction projects by the McMinnville School District. From fiscal years 2008-09 through 2014-15, transportation system development charges were lower due to a significant drop in construction activity with increases in fiscal years 2010-11, 2014-15, and 2015-16. Prior to 2016-17, systems development charges were included in charges for services. In 2016-17, SDCs of \$479,540 are included in capital grants and contributions.

(c) From fiscal years 2007-08 through 2014-15, developer donations decreased due to a significant drop in construction activity with some improvement in 2014-15 through 2016-17.

(d) Prior to fiscal year 2008-09, Building was a governmental activity, included in Community Development. Beginning fiscal year 2008-09, Building became a business-type activity.

(e) As of fiscal year 2008-09, the City elected to not display the indirect expense allocation due to a change in fund structure.

(f) Beginning in fiscal year 2008-09 and continuing through fiscal year 2015-16, interest revenue decreased due to significantly lower interest rates. For governmental activities, interest revenue increased due to higher interest rates and interest earned on bond proceeds. For business-type activities, interest revenue increased due to higher interest rates.



**City of McMinnville, Oregon**  
**Fund Balances, Governmental Funds**  
**Last Ten Years**  
(modified accrual basis of accounting)

	<b>June 30,</b>			
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
General Fund:				
Reserved (a)	\$ 786,210	\$ 97,022	n/a	n/a
Unreserved (c)	3,705,238	7,261,955	n/a	n/a
Nonspendable	n/a	n/a	\$ 111,314	\$ 126,335
Restricted	n/a	n/a	-	-
Assigned	n/a	n/a	300,000	801,368
Unassigned (e)	n/a	n/a	5,987,227	6,403,635
Total General Fund	<u>\$ 4,491,448</u>	<u>\$ 7,358,977</u>	<u>\$ 6,398,541</u>	<u>\$ 7,331,338</u>
Airport Maintenance Fund:				
Reserved	\$ 319	\$ -	n/a	n/a
Unreserved (c)	799,480	567,087	n/a	n/a
Nonspendable	n/a	n/a	\$ -	\$ -
Restricted	n/a	n/a	170,883	-
Committed (e)	n/a	n/a	500,373	564,391
Total Airport Maintenance Fund	<u>\$ 799,799</u>	<u>\$ 567,087</u>	<u>\$ 671,256</u>	<u>\$ 564,391</u>
Improvements Fund: (b)				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	1,174,359	-	-	-
Total Improvements Fund	<u>\$ 1,174,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fire Fund: (b)				
Unreserved	\$ 2,038,274	\$ -	\$ -	\$ -
Total Fire Fund	<u>\$ 2,038,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Parks & Recreation Fund: (b)				
Unreserved	\$ 1,583,721	\$ -	\$ -	\$ -
Total Parks & Recreation Fund	<u>\$ 1,583,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Transportation Fund: (d)				
Reserved	\$ 1,697,319	\$ 1,532,374	n/a	n/a
Unreserved, reported in (c):				
Capital projects funds	278,907	241,021	n/a	n/a
Restricted (e)	n/a	n/a	\$ 1,400,796	\$ 1,393,538
Assigned	n/a	n/a	-	-
Unassigned	n/a	n/a	-	(41,474)
Total Transportation Fund	<u>\$ 1,976,226</u>	<u>\$ 1,773,395</u>	<u>\$ 1,400,796</u>	<u>\$ 1,352,064</u>
All other governmental funds: (c) (d) (e)				
Reserved	\$ 9,914,999	\$ 6,469,626	n/a	n/a
Unreserved, reported in:				
Special revenue funds	472,592	474,482	n/a	n/a
Capital projects funds	-	36,265	n/a	n/a
Nonspendable	n/a	n/a	\$ -	\$ 5
Restricted	n/a	n/a	3,737,104	3,121,369
Committed	n/a	n/a	35,000	-
Assigned	n/a	n/a	1,110,785	1,122,826
Unassigned	n/a	n/a	-	-
Total all other governmental funds	<u>\$ 10,387,591</u>	<u>\$ 6,980,373</u>	<u>\$ 4,882,889</u>	<u>\$ 4,244,200</u>

2012	2013	2014	2015	2016	2017
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
\$ 43,590	\$ 21,603	\$ 22,722	\$ 22,056	\$ 68,332	\$ 2,245,416
-	-	1,351,766	94,897	-	-
968,301	1,162,639	557,316	593,735	647,141	673,696
6,465,935	7,117,669	8,053,592	7,575,581	6,768,660	6,444,745
<u>\$ 7,477,826</u>	<u>\$ 8,301,911</u>	<u>\$ 9,985,396</u>	<u>\$ 8,286,269</u>	<u>\$ 7,484,133</u>	<u>\$ 9,363,857</u>
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
\$ 5,788	\$ -	\$ -	\$ 247	\$ -	\$ -
-	-	-	-	-	-
663,499	679,749	726,852	824,777	868,723	635,411
<u>\$ 669,287</u>	<u>\$ 679,749</u>	<u>\$ 726,852</u>	<u>\$ 825,024</u>	<u>\$ 868,723</u>	<u>\$ 635,411</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
\$ 1,351,185	\$ 1,750,620	\$ 1,900,683	\$ 20,298,178	\$ 17,445,877	\$ 11,576,985
124,636	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,475,821</u>	<u>\$ 1,750,620</u>	<u>\$ 1,900,683</u>	<u>\$ 20,298,178</u>	<u>\$ 17,445,877</u>	<u>\$ 11,576,985</u>
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
\$ 49	\$ 45	\$ 4	\$ 7,920	\$ 4	\$ 45
3,289,500	3,343,808	3,771,285	4,106,209	5,395,914	4,700,635
-	-	262,238	109,721	117,120	136,238
1,101,847	1,158,861	814,162	831,013	156,556	151,909
-	-	-	-	(188,784)	(836,157)
<u>\$ 4,391,396</u>	<u>\$ 4,502,714</u>	<u>\$ 4,847,689</u>	<u>\$ 5,054,863</u>	<u>\$ 5,480,810</u>	<u>\$ 4,152,670</u>

(Continued)

**City of McMinnville, Oregon**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

(a) Since July 1, 2000, Oregon statute requires the accumulation of building fees over direct and indirect Building costs be reserved for exclusive use by Building. Beginning fiscal year 2008-09, Building moved out of the General Fund into a new enterprise fund, the Building Fund.

(b) As of fiscal year 2008-09, the Improvements, Fire, and Parks & Recreation Funds moved into the General Fund.

(c) As of fiscal year 2010-11, the City implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Fiscal year 2009-10 Fund balances are restated here for comparison.

(d) In fiscal year 2014-15 and 2015-16, the Debt Service Fund was included with All Other Governmental Funds and the Transportation Fund was a major fund.

(e) In fiscal year 2013-14, the beginning fund balance was restated to reflect a prior period adjustment. Fiscal year 2012-13 Fund balances are restated here for comparison.





**City of McMinnville, Oregon**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues:				
Property taxes	\$ 10,221,234	\$ 10,876,161	\$ 11,280,695	\$ 11,841,678
Special assessments	55,997	55,139	49,479	54,810
Licenses and permits (e)	3,338,571	2,252,979	2,297,980	2,305,008
Intergovernmental (f) (k)	3,383,652	5,760,900	3,783,213	4,859,494
Charges for services	2,470,408	2,319,771	2,370,147	2,565,362
Fines and forfeitures	909,071	862,073	858,474	761,389
Miscellaneous (a)	1,487,483	557,474	299,817	439,118
Total revenues	<u>21,866,416</u>	<u>22,684,497</u>	<u>20,939,805</u>	<u>22,826,859</u>
Expenditures:				
Current:				
General government (g)	2,163,364	1,943,082	1,853,247	1,803,989
Community development (b)	1,720,377	1,254,944	1,248,671	1,249,944
Public safety	7,695,976	9,072,067	9,291,156	9,262,859
Highways and streets	1,171,346	1,460,403	1,398,891	1,331,764
Culture and recreation	4,207,624	4,678,701	5,352,686	4,456,751
Airport (f)	337,342	3,004,101	161,128	1,597,357
Capital outlay:				
General government (c)	218,256	3,231,395	211,037	-
Public safety (d)	9,444,023	159,798	79,561	-
Highways and streets	170,828	391,442	232,857	510,243
Culture and recreation	917,603	446,908	2,280,916	991,098
Debt service:				
Principal	906,976	1,073,748	907,046	910,000
Interest	1,045,195	887,418	840,332	802,340
Bond refunding (j)	-	-	-	-
Total expenditures	<u>29,998,910</u>	<u>27,604,007</u>	<u>23,857,528</u>	<u>22,916,345</u>
Other financing sources (uses):				
Bond proceeds - par/premium (j)	-	-	-	-
Refunding bonds issued - par/premium (h) (j)	-	-	-	-
Payment to refunded bond escrow agent (j)	-	-	-	-
Proceeds from full faith and credit obligation (i) (k)	-	-	-	-
Transfers from other funds (g)	3,012,242	5,922,648	987,133	1,075,400
Police vehicles - lease purchase	-	-	-	-
Transfers to other funds (g)	(3,590,823)	(6,774,724)	(1,395,760)	(1,164,400)
Total other financing sources (uses)	<u>(578,581)</u>	<u>(852,076)</u>	<u>(408,627)</u>	<u>(89,000)</u>
Net change in fund balances	<u>\$ (8,711,075)</u>	<u>\$ (5,771,586)</u>	<u>\$ (3,326,350)</u>	<u>\$ (178,486)</u>
Non-capital expenditures:				
Total expenditures	\$ 29,998,910	\$ 27,604,007	\$ 23,857,528	\$ 22,916,345
Less: capital asset expenditures	(11,151,569)	(7,070,726)	(3,969,444)	(2,896,576)
Non-capital expenditures	<u>\$ 18,847,341</u>	<u>\$ 20,533,281</u>	<u>\$ 19,888,084</u>	<u>\$ 20,019,769</u>
Debt service as a percentage of non-capital expenditures	10.4%	9.6%	8.8%	8.6%

**Fiscal Year Ended June 30,**

<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
\$ 11,944,449	\$ 12,041,594	\$ 12,435,395	\$ 12,866,111	\$ 14,688,381	\$ 15,097,552
51,121	53,608	59,515	54,328	57,151	53,265
2,551,413	2,591,208	2,872,975	3,225,701	3,247,694	3,461,315
3,658,577	3,626,937	3,683,458	3,846,363	4,340,890	5,969,106
2,615,582	2,729,936	2,854,528	3,613,848	3,327,315	3,501,405
761,046	748,677	608,740	522,900	580,010	566,537
243,314	334,355	358,783	425,410	523,785	455,973
<u>21,825,502</u>	<u>22,126,315</u>	<u>22,873,394</u>	<u>24,554,661</u>	<u>26,765,226</u>	<u>29,105,153</u>
1,703,755	1,664,094	1,804,140	2,298,268	3,245,287	3,020,757
1,236,352	1,226,600	1,165,511	1,221,604	1,295,680	1,352,798
9,658,834	9,670,602	10,223,535	12,215,631	11,044,821	11,388,862
1,471,788	1,431,792	1,485,187	1,775,502	3,364,488	4,180,581
4,737,874	4,419,442	4,427,361	4,698,934	4,855,542	4,916,702
136,289	242,727	201,804	328,733	784,495	2,258,610
-	-	-	-	-	-
-	-	-	-	-	-
503,781	479,459	527,054	502,116	1,735,138	5,601,383
-	1,621	40,751	410,867	4,650	142,519
950,000	1,075,000	1,070,000	1,173,594	1,600,529	6,025,848
716,608	575,375	535,025	540,023	950,387	1,153,618
5,835,000	-	-	32,000	-	-
<u>26,950,281</u>	<u>20,786,712</u>	<u>21,480,368</u>	<u>25,197,272</u>	<u>28,881,017</u>	<u>40,041,678</u>
-	-	-	18,238,688	-	-
5,926,316	-	-	8,493,436	-	-
-	-	-	(8,414,899)	-	-
-	-	1,370,000	-	-	6,101,705
1,469,044	1,111,637	874,500	1,026,200	1,148,148	1,717,161
-	-	-	-	-	-
(1,748,244)	(1,613,737)	(1,411,900)	(1,697,100)	(2,217,148)	(2,432,961)
5,647,116	(502,100)	832,600	17,646,325	(1,069,000)	5,385,905
<u>\$ 522,337</u>	<u>\$ 837,503</u>	<u>\$ 2,225,626</u>	<u>\$ 17,003,714</u>	<u>\$ (3,184,791)</u>	<u>\$ (5,550,620)</u>
\$ 26,950,281	\$ 20,786,712	\$ 21,480,368	\$ 25,197,272	\$ 28,881,017	\$ 40,041,678
(929,903)	(781,819)	(790,400)	(2,609,978)	(3,554,796)	(9,534,993)
<u>\$ 26,020,378</u>	<u>\$ 20,004,893</u>	<u>\$ 20,689,968</u>	<u>\$ 22,587,294</u>	<u>\$ 25,326,221</u>	<u>\$ 30,506,685</u>

6.4%

8.2%

7.8%

7.6%

10.1%

23.5%  
(Continued)

**City of McMinnville, Oregon**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

(a) During fiscal years 2006-07 and 2007-08, \$424,000 of interest was earned on the public safety and civic buildings bond proceeds. From fiscal year 2008-09 through 2015-16, interest revenue decreased due to significantly lower interest rates.

(b) Community development included Building through fiscal year 2007-08. As of fiscal year 2008-09, Building became an enterprise fund.

(c) During fiscal year 2007-08, construction began on the new Civic Hall and continued into fiscal year 2009-10.

(d) In fiscal year 2007-08, the new Public Safety building was completed.

(e) Beginning fiscal year 2008-09, Building permit revenues, which were previously in the General Fund, became revenues in the Building enterprise fund.

(f) During fiscal year 2008-09, 2010-11 and from fiscal year 2015-16 to 2016-17, the City improved runways and taxiways at McMinnville Municipal Airport financed by capital grants of \$2,570,000, \$1,250,000 and \$2,500,000, respectively, from the Federal Aviation Administration and Oregon Department of Transportation.

(g) During fiscal year 2008-09, the Improvements, Fire, and Parks & Recreation Funds were transferred to the General Fund. Also during fiscal year 2008-09, the City changed the method used to account for transfers, eliminating transfers for services provided and used.

(h) During fiscal year 2011-12, the 2001 Park Improvement Bonds were refunded.

(i) During fiscal year 2012-13 the city received the proceeds from a full faith and credit bank loan to purchase Fire vehicles.

(j) During fiscal year 2014-15, the 2006 Public Safety Building Bonds were refunded and the City received proceeds from a Transportation bond.

(k) During fiscal year 2016-17, the City recieved the proceeds from full faith and credit bank loans for the Dundee Bypass Project, Urban Renewal Improvements (Alpine Ave), and to refinance the pension-related debt (PERS transition liability), of \$383,545, \$2,192,300 and \$3,525,860 respectively.



