



CITY OF MCMINNVILLE, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011



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, 2016

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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

January 8, 2017

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.

Year	McMinnville		Yamhill County		State of Oregon	
	Population	Percent Change	Population	Percent Change	Population	Percent Change
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)

<u>Fiscal Year End</u>	<u>McMinnville</u>				<u>Yamhill County</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)

<u>Fiscal Year Ended</u>	<u>City of McMinnville - Only</u>				<u>McMinnville Tax Code #40</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

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

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*.

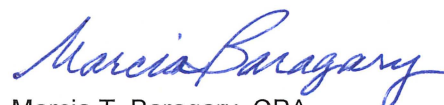
Special recognition is extended to Ms. Debbie Smith-Wagar, CPA who was instrumental in preparation of the *CAFR*.

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

CITY COUNCIL

TERM EXPIRES

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

CITY ADMINISTRATION

Jeffrey R. Towery

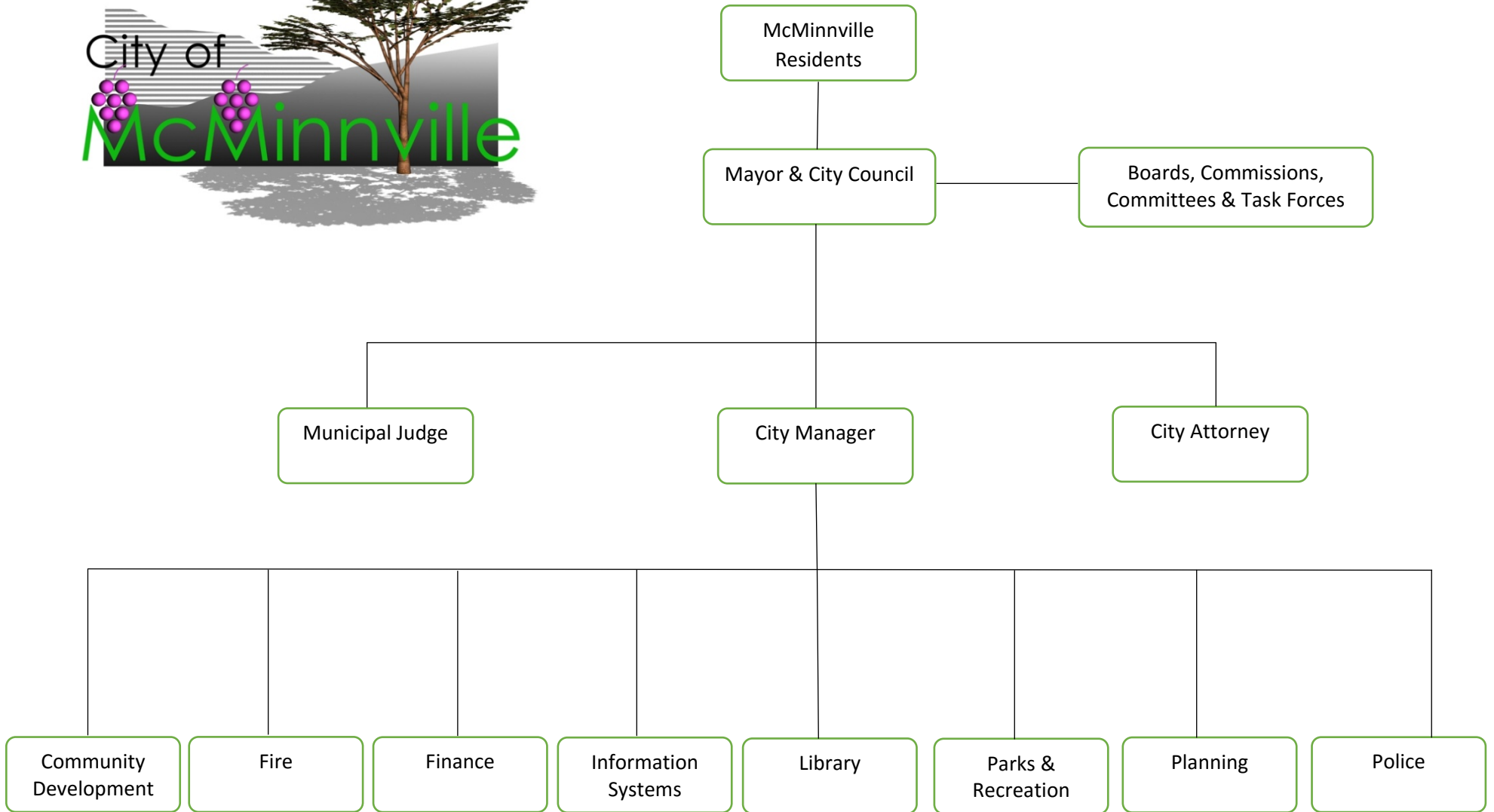
City Manager

David R. Koch

City Attorney

Marcia T. Baragary, CPA

Finance Director





McMinnville

FINANCIAL SECTION

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



McMinnville

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.¹⁰ 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



McMinnville

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.