**City of McMinnville, Oregon**  
**Program Revenues by Functions/Programs**  
**Last Ten Fiscal Years**  
(full accrual basis of accounting)

Functions/Programs	2008	2009	2010	2011
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 497,521	\$ 625,093	\$ 617,801	\$ 626,400
Community development (b)	1,005,640	564,006	539,378	583,847
Public safety:				
Police	1,809,387	1,256,009	1,175,560	1,053,124
Fire	287,018	280,264	386,813	333,420
Highways and streets (a) (c) (e) (f)	5,029,028	1,807,909	2,264,864	2,417,477
Culture and recreation:				
Parks and recreation (c)	1,670,571	1,325,613	1,946,469	1,385,067
Library	161,640	173,587	199,667	196,990
Airport (d)	459,794	2,760,843	271,032	1,487,222
Total governmental activities	<u>10,920,599</u>	<u>8,793,324</u>	<u>7,401,584</u>	<u>8,083,547</u>
Business-type activities:				
Wastewater (c)	9,672,427	8,352,547	8,303,950	8,292,062
Ambulance	2,120,051	2,392,251	2,328,956	2,275,122
Building (b)	-	201,002	334,380	295,934
Total business-type activities	<u>11,792,478</u>	<u>10,945,800</u>	<u>10,967,286</u>	<u>10,863,118</u>
Total primary government	<u>\$ 22,713,077</u>	<u>\$ 19,739,124</u>	<u>\$ 18,368,870</u>	<u>\$ 18,946,665</u>
<b>Component unit:</b>				
Water and light	<u>\$ 43,232,496</u>	<u>\$ 35,172,734</u>	<u>\$ 36,067,874</u>	<u>\$ 37,056,031</u>

(a) Highways and streets capital contributions fluctuate significantly year-to-year depending on when subdivision plats are accepted and recorded and a public street is created.

(b) Prior to fiscal year 2008-09, Building was a governmental activity, included in Community Development. Beginning fiscal year 2008-09, Building became a business-type activity.

(c) System development charges and subdivision capital contributions fluctuate significantly depending on trends in the construction industry.

**Fiscal Year Ended June 30,**

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 639,086	\$ 635,997	\$ 668,316	\$ 814,832	\$ 1,074,482	\$ 1,125,530
576,426	638,007	666,128	805,423	770,042	128,813
1,011,817	1,050,176	758,739	857,084	786,951	693,864
313,471	340,253	351,282	381,205	434,106	581,430
2,463,150	2,504,676	2,573,312	3,889,429	4,058,810	2,728,669
1,349,716	1,420,302	1,522,760	1,767,924	1,710,213	1,460,744
203,170	209,286	203,039	206,989	204,017	220,229
237,082	239,436	244,969	423,380	824,717	2,006,904
<u>6,793,918</u>	<u>7,038,133</u>	<u>6,988,545</u>	<u>9,146,266</u>	<u>9,863,338</u>	<u>8,946,183</u>
8,478,806	8,660,788	9,113,527	10,288,656	9,816,625	9,940,468
2,740,006	2,847,104	2,646,881	2,911,689	3,373,134	3,494,130
297,204	290,537	390,852	561,441	393,079	612,659
<u>11,516,016</u>	<u>11,798,429</u>	<u>12,151,260</u>	<u>13,761,786</u>	<u>13,582,838</u>	<u>14,047,257</u>
<u>\$ 18,309,934</u>	<u>\$ 18,836,562</u>	<u>\$ 19,139,805</u>	<u>\$ 22,908,052</u>	<u>\$ 23,446,176</u>	<u>\$ 22,993,440</u>
<u>\$ 41,765,091</u>	<u>\$ 43,505,161</u>	<u>\$ 45,571,816</u>	<u>\$ 46,505,371</u>	<u>\$ 45,275,019</u>	<u>\$ 47,323,528</u>

(Continued)

**City of McMinnville, Oregon**  
**Program Revenues by Functions/Programs**  
**Last Ten Fiscal Years**  
(full accrual basis of accounting)

(d) During fiscal year 2008-09, 2010-11, and 2016-17, the City improved runways and taxiways at McMinnville Municipal Airport financed by capital grants from the Federal Aviation Administration.

(e) During fiscal year 2010-11, the Oregon state gas tax rate increased.

(f) Highways and streets Oregon federal exchange funds fluctuate significantly from year-to-year depending on the federal funds available and the timing of the reimbursement.





**City of McMinnville, Oregon**  
**Assessed and Estimated Actual Value of Property**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Real Property			Mobile Home Property		
	Maximum Assessed Value	Veteran's Exemptions	Net	Maximum Assessed Value	Veteran's Exemptions	Net
2008	\$ 1,666,211,130	\$ 4,392,744	\$ 1,661,818,386	\$ 34,181,353	\$ 1,067,482	\$ 33,113,871
2009	1,793,465,695	4,796,418	1,788,669,277	36,203,485	1,096,031	35,107,454
2010	1,866,248,886	5,327,078	1,860,921,808	39,153,409	1,255,289	37,898,120
2011	1,938,691,631	5,050,009	1,933,641,622	40,372,768	1,286,344	39,086,424
2012	1,981,655,597	5,018,459	1,976,637,138	33,334,829	1,272,526	32,062,303
2013	2,050,340,335	5,380,560	2,044,959,775	34,743,081	1,228,355	33,514,726
2014	2,084,562,884	4,959,055	2,079,603,829	35,236,986	1,211,444	34,025,542
2015	2,157,707,874	5,050,892	2,152,656,982	30,584,711	1,195,071	29,389,640
2016	2,302,471,713	5,366,804	2,297,104,909	34,626,648	1,160,696	33,465,952
2017	2,343,169,175	5,488,880	2,337,680,295	35,753,059	1,171,282	34,581,777

Source: Yamhill County Assessor's Office

Note: Prior to 1998 maximum assessed value equaled estimated real market value. Effective fiscal year 1997-98, with the implementation of Oregon Ballot Measure 50, maximum assessed value was reduced to 1995 estimated real market value less ten percent. Future increases are limited to three percent plus exceptions, which include, but are not limited to, new property and new improvements to property.

(a) During fiscal year 2009-10, Oregon Department of Revenue revalued Comcast Corporation's assessed value due to expansion of services provided. During fiscal year 2012-13, Cascade Steel Rolling Mills, Inc appealed the State Department of Revenue's valuation of its' McMinnville mill. The state agreed to lower the assessed value of the property by approximately \$10 million.

(b) Excludes tax-exempt property.

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Personal Property	Utilities	Total		Total Maximum Assessed Value as a		
Maximum Assessed Value	Maximum Assessed Value (a)	Maximum Assessed Value (b)	Estimated Real Market Value	Percentage of Estimated Real Market Value	Total Direct Tax Rate	
\$ 73,791,823	\$ 30,116,840	\$ 1,798,840,920	\$ 3,117,670,189	57.7	%	5.87
84,195,411	30,751,714	1,938,723,856	3,281,260,714	59.1		5.85
85,379,738	50,416,314	2,034,615,980	3,267,741,423	62.3		5.84
83,890,083	50,239,949	2,106,858,078	3,193,379,293	66.0		5.74
80,942,534	50,636,473	2,140,278,448	2,806,089,205	76.3		5.70
80,238,487	40,432,100	2,199,145,088	2,767,634,640	79.5		5.65
78,234,266	41,303,400	2,233,167,037	2,748,715,501	81.2		5.72
82,315,868	40,151,340	2,304,513,830	2,861,726,286	80.5		5.74
80,930,768	38,880,800	2,450,382,429	3,119,905,725	78.5		6.23
85,401,135	44,747,913	2,509,071,282	3,418,882,530	73.4		6.44

**City of McMinnville, Oregon**  
**Property Tax Rates of Direct and Overlapping Governments**  
**Last Ten Fiscal Years**  
(rate per \$1,000 of assessed value)

Fiscal Year Ended June 30,	Direct Rate						
	City of McMinnville				Yamhill County		
	Operating (a)	Debt Service	Urban Renewal	Total Direct	Operating	Debt Service	Total
2008	5.02	0.85	-	5.87	2.57	-	2.57
2009	5.02	0.83	-	5.85	2.57	-	2.57
2010	5.02	0.82	-	5.84	2.57	-	2.57
2011	5.02	0.72	-	5.74	2.57	-	2.57
2012	5.02	0.68	-	5.70	2.57	-	2.57
2013	5.02	0.63	-	5.65	2.57	-	2.57
2014	5.02	0.70	-	5.72	2.57	-	2.57
2015	5.02	0.68	0.04	5.74	2.57	-	2.57
2016	5.02	1.16	0.05	6.23	2.58	-	2.58
2017	5.02	1.08	0.07	6.18	2.58	-	2.58

Source: Yamhill County Assessor's Office

Note: Beginning fiscal year 1997-98, property tax rates are limited by an amendment to Oregon's constitution referred to as the permanent rate limit. Districts can levy a property tax rate every year that is less than or equal to this limit without additional voter approval. Voters can approve bond levies and local option levies in addition to the permanent rate levy.

(a) The City's permanent property tax rate limit established by Measure 50 is \$5.02 per thousand of assessed

(b) Yamhill County Extension Service, Yamhill County Soil & Water District, Willamette Regional Educational Service District, Chemeketa Library and Chemeketa Community College.

Overlapping Rates						Total
McMinnville School District No. 40			Other Taxing Districts (b)			Direct and Overlapping Rates
Operating	Debt Service	Total	Operating & Local Option	Debt Service	Total	
4.15	2.85	7.00	1.08	0.07	1.16	16.59
4.15	2.76	6.91	1.09	0.08	1.17	16.50
4.15	2.79	6.94	1.18	0.18	1.36	16.71
4.15	2.77	6.92	1.09	0.17	1.26	16.49
4.15	2.83	6.98	1.08	0.25	1.34	16.59
4.15	2.83	6.98	1.08	0.27	1.36	16.55
4.15	2.72	6.87	1.08	0.23	1.32	16.48
4.15	2.79	6.94	1.08	0.27	1.35	16.61
4.15	2.72	6.87	1.08	0.28	1.36	17.04
4.15	2.74	6.89	1.08	0.28	1.36	17.00

**City of McMinnville, Oregon**  
**Principal Property Tax Payers**  
**Current Year and Nine Years Ago**

Taxpayer	Type of Business	Fiscal Year Ended June 30, 2017			
		Assessed Value	Percentage	Rank	
Cascade Steel Rolling Mills, Inc.	Steel production	\$ 58,462,356	2.34 %	1	
Willamette Valley Medical Center, LLC	Health care	53,692,866	2.15	2	
The Falls at McMinnville LLC	Developer/event center	21,445,836	0.86	3	
HCP SH ELP1 Properties LLC (a)	Retirement community	18,810,103	0.75	4	
Lowes Home Improvement Warehouse, Inc.	Home improvement retail store	17,129,164	0.69	5	
Comcast Corporation	Cable television	16,989,800	0.68	6	
Reef McMinnville Plaza LLC (c)	Commercial real estate management	12,205,384	0.49	7	
Betty Lou's, Inc.	Food manufacturer	10,570,653	0.42	8	
Lassen Doran Properties	Auto sales	9,552,772	0.38	9	
Frontier Communications	Telephone communication	9,191,000	0.37	10	
Air Liquide Industrial U S, LP	Liquid oxygen, nitrogen, argon	-	-		
Hillside Senior Living Community LLC (a)	Retirement community	-	-	-	
Verizon, Inc. (b)	Telephone communication	-	-	-	
Homette (Skyline Corporation and Nomad)	Mobile home and RV manufacturing	-	-	-	
NBS-McMinnville Plaza	Commercial real estate management	-	-	-	
Northwest Natural Gas Co.	Natural gas distributor	-	-	-	
Oregon Mutual Insurance Co.	Insurance products and services	-	-	-	
Total principal property tax payers		228,049,934	9.14		
All other property tax payers		2,266,601,031	90.86		
Total		<u>\$ 2,494,650,965</u>	<u>100.00</u> %		

Source: Yamhill County Assessor's Office

(a), (b), (c) Several principal property tax payers have either changed business names or been acquired by another company, although the property and facilities are the same.

Fiscal Year Ended June 30, 2008				
	Assessed Value	Percentage		Rank
\$	54,804,072	3.05	%	1
	40,548,369	2.25		2
	-	-		-
	-	-		-
	13,139,718	0.73		5
	-	-		-
	-	-		-
	-	-		-
	-	-		-
	-	-		-
	11,060,536	0.61		6
	14,264,433	0.79		4
	16,022,100	0.89		3
	8,935,995	0.50		8
	9,052,505	0.50		7
	8,861,700	0.49		9
	7,272,140	0.40		10
	183,961,568	10.23		
	1,614,879,352	89.77		
\$	<u>1,798,840,920</u>	<u>100.00</u>	%	

**City of McMinnville, Oregon**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Levy			Collected within the Fiscal Year of the Levy	
	Original	Adjustments (a)	Total Adjusted	Amount	Percentage of Original Levy
2008	\$ 10,588,854	\$ (232,361)	\$ 10,356,493	\$ 9,889,138	93.4 %
2009	11,343,510	(260,082)	11,083,428	10,482,923	92.4
2010	11,873,607	(252,447)	11,621,160	10,896,434	91.8
2011	12,105,863	(301,340)	11,804,523	11,193,766	92.5
2012	12,215,194	(319,177)	11,896,017	11,323,050	92.7
2013	12,457,781	(361,195)	12,096,586	11,507,271	92.4
2014	12,783,321	(338,882)	12,444,439	11,893,500	93.0
2015	13,220,677	(357,861)	12,862,816	12,320,010	93.2
2016	15,205,508	(499,925)	14,705,583	14,162,369	93.1
2017	15,439,224	(452,492)	14,986,732	14,670,232	95.0

Source: Yamhill County Assessor's Office

(a) Adjustments include discounts, write-offs, cancellations, and interest.

Collections in		Total Collections to Date		
Subsequent			Percentage of	
Years		Amount	Adjusted Levy	
\$	468,754	\$	10,357,892	100.01 %
	596,644		11,079,567	99.97
	680,782		11,577,216	99.62
	579,481		11,773,247	99.74
	544,785		11,867,835	99.76
	558,840		12,066,111	99.75
	468,712		12,362,212	99.34
	397,640		12,717,650	98.87
	263,116		14,425,485	98.10
	-		14,670,232	97.89



**City of McMinnville, Oregon**  
**Sewer Revenue Base by Type of Customer**  
**Last Ten Fiscal Years**  
(in cubic feet)

<b>Customer Type</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Water consumption (e):			
Residential	\$ 77,053,217	\$ 77,035,569	\$ 76,504,331
Commercial - no average (b)	67,676,406	57,137,000	50,828,300
Commercial - with average (c)	10,798,667	10,111,714	9,585,906
<b>Total</b>	<b>155,528,290</b>	<b>144,284,283</b>	<b>136,918,537</b>
Residential sewer rates: (a)			
Service charge per residential unit	\$ 17.05	\$ 17.05	\$ 17.05
Volume charge per 100 cubic feet of water used (d)	4.47	4.47	4.47
Commercial and industrial sewer rates:			
Service charge per account	17.05	17.05	17.05
Volume charge per 100 cubic feet of water used	5.46	5.46	5.46

Source: McMinnville Water & Light Department and City of McMinnville Engineering Department

(a) Sewer rates are applied to water consumption amounts to derive sewer revenue.

(b) Commercial sewer customers that do not have irrigation systems are billed according to actual water usage for all months.

(c) Commercial sewer customers that have irrigation systems are billed according to actual water usage during the winter months (December - March) and are billed on the previous winter's monthly average water consumption or actual water usage, whichever is less, during the remaining months (April - November).

(d) Residential sewer customers are billed according to actual water usage during the winter months (December - March). The remaining months (April - November) sewer charges are based on the previous winter's monthly average water consumption or actual water usage, whichever is less.

(e) Water consumption continues to decrease due to various factors including conservation measures and rate increases.

Fiscal Year Ended June 30,						
2011	2012	2013	2014	2015	2016	2017
\$ 74,859,499	\$ 75,685,450	\$ 75,773,900	\$ 75,498,100	\$ 75,212,200	\$ 75,670,000	\$ 75,912,502
53,747,000	50,717,903	56,242,500	53,151,400	51,733,900	53,543,500	44,729,900
9,363,800	8,999,000	7,882,400	5,879,700	5,727,300	5,824,500	6,221,000
<u>137,970,299</u>	<u>135,402,353</u>	<u>139,898,800</u>	<u>134,529,200</u>	<u>132,673,400</u>	<u>135,038,000</u>	<u>126,863,402</u>

\$	17.05	\$	17.05	\$	17.05	\$	17.25	\$	17.73	\$	18.60	\$	19.25
	4.47		4.59		4.77		4.94		5.08		5.22		5.36
	17.05		17.05		17.05		17.25		17.73		18.60		19.25
	5.46		5.62		5.89		6.13		6.30		6.48		6.65

# City of McMinnville, Oregon

## Sewer Rates

### Last Ten Fiscal Years

Fiscal Year Ended June 30,	Residential		Commercial & Industrial		Total Sewer and Septage Charges	Annual Growth
	Monthly Base Rate	Rate per Additional 100 cubic feet	Monthly Base Rate	Rate per Additional 100 cubic feet		
2008	\$ 17.05	\$ 4.47	\$ 17.05	\$ 5.46	\$ 7,759,450	1.92 %
2009	17.05	4.47	17.05	5.46	7,919,502	2.06
2010	17.05	4.47	17.05	5.46	7,848,888	(0.89)
2011	17.05	4.47	17.05	5.46	7,940,854	1.17
2012	17.05	4.59	17.05	5.62	7,993,971	0.67
2013	17.05	4.77	17.05	5.89	8,233,885	3.00
2014	17.25	4.94	17.25	6.13	8,601,036	4.46
2015	17.73	5.08	17.73	6.30	9,166,951	6.58
2016	18.60	5.22	18.60	6.48	9,166,543	(0.00)
2017	19.25	5.36	19.25	6.65	9,287,932	1.32

Source: City of McMinnville Engineering Department

Note: Sewer rates are set by City Council taking into consideration the City's *Sewer Master Plan* which provides recommendations for future operational and capital needs. In 2015, City Council adopted the updated Wastewater System Financial Plan which continues the City's policy of moderate annual rate increases

**City of McMinnville, Oregon**  
**Number of Sewer Connections by Customer Type**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Residential	General Service & Commercial	Total
2008	11,582	1,532	13,114
2009	11,630	1,545	13,175
2010	11,319	1,199	12,518
2011	11,768	1,246	13,014
2012	11,664	1,170	12,834
2013	11,784	1,164	12,948
2014	12,042	1,097	13,139
2015	12,280	1,157	13,437
2016	12,121	1,083	13,204
2017	12,493	1,113	13,606

Source: McMinnville Water & Light Department



**City of McMinnville, Oregon**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

<u>Fiscal Year Ended June 30,</u>	<u>General Obligation Bonds</u>	<u>Less Amount Available in Debt Service Fund (a)</u>	<u>Net General Obligation Bonded Debt</u>	<u>Percentage of Estimated Real Market Value (b)</u>	<u>Per Capita (c)</u>	<u>Other Full Faith &amp; Credit Bank Loan</u>
2008	\$ 20,504,617	\$ 655,000	\$ 19,849,617	0.64	\$ 613	\$ -
2009	19,659,842	850,000	18,809,842	0.57	574	-
2010	18,780,067	910,000	17,870,067	0.55	554	-
2011	17,860,292	950,000	16,910,292	0.53	524	-
2012	16,966,610	1,075,000	15,891,610	0.57	490	-
2013	15,848,203	1,070,000	14,778,203	0.53	455	-
2014	14,734,796	1,105,000	13,629,796	0.50	417	1,370,000
2015	32,140,210	1,525,000	30,615,210	1.07	925	1,766,096
2016	30,333,129	1,850,000	28,483,129	0.91	853	3,221,241
2017	27,761,049	1,228,000	26,533,049	0.78	788	9,089,659

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements (Note III. G).

(a) Amount of fund balance restricted for principal payments.

(b) See Schedule of Assessed and Estimated Actual Value of Property for estimated real market value data.

(c) See Schedule of Demographic and Economic Statistics for population data.

(d) Includes general bonded debt, other governmental activities debt, and business-type activities debt. In fiscal year 2014-15, the total primary government debt was restated from net to gross.

(e) See Schedule of Demographic and Economic Statistics for personal income data.

n/a - not available

<u>Governmental Activities Debt</u>			<u>Business-Type Activities</u>					
<u>Certificates of Participation</u>	<u>Notes Payable</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Notes Payable</u>	<u>Total Primary Government (d)</u>	<u>Percentage of Personal Income (e)</u>	<u>Per Capita (c)</u>	
\$ 205,000	\$ 54,397	\$ 14,970	\$ 16,010,675	\$ 870,725	\$ 37,660,384	3.55 %	1,162	
-	27,877	7,743	13,620,889	444,727	33,761,078	3.13	1,031	
-	-	-	11,116,102	-	29,896,169	2.83	927	
-	-	-	8,486,315	-	26,346,607	2.40	816	
-	-	-	5,731,528	-	22,698,138	1.98	700	
-	-	-	2,891,742	-	18,739,945	1.62	576	
-	-	-	-	-	16,104,796	1.35	492	
-	-	-	-	-	33,906,306	2.63	1,025	
-	-	-	-	-	33,554,370	n/a	1,004	
-	-	-	-	-	36,850,708	n/a	1,095	

**City of McMinnville, Oregon**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2017**

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
Direct:			
General obligation bonded debt - City	\$ 27,761,040	100.00 %	\$ 27,761,040
Other governmental activities debt - City	9,089,659	100.00 %	<u>9,089,659</u>
Total direct debt			<u>36,850,699</u>
Overlapping:			
General obligation bonded debt:			
Chemeketa Community College	76,460,000	7.28	5,566,288
McMinnville School District No. 40	127,960,000	77.44	99,092,224
Other governmental activities debt:			
Chemeketa Community College	42,939,048	7.28	3,125,963
Willamette Education Service District	23,189,787	6.60	1,530,526
Yamhill County	3,021,176	28.67	866,171
McMinnville School District No. 40	24,669,739	77.44	<u>19,104,246</u>
Total overlapping debt			<u>129,285,418</u>
Total direct and overlapping debt			<u>\$ 166,136,117</u>

Source: Oregon State Treasury Debt Management Division

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

(a) The percentage of overlapping debt applicable is estimated using estimated real market values. Applicable percentages were estimated by determining the portion of another governmental unit's estimated real market value within the City's boundaries and dividing it by each governmental unit's total estimated real market value.



**City of McMinnville, Oregon**  
**Legal Debt Margin Calculation**  
**Last Ten Fiscal Years**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total estimated real market value	\$ 3,117,670,189	\$ 3,281,260,714	\$ 3,267,741,423	\$ 3,193,379,293
Debt limitation:				
3% of estimated real market value	93,530,106	98,437,821	98,032,243	95,801,379
Debt applicable to limitation:				
Total general obligation bonded debt	20,325,000	19,490,000	18,620,000	17,710,000
Less amount available for payment of general obligation principal	<u>(655,000)</u>	<u>(850,000)</u>	<u>(910,000)</u>	<u>(950,000)</u>
Net debt applicable to limitation	<u>19,670,000</u>	<u>18,640,000</u>	<u>17,710,000</u>	<u>16,760,000</u>
Total remaining debt limit	<u>\$ 73,860,106</u>	<u>\$ 79,797,821</u>	<u>\$ 80,322,243</u>	<u>\$ 79,041,379</u>
Total net debt applicable to limitation as a percentage of debt limit	21.03%	18.94%	18.07%	17.49%

Fiscal Year Ended June 30,					
2012	2013	2014	2015	2016	2017
\$ 2,806,089,205	\$ 2,767,634,640	\$ 2,748,715,501	\$ 2,861,726,286	\$ 3,119,905,725	\$ 3,418,882,530
84,182,676	83,029,039	82,461,465	85,851,789	93,597,172	102,566,476
16,515,000	15,440,000	14,370,000	28,580,000	27,055,000	24,765,000
(1,075,000)	(1,070,000)	(1,105,000)	(1,525,000)	(2,290,000)	(1,228,300)
15,440,000	14,370,000	13,265,000	27,055,000	24,765,000	23,536,700
<u>\$ 68,742,676</u>	<u>\$ 68,659,039</u>	<u>\$ 69,196,465</u>	<u>\$ 58,796,789</u>	<u>\$ 68,832,172</u>	<u>\$ 79,029,776</u>
18.34%	17.31%	16.09%	31.51%	26.46%	22.95%



**City of McMinnville, Oregon**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Population	Personal Income (a)	Per Capita Personal Income (b)	School Enrollment	Unemployment Rate (c)
2008	32,400	\$ 1,059,480,000	\$ 32,700	6,200	5.3 %
2009	32,760	1,077,607,440	32,894	6,650	11.5
2010	32,240	1,056,440,320	32,768	6,411	10.0
2011	32,270	1,096,534,600	33,980	6,490	8.8
2012	32,435	1,147,744,910	35,386	6,464	8.5
2013	32,510	1,159,859,270	35,677	6,606	8.1
2014	32,705	1,193,340,040	36,488	6,620	6.6
2015	33,080	1,287,473,600	38,920	6,734	5.4
2016	33,405	n/a	n/a	6,794	5.1
2017	33,665	n/a	n/a	6,778	4.5

Sources: Population information is provided by Portland State University certified yearly estimates. The current fiscal year population is based on the preliminary Oregon population estimate. Per capita personal income is provided by Office of Economic Analysis. School enrollment is provided by McMinnville School District No. 40, adjusted from the preliminary estimate in the current year to official count in the following year. School enrollment from 2010 was adjusted to the official count in fiscal year 2014-15.

(a) Personal income is calculated using population and per capita personal income figures.

(b) Per capita personal income figures are for Yamhill County in total, not just the City of McMinnville.

(c) 2015 through 2017 rates from Bureau of Labor Statistics; prior years from Oregon Employment Department.

n/a - not available

**City of McMinnville, Oregon**  
**Principal Employers**  
**Current Year and Nine Years Ago**

		<u>Fiscal Year Ended June 30, 2017</u>			
<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>	<u>Percentage</u>		<u>Rank</u>
McMinnville School District #40	Education	739	5.15	%	1
Yamhill County	County government	499	3.48		2
Willamette Valley Medical Center, LLC	Health care	470	3.27		3
Cascade Steel Rolling Mills, Inc.	Steel production	397	2.77		4
Linfield College	Higher education - liberal arts	390	2.72		5
Meggitt Polymer	Sealing solutions manufacturing	354	2.47		6
Express Professionals	Temp agency	350	2.44		7
Betty Lou's Inc	Snack manufacturer	220	1.53		8
Oregon Mutual Insurance Company	Insurance products and services	187	1.30		9
City of McMinnville	City government	184	1.28		10
Skyline Corporation (Homette and Nomad)	Mobile home and RV manufacturing	150	1.05		
Wal-Mart Stores, Inc.	Retail merchandise	127	0.88		
Evergreen Enterprises, Inc.	Air freight, helicopters, agriculture	-	-		
Total principal employers		4,067	28.34		
All other employers (estimated)		<u>10,285</u>	<u>71.66</u>		
Total		<u>14,352</u>	<u>100.00</u>	%	

Sources: McMinnville Economic Development Partnership. Total employees is provided by Worksource Oregon Employment Department.

Fiscal Year Ended June 30, 2008

<u>Number of Employees</u>	<u>Percentage</u>	<u>Rank</u>
515	4.09 %	4
590	4.69	1
565	4.49	2
400	3.18	6
528	4.20	3
-	-	-
230	1.83	9
-	-	-
-	-	-
236	1.88	8
275	2.19	7
200	1.59	10
<u>480</u>	<u>3.82</u>	5
4,019	31.94	
<u>8,562</u>	<u>68.06</u>	
<u>12,581</u>	<u>100.00</u> %	

**City of McMinnville, Oregon**  
**Construction Activity**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Commercial and Industrial (a)		Residential (b)	
	Number of Permits	Value	Number of Permits	Value
2008	151	\$ 100,554,562	273	\$ 34,586,033
2009	153	10,832,643	140	12,649,511
2010	134	42,913,099	144	9,466,331
2011	125	29,802,629	128	11,586,050
2012	113	29,242,652	101	11,698,859
2013	112	12,025,990	116	12,698,093
2014	141	12,233,453	173	21,608,492
2015	169	27,786,301	189	30,794,301
2016	124	8,342,488	197	29,861,929
2017	160	53,721,846	148	17,227,703

Source: City of McMinnville Building Division

(a) Commercial, industrial, schools, churches, and public buildings, including additions and major repairs.

(b) Single family, duplex and multiple family units, and manufactured homes, including additions and major repairs.





**City of McMinnville, Oregon**  
**Full-Time Equivalent Employees by Function/Program**  
**Last Ten Fiscal Years**

Functions/Programs	Fiscal Year Ended June 30,					
	2008	2009	2010	2011	2012	2013
<b>Primary government:</b>						
Governmental activities:						
General government	19.84	15.48	15.32	14.84	14.49	13.38
Community development (a)	17.12	11.20	11.35	11.35	10.35	9.60
Public safety:						
Police:						
Sworn	35.00	36.00	35.00	34.00	35.00	34.00
Non-sworn	14.84	14.92	14.92	13.45	13.57	14.77
Fire (b) (c)	11.00	16.75	16.99	16.40	14.95	14.03
Highways and streets	9.69	9.15	8.84	8.83	8.90	8.90
Culture and recreation:						
Parks and recreation:						
Full-time	14.00	15.00	15.00	15.00	15.00	14.00
Part-time	23.60	27.89	29.61	29.26	29.18	28.67
Library	16.51	17.93	17.93	17.31	17.01	15.55
Total governmental activities	<u>161.60</u>	<u>164.32</u>	<u>164.96</u>	<u>160.44</u>	<u>158.45</u>	<u>152.90</u>
Business-type activities:						
Wastewater	18.91	19.04	19.22	19.46	20.46	22.40
Ambulance (b) (c)	21.16	16.04	15.72	16.32	20.72	20.46
Building (a)	-	5.90	3.75	3.65	3.65	2.00
Total business-type activities	<u>40.07</u>	<u>40.98</u>	<u>38.69</u>	<u>39.43</u>	<u>44.83</u>	<u>44.86</u>
Total primary government	<u>201.67</u>	<u>205.30</u>	<u>203.65</u>	<u>199.87</u>	<u>203.28</u>	<u>197.76</u>

Source: City of McMinnville Adopted Budgets

(a) Prior to fiscal year 2008-09, the Building division was included in community development, a governmental activity. Beginning fiscal year 2008-09, the Building division is a business-type activity.

(b) Fire and ambulance FTEs are a single group of employees whose time is allocated between the two functions. Prior to fiscal year 2008-09, fire and ambulance FTEs were associated with one function or the other and the costs were allocated via transfers. Beginning fiscal year 2008-09, FTEs are allocated between the two functions directly resulting in no transfers of costs.

(c) In fiscal year 2011-12, the allocation of certain fire and ambulance positions was changed to more closely align personnel costs with actual hours worked in each function, resulting in a decrease in fire FTE and an increase in ambulance FTE.