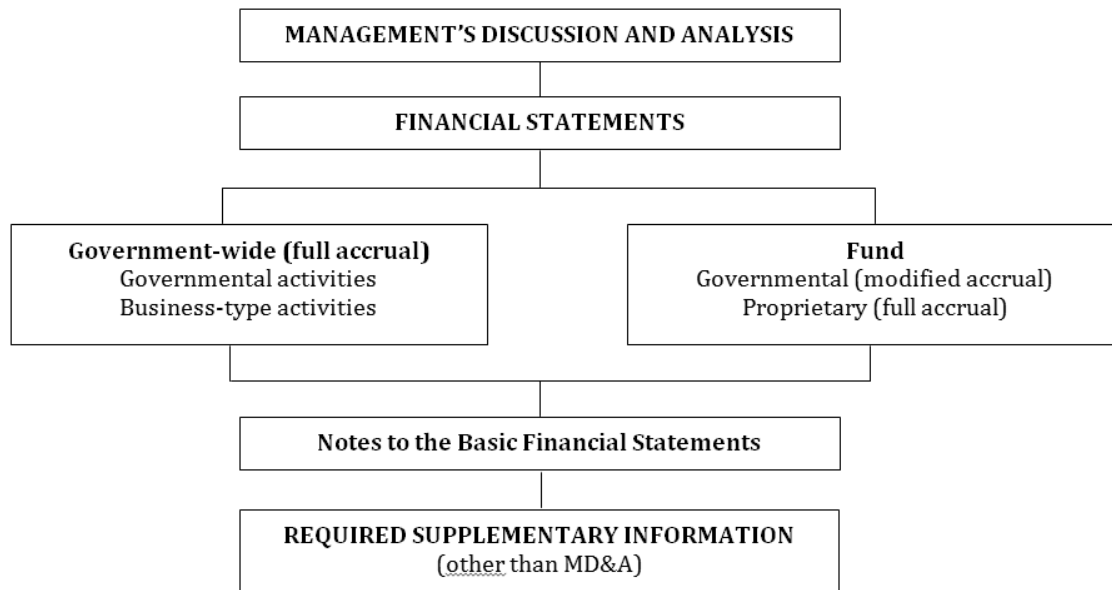
Overview of the Financial Statements

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
Total assets	114.4	111.2	81.4	78.6	195.8	189.8	175.3	171.4
Deferred outflows of resource	10.3	2.6	3.7	0.8	14.0	3.4	5.1	1.1
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
Total liabilities	61.5	49.5	8.9	5.5	70.4	55.0	16.3	12.0
Deferred inflows of resource	0.9	1.9	0.4	0.6	1.3	2.5	0.5	0.9
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
Total net position	\$ 62.3	\$ 62.4	\$ 75.9	\$ 73.3	\$ 138.2	\$ 135.7	\$ 163.7	\$ 159.4

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)

	<u>City of McMinnville - Primary Government</u>						<u>Component Unit</u>	
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total City</u>		<u>Water and Light</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:								
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
Total revenues	<u>28.8</u>	<u>29.6</u>	<u>14.2</u>	<u>13.8</u>	<u>43.0</u>	<u>43.4</u>	<u>50.3</u>	<u>49.2</u>
Expenses:								
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
Total expenses	<u>28.8</u>	<u>36.2</u>	<u>12.3</u>	<u>13.4</u>	<u>41.1</u>	<u>49.6</u>	<u>46.2</u>	<u>44.9</u>
Change in net position								
before transfers	-	(6.6)	1.9	0.4	1.9	(6.2)	4.1	4.3
Transfers	(0.7)	(1.3)	0.7	1.3	-	-	-	-
Change in net position	(0.7)	(7.9)	2.6	1.7	1.9	(6.2)	4.1	4.3
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
Ending net position	<u>\$ 62.3</u>	<u>\$ 62.4</u>	<u>\$ 75.9</u>	<u>\$ 73.3</u>	<u>\$ 138.2</u>	<u>\$ 135.7</u>	<u>\$ 163.7</u>	<u>\$ 159.5</u>