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
13.31	13.71	14.11	14.65
9.39	9.83	10.54	11.25
37.00	37.00	37.00	41.00
11.18	13.39	12.73	13.73
14.48	14.47	14.75	15.40
8.66	8.68	8.71	7.07
14.00	14.00	17.00	17.85
27.94	29.94	27.00	27.59
15.38	15.52	15.45	15.31
<u>151.34</u>	<u>156.54</u>	<u>157.29</u>	<u>163.85</u>
20.46	21.46	21.46	20.50
22.65	22.65	22.95	25.02
1.90	2.00	3.25	3.75
<u>45.01</u>	<u>46.11</u>	<u>47.66</u>	<u>49.27</u>
<u>196.35</u>	<u>202.65</u>	<u>204.95</u>	<u>213.12</u>

**City of McMinnville, Oregon**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

Functions/Programs	2008	2009	2010	2011
<b>Primary government:</b>				
Community development:				
Building division: (b)				
Building permits issued	332	-	-	-
Plumbing permits issued	247	-	-	-
Mechanical permits issued	180	-	-	-
Demolition permits issued	11	-	-	-
Fire life safety permits issued	40	-	-	-
Miscellaneous permits issued	48	-	-	-
Manufactured home permits issued	32	-	-	-
Total permits issued	<u>890</u>	<u>-</u>	<u>-</u>	<u>-</u>
Police:				
Calls for service (a) (f)	29,128	28,401	29,133	27,848
Crimes: (a)				
Part I Crimes Against Persons	1,143	1,093	1,302	1,404
Part II Crimes Against Property	2,846	2,975	2,784	2,949
Part III Behavioral Crimes	<u>1,100</u>	<u>1,138</u>	<u>1,070</u>	<u>1,032</u>
Total crimes	<u>5,089</u>	<u>5,206</u>	<u>5,156</u>	<u>5,385</u>
Traffic crashes	245	228	297	265
Traffic citations/warnings	11,569	9,559	7,090	5,754
Fire:				
Self fire inspections conducted	-	-	-	-
On-site fire inspections conducted	120	230	320	375
Fire responses	838	869	815	800
Fire/rescue responses	2,933	3,120	3,212	3,303
Level of insurance service	Class 3	Class 3	Class 3	Class 3
Parks and recreation:				
Aquatic center attendance:				
General recreation programs	71,575	71,877	79,998	84,094
Fitness classes	18,303	16,830	19,801	19,852
Swim instruction	15,227	14,790	14,381	15,318
School district #40 programs	8,593	8,759	5,949	6,179
Rental attendance	<u>16,452</u>	<u>14,651</u>	<u>13,747</u>	<u>13,857</u>
Total attendance	<u>130,150</u>	<u>126,907</u>	<u>133,876</u>	<u>139,300</u>

## Fiscal Year Ended June 30,

<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>32,153</b>	<b>29,419</b>	<b>29,823</b>	<b>31,047</b>	<b>29,059</b>	<b>na</b>
1,206	1,251	1,132	1,234	998	na
2,873	2,677	2,418	2,442	2,014	na
1,107	1,133	1,287	1,364	1,317	na
<b>5,186</b>	<b>5,061</b>	<b>4,837</b>	<b>5,040</b>	<b>4,329</b>	<b>na</b>
276	235	334	284	373	na
10,581	8,522	8,003	8,838	6,038	na
-	-	-	-	-	-
450	512	562	484	375	300
923	650	786	856	866	817
2,823	2,912	2,932	2,996	3,024	3,018
Class 3	Class 3	Class 3	Class 3	Class 3	Class 3
70,629	70,500	73,729	84,301	85,715	77,399
19,487	18,586	18,229	19,989	25,790	23,377
15,312	16,016	16,862	16,523	15,333	13,604
5,323	4,953	6,454	6,177	7,263	7,350
<b>24,245</b>	<b>24,730</b>	<b>18,789</b>	<b>14,794</b>	<b>12,608</b>	<b>13,804</b>
<b>134,996</b>	<b>134,785</b>	<b>134,063</b>	<b>141,784</b>	<b>146,709</b>	<b>135,534</b>

(Continued)

**City of McMinnville, Oregon**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

<b>Functions/Programs</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Community center and recreation programs:				
Facility reservations	1,200	1,373	1,932	1,944
Children's programs (children per session):				
Kids on the block (after school) (c)	500	648	781	950
STARS (summer)	130	114	57	60
Community Center Programs (per year) (g)				
Youth Programs	n/a	n/a	n/a	n/a
Adult Programs	n/a	n/a	n/a	n/a
Community Center Drop-In Participants	n/a	n/a	n/a	n/a
Recreational sports:				
Soccer:				
Participants	1,750	2,443	2,039	1,907
Teams	120	201	187	169
Matches	1,250	1,279	1,190	910
Baseball/softball:				
Participants	1,400	1,230	920	1,188
Teams	110	96	87	105
Games	740	643	590	588
Other sports:				
Participants	550	443	472	560
Games/matches	360	354	377	394
Senior center:				
Attendance (e)	9,750	16,950	17,800	16,838
Facility rentals	55	123	130	208
Senior meals served	27,000	22,890	22,000	19,500
Day trips taken	8	12	12	24
Day trip attendance	240	212	220	276
Overnight trips taken	2	5	8	9
Overnight trip attendance	100	77	120	70
Park maintenance:				
Picnic reservations (a)	130	135	116	145
Library:				
Items circulated	334,960	363,204	378,061	381,814
Items in collections / resources	93,398	104,059	112,461	117,016
Service hours per week	47	51	51	51

<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
1,960	2,559	2,698	2,051	1,848	2,796
594	682	694	449	447	407
60	55	62	65	65	71
n/a	n/a	n/a	n/a	2,144	3,313
n/a	n/a	n/a	n/a	392	423
n/a	n/a	n/a	n/a	5,941	7,215
2,054	1,837	1,694	1,683	1,606	1,634
173	147	140	173	155	158
857	787	730	824	780	731
1,067	1,162	1,042	1,120	1,100	950
89	91	83	93	97	78
577	600	506	535	513	427
486	492	554	598	615	571
378	331	346	357	333	305
27,782	29,001	27,779	27,610	28,558	30,866
327	269	194	203	212	190
19,250	24,574	27,997	19,920	23,164	24,801
16	19	19	15	18	11
163	207	265	221	249	153
16	11	12	6	8	5
50	69	37	34	18	10
160	155	154	160	160	179
382,344	352,211	351,672	359,093	384,347	371,872
192,766	136,629	87,995	142,904	152,121	160,363
51	45	45	45	45	45

(Continued)

**City of McMinnville, Oregon**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

<b>Functions/Programs</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Community development:				
Building division: (b)				
Building permits issued	-	222	207	192
Plumbing permits issued	-	224	269	298
Mechanical permits issued	-	241	266	197
Demolition permits issued	-	11	10	5
Fire life safety permits issued	-	41	21	33
Miscellaneous permits issued	-	48	41	40
Manufactured home permits issued	-	7	22	17
Total permits issued	-	794	836	782
Wastewater Services:				
Daily average treatment in gallons (d)	3,287,000	2,948,000	2,937,000	3,461,000
Service connections:				
Residential	11,319	11,398	11,319	11,768
General services/commercial	1,316	1,326	1,199	1,246
Ambulance:				
Emergency Medical Service (EMS) calls	4,806	5,185	5,480	5,603
EMS patients transported	3,528	4,163	4,001	4,100
<b>Component unit:</b>				
Water and light:				
Water system:				
Daily average consumption in gallons	5,000,000	5,000,000	4,200,000	4,400,000
Service connections:				
Residential	11,674	11,718	11,617	12,063
General services/commercial	1,562	1,573	1,424	1,521
Electric system:				
Type	public power	public power	public power	public power
Service connections:				
Residential	12,917	13,027	13,000	13,051
General services/small industrial	2,691	2,689	2,158	2,182
Large industrial	2	2	2	2

Source: City of McMinnville departments

(a) Calendar year

(b) The Building Division was a governmental activity, included in Community Development, prior to fiscal year 2008-09. Beginning fiscal year 2008-09, the Building Division is a business-type activity.

(c) A 21st Century grant obtained by the McMinnville School District enabled the KOB program to expand services in fiscal years 2009-10 and 2010-11.

(d) Dry weather flow, June through October. Fluctuations, as in fiscal year 2010-11, are due to storm water.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
119	201	282	270	261	250
132	243	275	184	233	227
103	173	232	245	301	309
5	12	4	6	10	15
12	29	40	60	37	43
28	26	44	44	56	43
4	2	8	21	15	5
<u>403</u>	<u>686</u>	<u>885</u>	<u>830</u>	<u>913</u>	<u>892</u>
2,960,000	2,740,000	3,240,000	2,950,000	3,310,000	2,758,000
11,664	11,784	12,042	12,280	12,121	12,493
1,170	1,164	1,097	1,157	1,083	1,113
5,713	5,795	5,879	6,211	7,248	7,028
4,204	4,388	4,385	4,546	5,156	5,234
4,324,000	5,020,000	4,500,000	4,700,000	4,800,000	4,300,000
11,886	12,006	12,192	12,431	12,238	12,619
1,479	1,485	1,511	1,551	1,475	1,479
public power	public power	public power	public power	public power	public power
13,116	13,160	13,260	13,526	13,616	13,807
2,184	2,206	2,189	2,002	2,293	2,224
2	2	2	2	2	2

(e) Senior Center established an attendance tracking system in fiscal year 2011-12. Previous years attendance is estimated.

(f) Beginning in 2011, calls for service data includes officer-initiated activity, in previous years the call for service data was the actual requests for police officer service from the community.

(g) Beginning in 2016, the Community Center started tracking programs for youth, adults and general drop-in participants.

n/a - not available



**City of McMinnville, Oregon**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

Functions/Programs	2008	2009	2010
<b>Primary government:</b>			
General government:			
Computers - desktops and laptops	204	210	251
Computers - physical servers	20	21	33
Police:			
Station	1	1	1
Off-site evidence facility	1	1	1
Training facility	1	1	1
Patrol units	15	15	15
Command vehicle	1	1	1
Motorcycles	1	2	2
Fire:			
Stations	1	1	1
Training facility	1	1	1
Vehicles	18	16	16
Highways and streets:			
Miles of streets	103	103	103
Miles of storm drain sewers	75	75	75
Number of street lights	n/a	n/a	n/a
Parks and recreation:			
Aquatic center	1	1	1
Community center	1	1	1
Senior citizen center	1	1	1
Parks:			
Neighborhood parks (a)	2	2	2
Community parks	5	5	5
Linear park	2	2	2
Mini parks and play lots	7	7	7
Nature parks	2	2	2
Special use park (b)	-	-	1
Greenway/greenspaces	15	15	15
Park system acreage (a)	343	347	353
Tennis courts	4	4	4
Baseball/softball fields	11	11	11
Soccer fields	11	11	11
Outdoor basketball courts	7	7	7
Skate parks	2	2	2
Library:			
Facility	1	1	1
Bookmobile	1	1	1

**Fiscal Year Ended June 30,**

<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
264	264	267	280	285	291
21	14	17	17	12	12
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
15	16	14	15	15	15
1	2	2	2	2	2
2	2	2	2	2	2
1	1	2	2	2	2
1	1	1	1	1	1
16	16	16	16	16	16
103	103	103	104	104	104
75	75	76	77	77	78
2,677	2,684	2,684	2,679	2,679	2,697
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
3	3	3	3	3	3
5	5	5	5	5	5
2	2	2	2	2	2
7	7	7	7	7	7
2	2	2	2	2	2
1	1	1	1	1	1
15	15	15	15	15	15
353	353	353	357	357	357
4	4	4	4	4	4
11	11	11	11	11	11
11	11	11	11	11	11
8	8	8	8	8	8
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1

(Continued)

**City of McMinnville, Oregon**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

Functions/Programs	2008	2009	2010
<b>Primary government (continued):</b>			
Airport:			
Runways	2	2	2
Runway 04/22: 150 ft x 5420 ft with 1,000 ft asphalt stopway			
Runway 17/35: 75 ft x 4394 ft			
Connecting taxiways	2	2	2
Automated weather station	1	1	1
Instrument landing system (ILS)	1	1	1
Precision approach path indicator (PAPI)	2	2	2
FAA automated flight service station	1	-	-
City owned hangars:			
Maintenance	2	2	2
Rental	27	27	27
Land leased hangars:			
Private	83	83	83
Corporate	2	2	2
Wastewater Services:			
Treatment plant	1	1	1
Maximum daily capacity of treatment plant			
in gallons	5,600,000	5,600,000	5,600,000
Miles of sanitary sewers	152	152	152
Ambulance:			
Vehicles	3	3	3
<b>Component unit:</b>			
Water and light:			
Water system:			
Maximum daily capacity of plant in gallons (c)	13,300,000	13,300,000	13,300,000
Watershed storage in billions of gallons	3.5	3.5	3.5
Miles of water mains	154	154	154
Fire hydrants	1,014	1,017	1,023
Electric system:			
Substations	7	7	8
Miles of distribution	318	318	318

Source: City of McMinnville departments

- (a) In fiscal year 2007-08, West Hills Neighborhood park land was purchased. In fiscal year 2008-09 Northeast Neighborhood park land was aquired. In fiscal year 2009-10, land for an addition to a linear park was purchased and land was repurposed for a dog park. In fiscal year 2014-15, NW Neighborhood park land was purchased.
- (b) In fiscal year 2009-10, a dog park was constructed.
- (c) In fiscal year 2010-11, Water & Light completed Scott Water Treatment Plant expansion construction.
- n/a - not available

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
2	2	2	2	2	2
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
2	2	2	2	2	2
-	-	-	-	-	-
2	2	2	2	2	2
27	27	27	27	27	27
84	84	84	84	84	84
2	2	2	2	2	2
1	1	1	1	1	1
5,600,000	5,600,000	5,600,000	5,600,000	5,600,000	6,100,000
152	152	152	155	155	156
4	5	5	6	6	7
22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
3.5	3.5	3.5	3.5	3.5	3.5
172	172	172	176	177	177
1,023	1,023	1,024	1,055	1,061	1,068
7	7	7	7	7	7
314	320	323	326	329	332



## **COMPLIANCE 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*



**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 McMinnville, Oregon

We have audited the basic financial statements of City of McMinnville, Oregon, as of and for the year ended June 30, 2017 and have issued our report thereon dated January 8, 2018. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The City of McMinnville, Oregon 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 McMinnville, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows.

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

In planning and performing our audit, we considered City of McMinnville, Oregon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the



purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of McMinnville, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of City of McMinnville, Oregon's internal control.

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

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

### **Purpose of this Report**

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



For Merina & Company, LLP  
West Linn, Oregon  
January 8, 2018

**CITY OF MCMINNVILLE, OREGON  
SINGLE AUDIT REPORT**

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



**MERINA  
& COMPANY, LLP**

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

---

5499 AMY STREET • WEST LINN, OR 97068

PHONE: (503) 723-0300 • FAX: (503) 723-9946 • [WWW.MERINACPAS.COM](http://WWW.MERINACPAS.COM)

**City of McMinnville, Oregon**  
**Single Audit Report**

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**PARTNERS**

**KAMALA K. AUSTIN, CPA • TONYA M. MOFFITT, CPA • ROBERT P. CROW, CPA**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor and City Council  
City of McMinnville, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of McMinnville, Oregon as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City of McMinnville, Oregon's basic financial statements, and have issued our report thereon dated January 8, 2018.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of McMinnville, Oregon's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina & Company, LLP  
West Linn, Oregon  
January 8, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
THE MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY  
THE UNIFORM GUIDANCE**

Honorable Mayor and City Council  
City of McMinnville, Oregon

**Report on Compliance for the Major Federal Program**

We have audited the City of McMinnville, Oregon's compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the City of McMinnville, Oregon's major federal program for the year ended June 30, 2017. City of McMinnville, Oregon's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City of McMinnville, Oregon's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of McMinnville, Oregon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of McMinnville, Oregon's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the City of McMinnville, Oregon, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2017.

### **Report on Internal Control over Compliance**

Management of the City of McMinnville, Oregon, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of McMinnville, Oregon's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of McMinnville, Oregon's internal control over compliance.

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

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



## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McMinnville, Oregon, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of McMinnville, Oregon's basic financial statements. We issued our report thereon dated January 8, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Merina & Company, LLP  
West Linn, Oregon  
January 8, 2018

**City of McMinnville, Oregon**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2017**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity's Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Transportation</b>				
<b>Federal Aviation Administration</b>				
Airport Improvement Program 3-41-0036-017-2016	20.106	N/A	N/A	\$ 1,673,305
Airport Improvement Program 3-41-0036-016-2015	20.106	N/A	N/A	63,640
<b>Total U.S. Department of Transportation</b>				<u>1,736,945 *</u>
<b>U.S. Department of Justice</b>				
<b>Bureau of Justice Assistance</b>				
Bulletproof Vest Partnership Program	16.607	N/A	N/A	<u>6,579</u>
<b>Total U.S. Department of Justice</b>				<u>6,579</u>
<b>Passed through State of Oregon:</b>				
<b>U.S. Department of Housing and Urban Development</b>				
<b>Passed through Oregon Infrastructure Finance Authority</b>				
<b>Business Oregon Infrastructure Finance Authority</b>				
Oregon Community Development Block Grant	14.228	H14006	<u>73,606</u>	<u>73,606</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>73,606</u>	<u>73,606</u>
<b>Passed through State of Oregon:</b>				
<b>U.S. Department of the Interior</b>				
<b>National Park Service</b>				
<b>Passed through State of Oregon Parks and Recreation Department</b>				
Land and Water Conservation Fund	15.916	41-01586	<u>60,862</u>	<u>60,862</u>
<b>Total U.S. Department of Interior</b>			<u>60,862</u>	<u>60,862</u>
<b>Passed through State of Oregon:</b>				
<b>U.S. Department of Homeland Security</b>				
<b>Federal Emergency Management Agency</b>				
<b>Passed through Oregon Military Department</b>				
<b>Oregon Emergency Management</b>				
Homeland Security Grant Program	97.067	16-240	<u>16,421</u>	<u>16,421</u>
<b>Total U.S. Department of Homeland Security</b>			<u>16,421</u>	<u>16,421</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 150,889</u>	<u>\$ 1,894,413</u>

\* Signifies major program

The accompany notes are an integral part of this schedule

**CITY OF MC MINNVILLE, OREGON**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2017**

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**1. General**

The accompanying schedule of expenditures of federal awards includes the federal grant activity and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the net position, changes in net position, or cash flows of the entity.

**2. Significant Accounting Policies**

Reporting Entity: The reporting entity is fully described in Notes to the City's basic financial statements.

Basis of Accounting: Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

**3. Indirect Cost Rate**

The City did not elect to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

**4. Subrecipients**

There were \$150,889 amounts paid to subrecipients by the City for the year ended June 30, 2017. The individual amounts paid to subrecipients by program is presented on the Schedule of Expenditures of Federal Awards.

**CITY OF MC MINNVILLE, OREGON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2017**

---

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes

☒ No

Significant deficiency(s) identified that are  
not considered to be material weaknesses?

☐ Yes

☒ None reported

Noncompliance material to financial statements noted?

☐ Yes

☒ No

**Federal Awards**

Internal Control over major federal programs:

Material weakness(es) identified?

☐ Yes

☒ No

Significant deficiency (s) identified that are  
Not considered to be material weaknesses?

☐ Yes

☒ None reported

Type of auditor’s report issued on compliance for major  
federal programs:

Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR section 200.516(a)?

☐ Yes

☒ No

**Identification of Major Federal Programs:**

<b><u>CFDA Number</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A  
Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ Yes

☒ No

**CITY OF MC MINNVILLE, OREGON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2017**

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**Section II – Financial Statement Findings**

None

**Section III – Federal Awards Findings and Questioned Costs**

None

**Section IV – Schedule of Prior Federal Award Findings and Questioned Costs for the Years Ended June 30, 2016**

None

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The Urban Renewal Agency's (URA) financial statement audit for the fiscal year ended June 30, 2017, was completed in January 2018. Ms. Tonya Moffitt, Partner with Merina & Company, will attend the February 13<sup>th</sup> Board meeting to present the audit report to the URA Board. Ms. Moffitt also met with the Urban Renewal Agency Audit Committee on February 13th to review the contents of the report.

The 2017 McMinnville Urban Renewal Agency Audit Report has been submitted to the Secretary of State Division of Audits as required by ORS 297.425.

**Attachment:**

- McMinnville Urban Renewal Agency Annual Financial Report for the Year Ended June 30, 2017

**McMinnville Urban Renewal Agency, Oregon**  
**Annual Financial Report**

**For the fiscal year ended June 30, 2017**

prepared by

**Finance Department**  
**City of McMinnville, Oregon**

available online at  
<http://ci.mcminnville.or.us>



**McMinnville Urban Renewal Agency, Oregon**  
**The Urban Renewal Agency of the City of McMinnville, Oregon**  
**(a component unit of the City)**

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## **INTRODUCTORY SECTION**

# **McMinnville Urban Renewal Agency**

## **ELECTED OFFICIALS AND PRINCIPAL APPOINTED OFFICERS OF THE AGENCY**

**JUNE 30, 2017**

### **URBAN RENEWAL AGENCY BOARD**

### **TERM EXPIRES**

**Scott Hill**

1525 Gilson Court  
McMinnville Oregon 97128

December 31, 2020

**Wendy Stassens**

166 SW Eckman Street  
McMinnville Oregon 97128

December 31, 2020

**Kevin Jeffries**

2355 SW Peggy Street  
McMinnville Oregon 97128

December 31, 2018

**Kellie Menke**

678 NW Wintergreen  
McMinnville Oregon 97128

December 31, 2020

**Alan Ruden**

1688 NW Emerson Drive  
McMinnville Oregon 97128

December 31, 2018

**Adam Garvin**

2940 NE Lafayette Avenue  
McMinnville Oregon 97128

December 31, 2020

**Remy Drabkin**

1400 NE 17<sup>th</sup> Street  
McMinnville Oregon 97128

December 31, 2018

### **URBAN RENEWAL AGENCY ADMINISTRATION**

**Jeffrey R. Towery**

**City of McMinnville City Manager**

**David R. Koch**

**City of McMinnville City Attorney**

**Marcia T. Baragary, CPA**

**City of McMinnville Finance Director**

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## **FINANCIAL SECTION**

**PARTNERS**

**KAMALA K. AUSTIN, CPA • TONYA M. MOFFITT, CPA • ROBERT P. CROW, CPA**

**INDEPENDENT AUDITOR'S REPORT**

Agency Officials  
McMinnville Urban Renewal Agency  
City of McMinnville, Oregon

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of McMinnville Urban Renewal Agency, a component unit of the City of McMinnville, Oregon, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise McMinnville Urban Renewal Agency's basic financial statements as listed in the table of contents.

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

McMinnville Urban Renewal Agency'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 and each major fund of McMinnville Urban Renewal Agency, as of June 30, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and required supplementary information, as listed in the table of contents under required supplement 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 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, 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McMinnville Urban Renewal Agency's basic financial statements. The elected officials and other supplementary information 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 elected officials has 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 it.

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

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

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 8, 2018, on our consideration of McMinnville Urban Renewal Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



For Merina & Company, LLP  
West Linn, Oregon  
January 8, 2018



# McMinnville Urban Renewal Agency

## Management's Discussion and Analysis

This discussion and analysis presents the highlights of financial activities and financial position for the McMinnville Urban Renewal Agency (the Agency), a component unit of the City of McMinnville, Oregon. The analysis focuses on significant financial issues, major activities and resulting changes in financial position, variances from the budget, and specific issues relating to funds and the economic factors affecting the Agency.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes and should be read in conjunction with the City of McMinnville's financial statements and the Agency's financial statements, which immediately follow this analysis.

### Financial Highlights

The Agency was established in March 2013. The year ended June 30, 2017 was the third year that the Agency incurred financial transactions.

- Assets exceeded liabilities by approximately \$266,964 at June, 30, 2017, meaning that the Agency has a positive net position.
- The Agency received property taxes of approximately \$179,000 in this fiscal year.
- During the current fiscal year, the Agency began construction of a street improvement in the Alpine Avenue area which is within the urban renewal district. It is estimated that the Alpine Avenue project will be completed in the summer of 2017.

### Overview of the Financial Statements

Following this MD&A, the report is organized in three sections: basic financial statements including notes to the basic financial statements; required and other supplementary information; and reports by the independent auditor as required by the State of Oregon. The agency-wide statements include the statement of net position and the statement of activities.

The *Statement of Net Position* provides a focus on the net position of the Agency's governmental activities. As Agency activities increase, the Statement will also reflect the Agency's capital assets and long term liabilities.

The *Statement of Activities* provides a focus on program costs and their matching resources. To the extent that program costs are not covered by grants and direct charges, they are paid from general taxes and other sources. This statement demonstrates the extent to which programs are self-supporting or subsidized by general revenues.

The *fund financial statements* for the individual funds follow the agency-wide statements. The Agency presents the Urban Renewal Fund, which serves as the Agency's general operating fund, and the Urban Renewal Debt Service Fund as major funds.

### Agency-wide Statements

The agency-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the Agency's assets and liabilities. 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.

# McMinnville Urban Renewal Agency Management's Discussion and Analysis

The two agency-wide statements report the Agency's *net position* and how it has changed. Net position—the difference between assets and liabilities—is one way to measure the Agency's *financial health or position*.

## Statement of Net Position as of June 30, 2017

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$266,964 at the close of the most recent fiscal year.

A condensed version of the statement of net position follows:

### Statement of Net Position June 30, 2017 and 2016

	<b>2017</b>	<b>2016</b>
Current and other assets	\$ 2,590,674	\$ 397,097
<b>Total assets</b>	<b>2,590,674</b>	<b>397,097</b>
Current and long-term liabilities	2,323,710	248,193
<b>Total liabilities</b>	<b>2,323,710</b>	<b>248,193</b>
Net position		
Invested in capital assets	802,418	181,878
Restricted for:		
Debt service	-	-
Unrestricted	(535,454)	(32,974)
<b>Total net position</b>	<b>\$ 266,964</b>	<b>\$ 148,904</b>

The Agency's net position increased by \$118,060 during the current fiscal year. This increase represents the degree to which revenues exceeded expense.

# McMinnville Urban Renewal Agency Management's Discussion and Analysis

## Statement of Activities

As with the statement of net position, the Agency reports governmental activities on a consolidated basis. A summary version of the statement of activities is illustrated in the following table.

### Changes in Net Position For years ended June 30, 2017 and 2016 Governmental Activities

	2017	2016
<b>Revenues</b>		
General revenues		
Tax increment revenues	\$ 179,000	\$ 121,064
Investment income	18,752	603
Other	150	-
<b>Total revenues</b>	<b>\$ 197,902</b>	<b>\$ 121,667</b>
<b>Expenses</b>		
Governmental activities		
General government	\$ 78,425	\$ 23,254
Interest on long-term debt	1,417	-
<b>Total expenses</b>	<b>79,842</b>	<b>23,254</b>
<b>Increase in net position</b>	<b>\$ 118,060</b>	<b>\$ 98,413</b>

Governmental activities increased the Agency's net position by approximately \$118,060 and accounts for the entire growth in the net position of the Agency. The Agency's tax increment revenues of \$179,000 are the majority of total revenues of the Agency. The fiscal year ended 2017 was the third year the Agency collected taxes.

All of taxes collected are restricted to repayment of urban renewal debt which will finance various projects within the urban renewal district.

## Fund Financial Analysis

Fund accounting segregates revenues according to their intended purpose and is used to aid management in demonstrating legal and contractual compliance with revenue source spending requirements. The Agency's fund balance classifications are defined as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

# **McMinnville Urban Renewal Agency Management's Discussion and Analysis**

The entire amount of the Debt Service Fund's ending fund balance consists of tax increment revenue and is restricted for debt service. Ending balances for fiscal years 2017 and 2016 were \$266,964 and \$148,904 respectively, for an increase of \$118,060. The increase is due to higher tax increment revenues received in 2017, the third year of the Agency's existence.

In the fund financial statement, the Urban Renewal Fund ending fund balance was \$1,687,075 in 2017. In 2016, the Urban Renewal Fund did not carry an ending fund balance. The purpose of this fund is to account for urban renewal project costs.

## **Urban Renewal Fund Budgetary Highlights**

There were no supplemental budgets adopted by the McMinnville Urban Renewal Agency Board in the current fiscal year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At fiscal year end June 30, 2017, the Agency had \$802,418 in capital assets. The entire amount of the capital assets represents construction in progress for the Alpine Avenue street improvement project. At fiscal year end June 30, 2016, the Agency's capital assets consisted of \$181,878 in construction in progress. The project is expected to be completed in 2018.

### **Obligations Outstanding**

The Agency and the City of McMinnville entered into an intergovernmental agreement that requires the Agency to repay contract expenses for the creation of the Agency. At fiscal year end June 30, 2017, the remaining balance on the debt was \$20,000. The balance owed to the City will be repaid by fiscal year 2019. In addition, the Agency and City entered into an intergovernmental agreement in the 2016 fiscal year for the City to loan the Agency funds for the design of the Alpine Avenue street project. During the fiscal year ending June 30, 2017, the Agency prepaid the entire principal balance of \$163,000.

During the 2017 fiscal year, the Agency and City entered into an intergovernmental agreement for the City to loan \$2,192,300 to the Agency for construction of the Alpine Avenue project. The final payment is due on this loan in 2032. The Agency's outstanding debt is described in more detail in the notes to the financial statements, Note III.D.

### **Economic Factors**

The McMinnville Urban Renewal Agency's purpose is to partner with private development to support growth in downtown and the northeast gateway area. Increasing property values within the urban renewal boundaries translates into increasing tax increment revenue. This tax increment is then used to pay debt incurred to fund projects and improvements.

In 2013 when the Agency was created, the frozen assessed value of the district was \$86.3 million. For the fiscal year ended 2017, the assessed value of the district was \$103.0 million, an increase of 19 percent compared to the frozen base. Taxes assessed on the incremental assessed value between the current and frozen assessed values are paid to the Agency, while taxes on the frozen base are paid to the respective taxing jurisdictions.

### **Requests for Information**

This Agency's financial statements are designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability of the resources it receives and expends. For additional information, contact the Finance Department, City of McMinnville, 230 NE Second Street, McMinnville, Oregon 97128.

## **BASIC FINANCIAL STATEMENTS**

**McMinnville Urban Renewal Agency**  
**The Urban Renewal Agency of the City of McMinnville, Oregon**  
**(a component unit of the City)**  
**Statement of Net Position**  
**June 30, 2017**

	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets:	
Receivables	\$ 10,677
Restricted cash and investments	1,777,579
Noncurrent assets:	
Capital assets:	
Non-depreciable capital assets	802,418
Total assets	<u>2,590,674</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	92,532
Short-term note	18,878
Notes payable, due within one year	45,000
Notes payable, due after one year	<u>2,167,300</u>
Total liabilities	<u>2,323,710</u>
<b>Net Position</b>	
Net investment in capital assets	802,418
Unrestricted	<u>(535,454)</u>
Total net position	<u><u>\$ 266,964</u></u>

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

**McMinnville Urban Renewal Agency**  
**The Urban Renewal Agency of the City of McMinnville, Oregon**  
**(a component unit of the City)**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Net Expense and Change in Net Position Governmental Activities</u>
Governmental activities:		
General government	\$ 78,425	\$ (78,425)
Interest on long-term debt	1,417	(1,417)
Total governmental activities	<u>\$ 79,842</u>	<u>(79,842)</u>
General revenues:		
Property taxes		179,000
Investment income		18,752
Other revenues		150
Total general revenues		<u>197,902</u>
Change in net position		118,060
Net position- beginning,		<u>148,904</u>
Net position - ending		<u>\$ 266,964</u>

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

**McMinnville Urban Renewal Agency**  
**The Urban Renewal Agency of the City of McMinnville, Oregon**  
**(a component unit of the City)**  
**Balance Sheet - Governmental Funds**  
**For the Year Ended June 30, 2017**

	<b>Urban Renewal Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and investments	\$ 1,630,553	\$ 147,026	\$ 1,777,579
Property tax receivable	-	10,677	10,677
Total assets	<u>\$ 1,630,553</u>	<u>\$ 157,703</u>	<u>\$ 1,788,256</u>
<b>Liabilities</b>			
Accounts payable	\$ 92,532	\$ -	\$ 92,532
Total liabilities	92,532	-	92,532
<b>Deferred inflows of resources</b>			
Unavailable revenue-property taxes	-	8,649	8,649
<b>Fund balances</b>			
Restricted	1,538,021	149,054	1,687,075
Total fund balances	1,538,021	149,054	1,687,075
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 1,630,553</u>	<u>\$ 157,703</u>	<u>\$ 1,788,256</u>
 Fund balance - modified accrual basis			\$ 1,687,075
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds,			802,418
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:			
Tax increment revenues - earned but unavailable			8,649
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds			<u>(2,231,178)</u>
Net position of governmental activities			<u>\$ 266,964</u>

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



**McMinnville Urban Renewal Agency**  
**The Urban Renewal Agency of the City of McMinnville, Oregon**  
**(a component unit of the City)**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	<b>Urban Renewal Fund</b>	<b>Urban Renewal Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Property taxes	\$ -	\$ 176,326	\$ 176,326
Charges for services	150	-	150
Miscellaneous	16,752	2,000	18,752
Total revenues	<u>16,902</u>	<u>178,326</u>	<u>195,228</u>
<b>Expenditures:</b>			
Current:			
General government	698,965	-	698,965
Debt service:			
Principal	-	202,690	202,690
Interest	-	1,417	1,417
Total expenditures	<u>698,965</u>	<u>204,107</u>	<u>903,072</u>
Excess (deficiency) of revenues over (under) expenditures	(682,063)	(25,781)	(707,844)
<b>Other financing sources (uses):</b>			
Proceeds from borrowing	<u>2,220,084</u>	<u>-</u>	<u>2,220,084</u>
Net change in fund balances	1,538,021	(25,781)	1,512,240
Fund balances - beginning	<u>-</u>	<u>174,835</u>	<u>174,835</u>
Fund balances - ending	<u><u>\$ 1,538,021</u></u>	<u><u>\$ 149,054</u></u>	<u><u>\$ 1,687,075</u></u>

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

**McMinnville Urban Renewal Agency**  
**The Urban Renewal Agency of the City of McMinnville, Oregon**  
**(a component unit of the City)**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2017**

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

Net change in fund balances--total governmental funds	\$ 1,512,240
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation:	620,540
Revenues in the statement of activities that provide current financial resources are not reported as revenues in the funds.	
Tax increment revenue	2,674
Change in long-term obligations reported in the fund statements are not reported in the Statement of Activities	
Proceeds of borrowing	(2,220,084)
Principal paid on long-term obligations	<u>202,690</u>
Change in net position--governmental activities	<u><u>\$ 118,060</u></u>

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

**McMinnville Urban Renewal Agency**  
**The Urban Renewal Agency of the City of McMinnville, Oregon**  
**(a component unit of the City)**

**Notes to the Basic Financial Statements**  
**June 30, 2017**

**I. The reporting entity and summary of significant accounting policies**

The financial statements of the McMinnville Urban Renewal Agency (the Agency) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and applies the provisions of all applicable Governmental Accounting Standards Board (GASB) Statements.

**A. Reporting entity**

The Agency is the urban renewal agency of the City of McMinnville, Oregon (the City) and was organized on July 23, 2013 under the provisions of Oregon Revised Statutes, Chapter 457, to undertake urban renewal projects and activities pursuant to the Downtown and Northeast Gateway Redevelopment Plans.

The Agency's governing body is substantively the same as the City's governing body, therefore the Agency is presented as a blended component unit in the City's basic financial statements. All significant activities over which the Agency exercises oversight responsibility have been included in the component unit financial statements. This governing body has the ability to impose its will on the Agency as determined on the basis of budget adoption, taxing authority, and funding. The Agency has no component units.

**B. Agency-wide and fund financial statements**

The Agency's financial operations are presented at both the agency-wide and fund financial level. All activities of the Agency are categorized as governmental activities.

*Agency-wide financial statements* display information about the reporting government as a whole. These statements focus on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the statement of net position and the statement of activities.

The *Statement of Net Position* presents information on all of the Agency's assets and liabilities, with the difference reported as *net position*.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

*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. All of the Agency's funds are classified as governmental fund types.

**McMinnville Urban Renewal Agency**  
**The Urban Renewal Agency of the City of McMinnville, Oregon**  
**(a component unit of the City)**  
**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2017**

**C. Measurement focus, basis of accounting, and financial statement presentation**

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded.

The agency-wide financial statements are presented on a full accrual basis of accounting with an *economic resource measurement focus*. An economic resource focus concentrates on the Agency's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurements focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

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

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

GASB Statement No. 34 sets forth criteria for the determination of major funds. For purposes of presentation, both the McMinnville Urban Renewal Fund and the Debt Service Fund are presented as major funds of the Agency.

**Major Governmental Funds:**

- *McMinnville Urban Renewal Fund*  
This fund accounts for the acquisition and development of capital improvement projects. Other financing sources consist of operating transfers from the debt service fund, bond proceeds, investment earnings, and other miscellaneous revenues. This fund functions as the Agency's "General Fund".
- *Urban Renewal Debt Service Fund*  
This fund accounts for the payments of principal and interest on debt incurred. The primary sources of revenue are tax increment revenues and investment income.

**McMinnville Urban Renewal Agency**  
**The Urban Renewal Agency of the City of McMinnville, Oregon**  
**(a component unit of the City)**

**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2017**

**D. Assets, liabilities, deferred outflows/inflows of resources and net position or fund balance**

**1. Deposits and investments**

Cash and investments, including restricted cash and investments, consist of cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and the State of Oregon Local Government Investment Pool (LGIP) deposits. Investments in the LGIP are stated at share value, which approximates fair value, and is the value at which the shares can be withdrawn.

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

The City's investment policy, adopted by the City Council, essentially mirrors the requirements of the Oregon Revised Statutes. Currently, the City's investment portfolio consists of investments in the LGIP.

The Agency's investment policy is the same as the City's and essentially mirrors the Oregon Revised Statutes. Currently, the Agency's investment portfolio primarily includes investments in the State of Oregon Local Government Investment Pool.

**2. Receivables and payables**

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

In the fund financial statements, tax increment revenues receivable that are collected within 60 days after the end of the fiscal year are considered measurable and available and, therefore are recognized as revenue. Any remaining balance is deferred and recorded as unavailable revenue.

In the agency-wide financial statements, tax increment revenues receivable are recognized as revenue when earned.

**3. Restricted assets**

Assets whose use is restricted by legal requirements external to the Agency, are segregated on the agency-wide statement of net position. These legal restrictions include use limitations, as well as urban renewal tax increment funds legally restricted by applicable state statutes.

**McMinnville Urban Renewal Agency**  
**The Urban Renewal Agency of the City of McMinnville, Oregon**  
**(a component unit of the City)**

**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2017**

**4. Capital Assets**

In the government-wide financial statements, capital assets include property, plant, equipment, infrastructure assets (roads, pathways, street lights, etc.). In the governmental fund financial statements, capital assets are charged to expenditures as purchased.

Capital assets are defined by the Agency as assets with an initial cost of \$10,000 or more and an estimated useful life of more than one year. Cost generally includes materials, labor and an allocation of overhead costs. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets' lives are not capitalized. Assets are recorded at historical cost or estimated historical cost if historical cost is not available.

Land, land rights, and easements have an indefinite life and therefore are not amortized. Construction in progress that has not been put into use is not depreciated. Exhaustible assets are depreciated using the straight-line method.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and building improvements	20 – 50
Computer equipment	4 – 5
Street infrastructure	20 – 50

**5. Long-term obligations**

In the agency-wide financial statements, long-term debt is reported as a liability in the statement of net position. Debt premiums and discounts are amortized over the applicable debt term.

In the fund financial statements, debt premiums and discounts are recognized as period costs in the year of issue. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. Net Position and Fund Balance**

In the fund financial statements, the funds report restricted fund balances for amounts that are not available for unlimited use because they are legally segregated for a specific purpose. These legal segregations include use limitations, as well as urban renewal tax increment funds legally restricted by applicable state statutes.

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

**McMinnville Urban Renewal Agency**  
**The Urban Renewal Agency of the City of McMinnville, Oregon**  
**(a component unit of the City)**

**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2017**

**7. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents 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 Agency does not have an item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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 Agency has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**E. Use of estimates**

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

**II. Stewardship, compliance, and accountability**

The Agency's budget is adopted on a basis consistent with Oregon Revised Statutes (ORS 294 – Local Budget Law). The process under which the budget is adopted is described in the following paragraphs.

The Budget Officer is responsible for submitting a proposed budget to the Budget Committee, which is comprised of the Agency Board and an equal number of citizens of the District.

The Agency is required to prepare a balanced budget for all funds, subject to the budget requirements of state law. The Agency's budget is prepared for each fund on the modified accrual basis of accounting.

The budget document is required to contain specific detailed information for various revenue and expenditure categories. Information on the past two years' actual receipts and expenditures as well as current-year estimates is also included in the budget document.

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

The Board legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and sets the level by which expenditures cannot legally exceed

**McMinnville Urban Renewal Agency**  
**The Urban Renewal Agency of the City of McMinnville, Oregon**  
**(a component unit of the City)**

**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2017**

appropriations. For the Agency's funds, the levels of budgetary control established by resolution are materials and services, debt service, capital outlay, transfers and operating contingency. Appropriations lapse as of the end of the fiscal year for goods not yet received or services not yet incurred.

The Board may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. Some supplemental budgets require hearings before the public, publications in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Board.

**III. Detailed notes on accounts**

**A. Cash and investments**

Oregon Revised Statutes authorize the Agency to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade corporate indebtedness, and the State of Oregon Local Government Investment Pool.

The Agency participates in the State of Oregon Local Government Investment Pool (LGIP), an open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895 that is not registered with the U.S. Securities and Exchange Commission as an investment company and is not rated. The State Treasurer administers the LGIP with the oversight of the Oregon Investment Council and with the advice of the Oregon Short Term Fund Board. These funds must be invested and managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-Term Funds Board, which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the LGIP annually.

The agency has no investments subject to custodial risk.

**B. Receivables**

Receivables for the Agency as of the fiscal year ended June 30, 2017 consists of tax increment revenues and are as follows:

Receivables	
Property taxes	\$ 9,165
Cash with county treasurer	1,512
Total	<u>\$ 10,677</u>



**McMinnville Urban Renewal Agency**  
**The Urban Renewal Agency of the City of McMinnville, Oregon**  
**(a component unit of the City)**

**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2017**

**C. Capital assets**

Capital assets consist entirely of construction in progress for street improvements to Alpine Avenue.

**Capital Assets**  
**FY2017**

Governmental Activities

	Beginning Balance	Increases	Ending Balance
Non-depreciable:			
Construction in progress	181,878	620,540	802,418
Total capital assets	<u>181,878</u>	<u>620,540</u>	<u>802,418</u>

**D. Long-term obligations**

The Agency and the City entered into an intergovernmental agreement that requires the Agency to repay the City for all contract expenses related to the completion of the Urban Renewal Feasibility Study and the Urban Renewal Plan and Report. The agreement provides for a five-year repayment schedule. Interest accrues at the rate earned by the Local Government Investment Pool plus one percent. The Agency paid principal of \$5,000 during the year ended June 30, 2017. The remaining balance is being repaid over three years as follows:

June 30	Principal	Interest	Total
2018	10,000	-	10,000
2019	10,000	-	10,000
	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>

**McMinnville Urban Renewal Agency**  
**The Urban Renewal Agency of the City of McMinnville, Oregon**  
**(a component unit of the City)**

**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2017**

During the 2017 fiscal year, the Agency and City entered into an intergovernmental agreement for the City to loan \$2,192,300 to the Agency for construction of the Alpine Avenue project. The following table shows the debt service schedule for the long-term debt.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 35,000	\$ 56,028
2019	100,000	43,499
2020	146,060	41,228
2021	149,060	38,233
2022	152,120	35,177
2023-2027	808,660	127,800
2028-2032	801,400	41,426
Total	<u>\$ 2,192,300</u>	<u>\$ 383,391</u>

During the 2016 fiscal year, the Agency and the City entered into an intergovernmental agreement for the City to loan \$163,000 to the Agency for design of the Alpine Avenue street improvement project. The agreement provided for a three year repayment schedule, with interest accruing at the rate earned by the Local Government Investment Pool plus one percent. The Agency prepaid the entire principal balance of \$163,000 during the 2017 fiscal year. The following table shows the current fiscal year changes in notes payable, including short-term notes payable.

	<u>Beginning Balance 7/1/2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance 6/30/2017</u>
<b>Urban Renewal Debt</b>				
Note Payable - City of McMinnville	\$ 25,000	\$ -	\$ (5,000)	\$ 20,000
Note Payable - Operating	25,784	27,784	(34,690)	18,878
Alpine Avenue Loan	163,000	-	(163,000)	-
URA Bank Placement	-	2,192,300	-	2,192,300
Payable to City of McMinnville	<u>\$ 213,784</u>	<u>\$ 2,220,084</u>	<u>\$ (202,690)</u>	<u>\$ 2,231,178</u>

**E. Short-term Notes**

At June 30, 2017, the City had paid accounts payable on behalf of the Agency. As a result, the Agency owed the City \$18,878 for the payment made on its behalf.

**F. Fund Balances**

At fiscal year end 2017, all Urban Renewal fund balances are considered restricted.

**McMinnville Urban Renewal Agency**  
**The Urban Renewal Agency of the City of McMinnville, Oregon**  
**(a component unit of the City)**

**Notes to the Basic Financial Statements (Continued)**  
**June 30, 2017**

**IV. Other information**

**A. Risk management**

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees. The Agency is covered for comprehensive liability, property, auto liability and physical damage, employer's liability, and workers' compensation insurance through City County Insurance Services (CIS), a public entity risk pool. The pooling agreement does not permit the pool to make additional assessments to its members in the event of unanticipated losses.

**B. Related party transactions**

The City provides services for the Agency, including administrative functions, in accordance with an intergovernmental agreement.

**C. Subsequent Events**

In October 2017, the Agency awarded a \$100,000 grant to a local developer to assist in construction of a four-story luxury boutique hotel in the urban renewal district. The Agency and developer have entered into a five-year forgivable loan agreement that is conditioned upon the developer meeting specific milestones of construction and continued hotel operations for each qualifying year. The loan will be forgiven in an equal amount for each year of the loan. The Agency has secured a personal guarantee from one of the members of the developer's limited liability corporation.

The Agency will disburse the loan through an intergovernmental agreement with the City of McMinnville in installments of \$20,000 plus interest determined by the Local Government Investment Pool rate plus one percent over a period of five years. The interest rate was locked at 2.45 percent at the time the development agreement was signed in October 2017. The first payment is due prior to the certificate of occupancy which will be issued in the fiscal year ending June 30, 2018. Future annual payments will be disbursed on July 1 of 2019 and July 1 of subsequent years until paid in full.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**McMinnville Urban Renewal Agency**  
**The Urban Renewal Agency of the City of McMinnville, Oregon**  
**(a component unit of the City)**  
**McMinnville Urban Renewal Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Charges for services	\$ -	\$ -	\$ 150	\$ 150
Miscellaneous	-	-	16,752	16,752
Total revenues	-	-	16,902	16,902
Expenditures				
Materials and services	164,330	264,330	183,711	80,619
Capital outlay	1,900,000	1,800,000	515,254	1,284,746
Total expenditures	2,064,330	2,064,330	698,965	1,365,365
Excess (deficiency) of revenues over (under) expenditures	(2,064,330)	(2,064,330)	(682,063)	1,382,267
Other Financing Sources (Uses)				
Loan proceeds	2,064,330	2,064,330	2,220,084	155,754
Net Change in fund balances	-	-	1,538,021	1,538,021
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ 1,538,021	\$ 1,538,021

## **OTHER SUPPLEMENTARY INFORMATION**

**McMinnville Urban Renewal Agency**  
**The Urban Renewal Agency of the City of McMinnville, Oregon**  
**(a component unit of the City)**  
**Urban Renewal Debt Service Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 133,870	\$ 133,870	\$ 176,326	\$ 42,456
Miscellaneous	400	400	2,000	1,600
Total revenues	<u>134,270</u>	<u>134,270</u>	<u>178,326</u>	<u>44,056</u>
 Expenditures				
Debt service				
Principal	201,730	201,730	202,690	(960)
Interest	<u>50,125</u>	<u>50,125</u>	<u>1,417</u>	<u>48,708</u>
Total expenditures	<u>251,855</u>	<u>251,855</u>	<u>204,107</u>	<u>47,748</u>
Net Change in fund balances	<u>(117,585)</u>	<u>(117,585)</u>	<u>(25,781)</u>	<u>91,804</u>
Fund balance, beginning	<u>148,125</u>	<u>148,125</u>	<u>174,835</u>	<u>26,710</u>
Fund balance, ending	<u>\$ 30,540</u>	<u>\$ 30,540</u>	<u>\$ 149,054</u>	<u>\$ 118,514</u>

**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***



**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**

Agency Officials  
McMinnville Urban Renewal Agency  
McMinnville, Oregon

We have audited the basic financial statements of McMinnville Urban Renewal Agency, a component unit of the City of McMinnville, Oregon, as of and for the year ended June 30, 2017 and have issued our report thereon dated January 8, 2018. 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 McMinnville Urban Renewal Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162 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. The McMinnville Urban Renewal Agency does not receive any highway revenue.
- 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 McMinnville Urban Renewal Agency 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 McMinnville Urban Renewal Agency 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 McMinnville Urban Renewal Agency'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 McMinnville Urban Renewal Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of McMinnville Urban Renewal Agency's internal control.

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

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

### **Purpose of this Report**

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



For Merina & Company, LLP  
West Linn, Oregon  
January 8, 2018

CITY OF McMinnville  
MINUTES OF THE SPECIAL CALLED CITY COUNCIL MEETING  
of the McMinnville City Council  
Held at the Kent L. Taylor Civic Hall on Gormley Plaza  
McMinnville, Oregon

Wednesday, January 17, 2018 at 5:30 p.m.

Presiding: Scott Hill, Mayor

Recording Secretary: Melissa Grace

Councilors:	<u>Present</u> Remy Drabkin Adam Garvin Kellie Menke, Council President Alan Ruden Wendy Stassens	<u>Excused Absence</u> Ward One Councilor – Vacancy
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Also present were City Manager Jeff Towery, City Attorney David Koch, Planning Director Heather Richards, Parks and Recreation Director Susan Muir, Library Director Jenny Berg, Fire Chief Rich Leipfert, and Tom Henderson, *News Register*.

AGENDA ITEM

1. CALL TO ORDER: Mayor Hill called the meeting to order at 5:33 p.m. and welcomed all in attendance.
2. PLEDGE OF ALLEGIANCE: Council President Menke led the Pledge of Allegiance.
3. INTERVIEWS FOR CITY COUNCIL WARD ONE VACANCY

The following questions were asked of each candidate.

1. Tell us about yourself.
2. Why are you interested in serving as a Council?
3. What do you think is the most positive attribute of the City of McMinnville?
4. What is your understanding of the role of a Councilor and what has prepared you to be a Councilor?
5. What is your understanding of a Council Member's role in land use decisions/ appeals?
6. Share with us your assessment of any recent decision of the City Council.

7. What do you feel is the most critical issue facing the City of McMinnville today?
8. Describe your understanding of the time commitment associated with serving on the City Council; and are you prepared to meet it?
9. Do you have any questions for us?

Applicant Leanna Gautney was asked the questions first. She responded in detail to each question. Ms. Gautney shared her history and background.

Councilor Drabkin explained that being a City Councilor involves committee work, subcommittee work and responding to citizens. She explained that one should expect to serve at least 15-20 hours per week. Ms. Gautney responded that she is used to working abnormal hours and she has the time available and a flexible schedule.

Councilor Drabkin asked Ms. Gautney: How do you feel you would respond if you found yourself in a position where you were conflicted between your constituents and your own desire or moral compass? Ms. Gautney responded that in her experience working with government she has had several experiences with having to put her beliefs aside and listen first and believes it is good not respond immediately until thought has been put into the response.

Councilor Drabkin also asked Ms. Gautney: Would you, or how would you, respond to the negative attention that you will undoubtedly get? Ms. Gautney stated that she would not engage in the debate through email. She noted that through her experience in government and law enforcement she has encountered many people that are unhappy. Ms. Gautney stated that people should bring up their concerns and ideas and that they should be addressed. She stated that one should take the best foot forward.

Mayor Hill shared his thoughts about local government and the level of accountability that there is. He explained that the City is in the process of going through a strategic planning process. He stated that there are many needs and limited resources. Mayor Hill asked Ms. Gautney how she would address the various issues coming before Council during the strategic planning process. Ms. Gautney shared that she is strong in strategic planning. She explained that the numbers need to be looked at, the forecast should be reviewed and each piece should be considered in relation to how it effects the whole picture.

Ms. Gautney thanked the Council for their time. She asked about how often Council meets and how often the Council has special called meetings.

Mayor Hill shared that one of the greatest things about the City is all of the volunteers.

Applicant Sal Peralta was asked the same questions. He responded in detail to each question. Mr. Peralta shared his history and background.

Council President Menke asked about implementation of certain services. Mr. Peralta explained that one should first go to the people to see what they want and then find revenue streams to implement the concept.

Councilor Ruden shared that he has enjoyed getting to know a diverse group of people as a Councilor. He asked how Mr. Peralta's strengths would add to the mix of Council and Staff. Mr. Peralta replied that he has been the glue to bring people together in many of the organizations that he has been a part of. He shared that he has been a bit more controversial because of the role he is in for his job. He stated that his preference is collaboration.

Councilor Garvin asked Mr. Peralta about the time commitment. Mr. Peralta responded that he is prepared to take on the time commitment. He has spoken with family and work and they support the time commitment.

Councilor Drabkin asked Mr. Peralta if he sees the Councilor position as a partisan position. Mr. Peralta shared that he does not at all view the Council position as a partisan position and much of his work has been to make government less partisan.

Councilor Drabkin asked Mr. Peralta: How do you feel you would respond if you found yourself in a position where you were conflicted between your constituents and your own desire or moral compass? Where do you see your obligation? To the position or moral compass? Mr. Peralta responded that he tries to follow the data and put trust in subject matter experts, trust and verifies, makes his best judgement on the various interests, and noted that he feels that there is often not a lot of black and white in policy decisions. Mr. Peralta shared that in his role he often times has to vigorously advocate for positions that he may not personally agree with, and so he feels he has some ability to set aside his own personal opinion in order to meet a goal.

Mayor Hill commented on the role of local government. He explained that the City is in the process of going through a strategic planning process. He stated that there are many needs and limited resources. Mayor Hill asked Mr. Peralta how he would address the various issues coming before Council during the strategic planning process and what strengths he would bring to the process. Mr. Peralta responded that he would maintain focus and stick with organizational goals. He stated that a

lot of his work has involved in strategic planning; it's been project based and involves meeting goals set in the plan. Mr. Peralta shared that he usually comes to a shared vision.

Mr. Peralta thanked the Council and shared that this is the opportunity of a lifetime to him.

Mayor Hill noted that Ms. Gautney and Mr. Peralta are strong, quality candidates.

Discussion ensued regarding the strengths of each candidate. It was noted that Ms. Gautney was prepared, has a strong strategic planning background, financial background, is empathetic, strategic, and has government experience. Council highlighted Mr. Peralta's qualifications noting that he was prepared, also has experience with strategic planning and government, likes data and loves to dry read, builds consensus, collaborates and went very deep on specific issues. Council agreed that both candidates were very good options.

The Council agreed that Mr. Peralta would have less of a learning curve based on his previous experiences.

Councilor Ruden encouraged both candidates to run in the General Election in November for the Ward One Council position.

Council encouraged Ms. Gautney to find ways to become involved with the City as she has wonderful skills to put to use.

Mayor Hill felt that it would be a split decision for him and stated the Council is willing to teach and assist. He commented on the Council's working agreement.

Council President Menke moved to appoint the open Council position of Ward 1 to Sal Peralta; SECONDED by Councilor Drabkin. Motion PASSED unanimously.

It was noted that the Oath of Office would take place at the next meeting.

**A Recess was called at 7:11 p.m.**

**Mayor Hill called the meeting back to order at 7:20 p.m.**

4.

#### STRATEGIC PLANNING UPDATE

City Manager Jeff Towery shared that a lead team recently met with the strategic planning consultants. He displayed a chart of the process and

reviewed the key dates. Mr. Towery noted that the March 2<sup>nd</sup> strategic planning session is in lieu of the annual goal setting meeting. He shared that the consultants will launch a values survey and that several focus groups will be convened during the process.

5. ADJOURNMENT: Mayor Hill adjourned the Special Called City Council Meeting at 7:31 p.m.

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Melissa Grace, City Recorder

DRAFT

# STAFF REPORT

**DATE:** January 23, 2018  
**TO:** Jeff Towery, City Manager  
**FROM:** Mike Bisset, Community Development Director  
**SUBJECT:** SDC Rates Resolution

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## **Council Goal:**

Plan and Construct Capital Projects

## **Report in Brief:**

This action is the consideration of a resolution establishing revised System Development Charges (SDCs) pertaining to parks and recreation, sanitary sewer, and transportation; and repealing Resolution No. 2017-06.

## **Background & Discussion:**

Chapter 3.10 of the Municipal Code, as adopted by Ordinance No. 4980 on June 10th, 2014, includes provisions for imposing sanitary sewer, transportation, and parks and recreation system development charges (SDCs). Per Section 3.10.020 (B) of the Municipal Code, the SDCs should be adjusted annually, as allowed by Oregon Revised Statutes, to reflect the increase in construction costs.

Adjustments shall be calculated each January by the City Engineer based upon changes in the Engineering News Record Construction Index (ENR Index) for Seattle, Washington. The index for January 2018 has been issued, and the index grew by 7.7% for calendar year 2017 (the index went from 10,622.66 in January 2017 to 11,444.11 in January 2017).

Per the attached summary, the sanitary sewer SDC will increase \$227 for a single family home; the parks and recreation SDC will increase \$167 per dwelling unit; and the transportation SDC rate will increase \$172 per PM peak hour trip. The effective date of rate changes shall be July 1, 2018, and the revised SDC rates shall apply to applicable building permits filed on or after that date.

Note that SDC fees were adjusted by 2.2% on July 1, 2017, per Resolution 2017-06.

## **Attachments:**

1. Resolution
2. Ordinance 4980
3. Resolution 2017-06
4. SDC Rate Changes Summary



**Fiscal Impact:**

The purpose of the SDCs is to impose an equitable share of the public costs of capital improvements that increase system capacity upon those developments that create the need for or increase the demands on capital improvements.

**Recommendation:**

Staff recommends that the City Council adopt the attached resolution establishing revised System Development Charges (SDCs) pertaining to parks and recreation, sanitary sewer, and transportation.

## RESOLUTION NO. 2018-08

A Resolution establishing revised System Development Charges (SDCs) pertaining to parks and recreation, sanitary sewer, and transportation; and repealing Resolution No. 2017-06.

### RECITALS:

Chapter 3.10 of the Municipal Code, as adopted by Ordinance No. 4980 on June 10<sup>th</sup>, 2014, includes provisions for imposing sanitary sewer, transportation, and parks and recreation system development charges (SDCs).

The purpose of the SDCs is to impose an equitable share of the public costs of capital improvements that increase system capacity upon those developments that create the need for or increase the demands on capital improvements.

Per Section 3.10.020 (B) of the Municipal Code, the SDCs should be adjusted annually, as allowed by Oregon Revised Statutes, to reflect the increase in construction costs.

Adjustments shall be calculated each January by the City Engineer based upon changes in the Engineering News Record Construction Index (ENR Index) for Seattle, Washington.

The index for January 2018 has been issued, and the index grew by 7.7% for calendar year 2017 (the index went from 10,622.66 in January 2017 to 11,444.11 in January 2018).

NOW THEREFORE, BE IT RESOLVED BY THE COMMON COUNCIL OF THE CITY OF McMinnville, Oregon as follows:

#### **1. Sanitary Sewer System Development Charge.**

The Sanitary Sewer System Development Charge (SDC), as set by Resolution 2017-06 is revised to be \$3,159 per dwelling unit or dwelling unit equivalent (DUE).

#### **2. Transportation System Development Charge.**

The formula in Section 2 of Resolution 2017-06 is replaced by:

$$\frac{\$17,339,217 \text{ of capital improvement costs}}{7,230 \text{ net new PM peak hour trips}} = \$2,398 \text{ per net new PM peak hour trip (which is the SDC unit cost)}$$

#### **3. Parks and Recreation System Development Charge.**

The Parks and Recreation System Development Charge (SDC), as set by Resolution 2017-06, is revised to be \$2,331 per dwelling unit or dwelling unit equivalent (DUE).

#### **4. Effective Date.**

The effective date of this Resolution shall be July 1, 2018, at which time Resolution No. 2017-06 shall be repealed. The revised SDC rates shall apply to applicable building permits filed on or after July 1, 2018.

Adopted by the Common Council of the City of McMinnville at a regular meeting held the 13<sup>th</sup> day of February 2018 by the following votes:

Ayes: \_\_\_\_\_

Nays: \_\_\_\_\_

Approved this 13<sup>th</sup> day of February 2018.

\_\_\_\_\_  
MAYOR

Approved as to form:

\_\_\_\_\_  
CITY ATTORNEY

## ORDINANCE NO.

RECITALS:

Resolution 1995-14 includes provisions for imposing transportation system development charges (SDCs), and establishing administrative review procedures.

The City is currently updating the transportation system development charge methodology and rate, and has determined that modifying Chapter 3.10 to include provisions for imposing transportation system development charges (SDCs) would lead to increased efficiencies and transparency.

Having considered the language of the proposed ordinance (attached hereto) at their June 10, 2014 meeting, the Council finds it is in the best interests of the City of McMinnville to approve the updates to the Municipal Code regarding the system development charges.

Now, therefore, THE CITY OF McMinnville ORDAINS AS FOLLOWS:


1. That the current Chapter 3.10 of the McMinnville Municipal Code is repealed in its entirety and the attached language will be incorporated into the McMinnville Municipal Code at Chapter 3.10.

Passed by the Council this 10th day of June 2014 by the following votes:

Ayes: Hill, Jeffries, Menke, Ruden, Yoder

Nays

Approved this 10th day of June 2014.

  
COUNCIL PRESIDENT

Attest:

Approved as to form:

*Marcia Baragary*  
CITY RECORDER

  
CITY ATTORNEY

## Chapter 3.10

### SYSTEMS DEVELOPMENT

#### Sections:

3.10.010	Definitions.
3.10.015	Purpose.
3.10.017	Scope.
3.10.020	Systems development charge established.
3.10.030	Methodology.
3.10.040	Compliance with state law.
3.10.050	Collection of charge.
3.10.060	Exemptions.
3.10.070	Credits.
3.10.080	Appeal procedures.
3.10.090	Prohibited connection.

3.10.010 Definitions. The following words and phrases, as used in Chapter 3.10 of this code, have the following definitions and meanings:

A. "Capital improvement(s)" means public facilities or assets used for any of the following:

1. Sanitary sewers, including collection, transmission, treatment and disposal;
2. Storm sewers, including drainage and flood control;
3. Parks and recreation, including but not limited to mini-neighborhood parks, neighborhood parks, community parks, public open space and trail systems, buildings, courts, fields and other like facilities.
4. Street and transit improvements, including but not limited to signalization, channelization, widening, drainage work, sidewalks and pedestrian facilities, bicycle facilities, lighting, right-of-way acquisition, street extensions, railroad crossing protective devices, and other like facilities.

B. "Development", as used in Sections 3.10.020 through 3.10.090, means conducting a building or mining operation, or making a physical change in the use or appearance of a structure or land, which increases the usage of any capital improvements or which will contribute to the need for additional or enlarged improvements.

C. "Public improvement charge" means a fee for costs associated with capital improvements to be constructed after the effective date of the ordinance codified in this chapter. This term shall have the same meaning as the term "improvement fee" as used in ORS 223.297 through 223.314.

D. "Qualified public improvement" means a capital improvement that is required as a condition of development approval, identified in the plan and list adopted pursuant to ORS 223.309 and either:

1. Not located on or contiguous to property that is the subject of development approval; or

2. Located in whole or in part on or contiguous to property that is the subject of development approval and required to be built larger or with greater capacity than is necessary for the particular development project to which the systems development charge is related.

E. "Reimbursement fee" means a fee for costs associated with capital improvements constructed or under construction on the date the fee is adopted pursuant to Section 3.10.020.

F. "Systems development charge" means a reimbursement fee, a public improvement charge or a combination thereof assessed or collected at any of the times specified in Section 3.10.050. It shall not include connection or hookup fees for sanitary sewers or storm drains. Such fees are designed by the City only to reimburse the City for actual or average costs for such connections. Nor shall the SDC include costs for capital improvements which by City policy and state statute are paid for by assessments (or fees in lieu of assessments) for projects of special benefit to a property.

3.10.015 Purpose. The purpose of the systems development charge (SDC) is to impose an equitable share of the public costs of capital improvements that increase system capacity upon those developments that create the need for or increase the demands on capital improvements.

3.10.017 Scope. The systems development charge imposed by Chapter 3.10 is separate from and in addition to any applicable tax, assessment, charge, fee in lieu of assessment, or fee otherwise provided by law or imposed as a condition of development. A systems development charge is to be considered in the nature of a charge for service rendered or facilities made available, or a charge for future services to be rendered on facilities to be made available in the future.

3.10.020 Systems development charge established. A. Unless otherwise exempted by the provisions of this chapter or other local or state law, a systems development charge is imposed upon all new development within the City for transportation, parks and all new development inside and outside the boundary of the City that connects to or otherwise uses the sanitary sewer system or storm drainage system of the City. The City Manager is authorized to make interpretations of this section, subject to appeal to the City Council.

B. Systems development charges for each type of capital improvement may be created through application of the methodologies described in Section 3.10.030 of this code. The amounts of each systems development charge shall be adopted initially by Council resolution. Changes in the amounts shall also be adopted by resolution, except changes resulting solely from inflationary cost impacts. Inflationary cost impacts shall be measured and calculated each January by the City Engineer and charged accordingly. Such calculations will be based upon changes in the Engineering News Record Construction Index (ENR Index) for Seattle, Washington.

3.10.030 Methodology. A. The methodology used to establish a reimbursement fee shall consider the cost of then-existing facilities, prior contributions by then-existing users, the value of unused capacity, rate-making principles employed to finance publicly owned capital improvements, and other relevant factors. The methodology shall

promote the objective that future systems' users shall contribute an equitable share of the cost of then existing facilities.

B. The methodology used to establish the public improvement charge shall consider the cost of projected capital improvements needed to increase the capacity of the systems to which the fee is related and shall provide for credit against the public improvement charge for the construction of any qualified public improvement.

C. The methodology may also provide for a credit as authorized in Section 3.10.070.

D. Except when authorized in the methodology adopted under Section 3.10.030(A), the fees which are assessed or collected as part of a local improvement district or a charge in lieu of a local improvement district assessment, or the cost of complying with requirements or conditions imposed by a land use decision are separate from and in addition to the systems development charge and shall not be used as a credit against such charge.

E. The methodologies used to establish the systems development charge shall be adopted by resolution of Council. The specific systems development charge may be adopted and amended concurrent with the establishment or revision of the systems development charge methodology. The City Manager shall review the methodologies established under this section periodically and shall recommend amendments, if and as needed, to the Council for its action.

F. The formulas and calculations used to compute specific SDCs are based upon averages and typical conditions. Whenever the impact of the individual developments present special or unique situations such that the calculated fee is substantially disproportionate to the actual impact of the development, alternative fee calculations may be approved or required by the City Manager under prescribed administrative procedures. All data submitted to support alternate calculations under this provision shall be specific to the site and development under consideration. Major or unique developments may require special analyses to determine alternatives to the standard methodology.

3.10.040 Compliance with state law. A. The revenue received from the systems development charges shall be budgeted and expended as provided by state law. Such revenue and expenditures shall be accounted for as required by state law. Their reporting shall be included in the City's Comprehensive Annual Financial Report required by ORS Chapter 294.

B. The capital plan for capital improvements require by state law as the basis for expending the public improvement charge component of systems development charge revenues shall be the McMinnville Transportation System Plan; McMinnville Wastewater and Stormwater Master Plans and Capital Improvements Plan (CIP); adopted facilities plans; park master plans; the capital improvement plan of any other governmental entity with which the City has a cooperative agreement for the financing of commonly-used public improvements by the collection of system charges; provided such plans conform with state law and are consistent with the City's CIP and the City's comprehensive plan.

3.10.050 Collection of charge. A. The systems development charge is payable upon, and as a condition of, issuance of:

1. A building permit;
2. A development permit for development not requiring the issuance of a building permit;
3. A permit to connect to the water, sanitary sewer or storm drainage systems; or
4. A permit to construct a driveway or private street connection to a public street.

For those uses for which no permit is provided, including a change in occupancy that results in an increased system usage level, the final approval granted by the City approving the use or occupancy shall be deemed a building permit for the purpose of this chapter.

B. If development is commenced or connection is made to the street system, water system, sanitary sewer system or storm sewer system without an appropriate permit, the systems development charge is immediately payable upon the earliest date that a permit was required, and it will be unlawful for anyone to continue with the construction or use constituting a development until the charge has been paid or payment secured to the satisfaction of the City Manager.

C. Any and all persons causing, constructing, conducting, occupying or using the development or making application for the needed permit, or otherwise responsible for the development, are jointly and severally obligated to pay the charge, and the City Manager may collect the charge from any of them. The City Manager or his/her designee shall not issue any permit or allow connections described in subsection 3.10.050A until the charge has been paid in full or until an adequate secured arrangement for its payment has been made.

D. A systems development charge shall be paid in cash when due, or in lieu thereof, the City Manager may accept the delivery of a written agreement to pay if the written agreement is secured by collateral satisfactory to the City Manager or his/her designee. The collateral may consist of mortgage or trust deeds of real property, or an agreement secured by surety bond issued by a corporation licensed by state law to grant such undertakings, or by cash deposit, letter of credit, or other like security acceptable to the City Manager.

E. The person paying the systems development charge in installments may apply for deferral of the payments.

F. Industrial and commercial shell buildings which are erected for future tenants whose identities and use are not known at the time of construction are not required to pay the transportation systems development charge at the time a building permit is issued. In lieu of this payment, an industrial property owner or owners shall execute a note to the City in the amount of the systems development charge for general light industrial use. A commercial property owner or owners shall execute a note based upon the anticipated use as approved by the City Manager, or designee. Any such note shall become due and payable in one year, bear no interest and be recorded on the docket of City liens.



During the one year period, if the occupant of the structure is identified, the transportation systems development charge shall be calculated in accordance with the adopted methodology, and the then in effect rates, and shall immediately become due and payable. Upon payment in full, the interim note, as referenced above, shall be cancelled and returned to the property owner.

In the event that no occupant is identified during this one-year interim period and the structure continues vacant:

- 1) The note shall become due and payable in full; or
- 2) The property owner may request the City to accept a new note in the same amount for an additional one-year period subject to the same conditions set forth above. Only one extension will be granted.

3.10.060 Exemptions. The following are exempt from the systems development charge imposed in Section 3.10.020.

A. An alteration, addition, remodel, replacement or change in use that does not increase the use of capital improvements.

B. Housing for low-income or elderly persons which is exempt from real property taxes under state law.

3.10.070 Credits. A. As used in this section and in the definition of "qualified public improvements" in Section 3.10.010 the word "contiguous" means that part of a public improvement which abuts the development parcel.

B. When development occurs that must pay a systems development charge under Section 3.10.020 of this chapter, the systems development charge for the existing use shall be calculated and if it is less than the systems development charge for the proposed use, the difference between the systems development charge for the existing use and the systems development charge for the proposed use shall be the systems development charge required under Section 3.10.020. If the change in use results in the systems development charge for the proposed use being less than the systems development charge for the existing use, no systems development charge shall be required; however, no refund or credit shall be given.

C. The limitations on the use of credits contained in this subsection shall not apply when credits are otherwise given under Section 3.10.070. A credit shall be given for the cost of a qualified public improvement associated with a development. The credit provided for by this subsection shall be only for the public improvement charge charged for the type of improvement being constructed and shall not exceed the public improvement charge even if the cost of the capital improvement exceeds the applicable public improvement charge.

D. Applying the methodology adopted by resolution, the City Manager may grant a credit against the public improvement charge, the reimbursement fee, or both, for a capital improvement constructed as part of the development that reduces the development's demand upon existing capital improvements or the need for future capital improvements or that would otherwise have to be constructed at City expense under then-existing Council policies.

E. In situations where the amount of credit exceeds the amount of the systems development charge, the excess credit is not transferable to another development. It may be transferred to another phase of the original development.

F. Credit shall not be transferable from one type of capital improvements to another.

3.10.080 Appeal procedure. A. As used in this section, "working day" means a day when the general offices of the City are open to transact business with the public.

B. A person aggrieved by a decision required or permitted to be made by the City Manager or his/her designee under Sections 3.10.010 through 3.10.070 or a person challenging the propriety of an expenditure of systems development charge revenues may appeal the decision or the expenditure by filing a written request with the City Recorder for consideration by the City Council. Such appeal shall describe with particularity the decision or the expenditure from which the person appeals and shall comply with subsection D of this section.

C. An appeal of an expenditure must be filed within two years of the date of the alleged improper expenditure. Appeals of any other decision must be filed within ten working days of the date of the decision.

D. The appeal shall state:

1. The name and address of the appellant;
2. The nature of the determination or expenditure being appealed;
3. The reason the determination or expenditure is incorrect; and
4. What the correct determination or expenditure should be.

An appellant who fails to file such a statement within the time permitted waives his/her objections, and his/her appeal shall be dismissed.

E. Unless the appellant and the City agree to a longer period, an appeal shall be heard within thirty days of the receipt of the written appeal. At least ten working days prior to the hearing, the City shall mail notice of the time and location thereof to the appellant.

F. The City Council shall hear and determine the appeal on the basis of the appellant's written statement and any additional evidence he/she deems appropriate. At the hearing the appellant may present written or oral testimony and arguments personally, by counsel, or by other representative. The City may present written or oral testimony and arguments at this same hearing. The rules of evidence as used by courts of law do not apply.

G. The appellant shall carry the burden of proving that the determination or expenditure being appealed is incorrect and what the correct determination or expenditure should be.

H. The City Council shall render its decision within fifteen days after the hearing date and the decision of the Council shall be final. The decision shall be in writing but

written findings shall not be made or required unless the Council in its discretion, elects to make findings for precedential purposes. Any legal action contesting the Council's decision on the appeal shall be filed within sixty days of the Council's decision.

I. An appeal of the methodology used for calculating an SDC must be filed within sixty days following the adoption or modification of the resolution referred to in Section 3.10.030(E).

3.10.090 Prohibited connection. After the effective date of this chapter, no person may connect any premises for service, or cause the premises to be connected, to any sanitary sewer or storm sewer system of the city unless the appropriate systems development charge has been paid or payment has been secured as provided in this chapter.

## RESOLUTION NO. 2017-06

A Resolution establishing revised System Development Charges (SDCs) pertaining to parks and recreation, sanitary sewer, and transportation; and repealing Resolution No. 2007-4 and Section 2 of Resolution No. 2015-24.

### RECITALS:

Chapter 3.10 of the Municipal Code, as adopted by Ordinance No. 4980 on June 10<sup>th</sup>, 2014, includes provisions for imposing sanitary sewer, transportation, and parks and recreation system development charges (SDCs).

The purpose of the SDCs is to impose an equitable share of the public costs of capital improvements that increase system capacity upon those developments that create the need for or increase the demands on capital improvements.

Per Section 3.10.020 (B) of the Municipal Code, the SDCs should be adjusted annually, as allowed by Oregon Revised Statutes, to reflect the increase in construction costs.

Adjustments shall be calculated each January by the City Engineer based upon changes in the Engineering News Record Construction Index (ENR Index) for Seattle, Washington.

The index for January 2017 has been issued, and the index grew by 2.2% for calendar year 2016 (the index went from 10,396.13 in January 2016 to 10,622.66 in January 2017).

NOW THEREFORE, BE IT RESOLVED BY THE COMMON COUNCIL OF THE CITY OF McMinnville, Oregon as follows:

#### **1. Sanitary Sewer System Development Charge.**

The Sanitary Sewer System Development Charge (SDC), as set by Resolution 2007-4, is revised to be \$2,932 per dwelling unit or dwelling unit equivalent (DUE).

#### **2. Transportation System Development Charge.**

The formula in Section 2 of Resolution 2015-24 is replaced by:

$$\frac{\$16,094,620 \text{ of capital improvement costs}}{7,230 \text{ net new PM peak hour trips}} = \$2,226 \text{ per net new PM peak hour trip (which is the SDC unit cost)}$$

#### **3. Parks and Recreation System Development Charge.**

The Parks and Recreation System Development Charge (SDC), as set by Resolution 2007-4, is revised to be \$2,164 per dwelling unit or dwelling unit equivalent (DUE).

#### **4. Effective Date.**

The effective date of this Resolution shall be July 1, 2017, at which time Resolution No. 2007-4 and Section 2 of Resolution No. 2015-24 shall be repealed. The revised SDC rates shall apply to applicable building permits filed on or after July 1, 2017.

Adopted by the Common Council of the City of McMinnville at a regular meeting held the 24<sup>th</sup> day of January, 2017 by the following votes:

Ayes: Drabkin, Garvin, Jeffries, Stassens, Ruden

Nays: \_\_\_\_\_

Approved this 24<sup>th</sup> day of January, 2017.

  
\_\_\_\_\_  
MAYOR

Approved as to form:

  
\_\_\_\_\_  
CITY ATTORNEY

## Revised 2018/19 SDC's

Engineering News Record Construction Cost Index - Seattle

Jan-17 10,622.66

Jan-18 11,444.11

7.7% = Annual increase

SDC RATES	Current		FY18/19	Difference
<b>SANITARY SDC</b>	\$	2,932	\$ 3,159	\$ 227
<b>PARKS SDC</b>	\$	2,164	\$ 2,331	\$ 167
<b>TRANSPORTATION SDC</b>				
Capital costs	\$	16,094,620	\$ 17,339,217	
Total New PM peak trips		7,230	7,230	
Rate (per PM pk hr trip)	\$	2,226	\$ 2,398	\$ 172



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This is the opportunity for the City Council to discuss the performance evaluation of the City Attorney. The conversation will be facilitated by Sean O'Day, Executive Director of the Mid-Willamette Valley Council of Governments. Materials related to the evaluation will be provided in advance of the meeting.