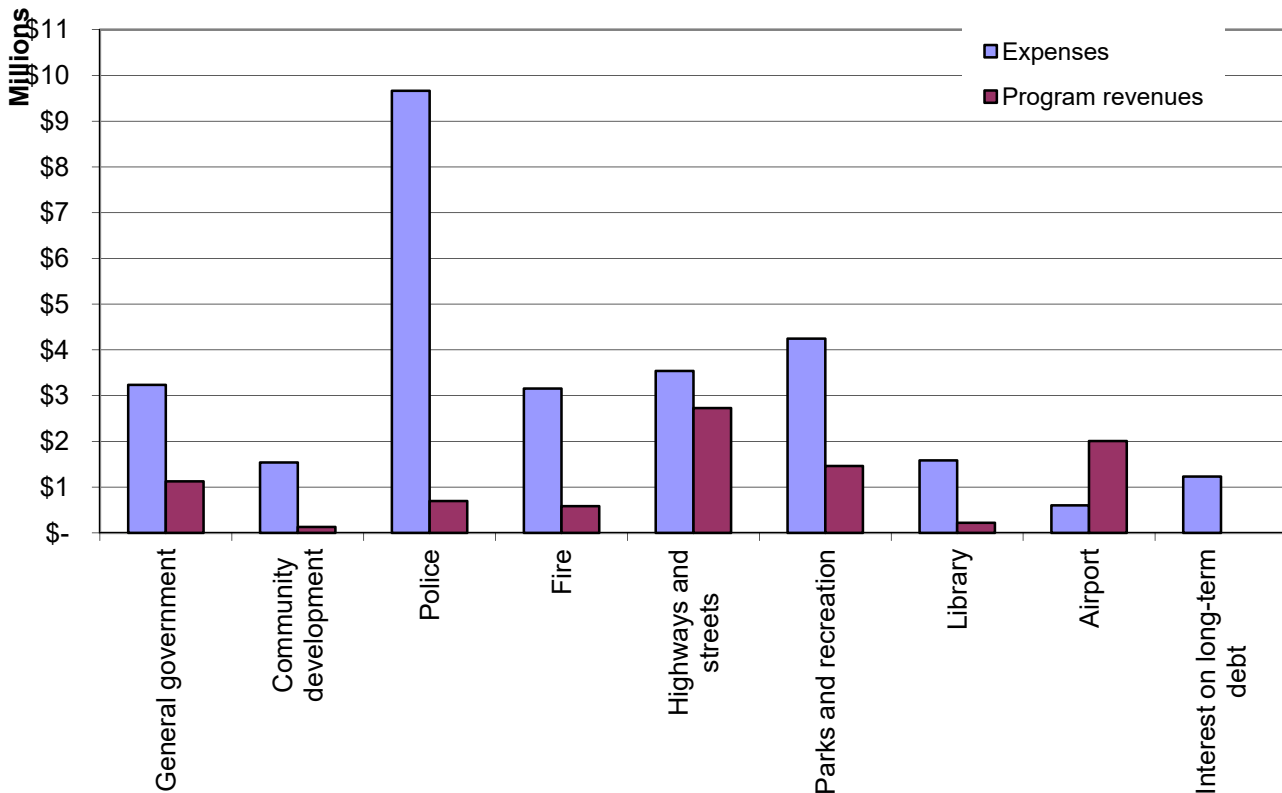
City of McMinnville - Management's Discussion and Analysis

- 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.

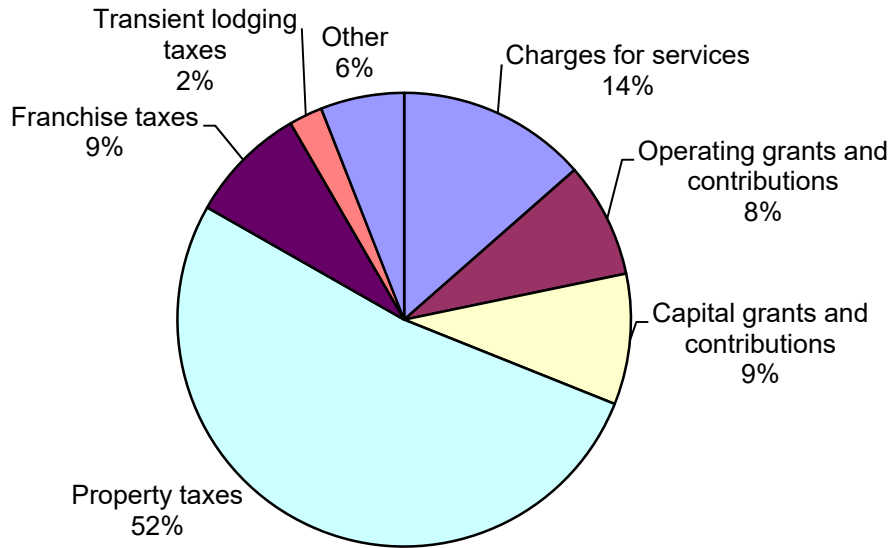
**Governmental Activities
Expenses and Program Revenues by Function
For the Year Ended June 30, 2017**



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

**Governmental Activities
Revenues by Source
For the Year Ended June 30, 2017**



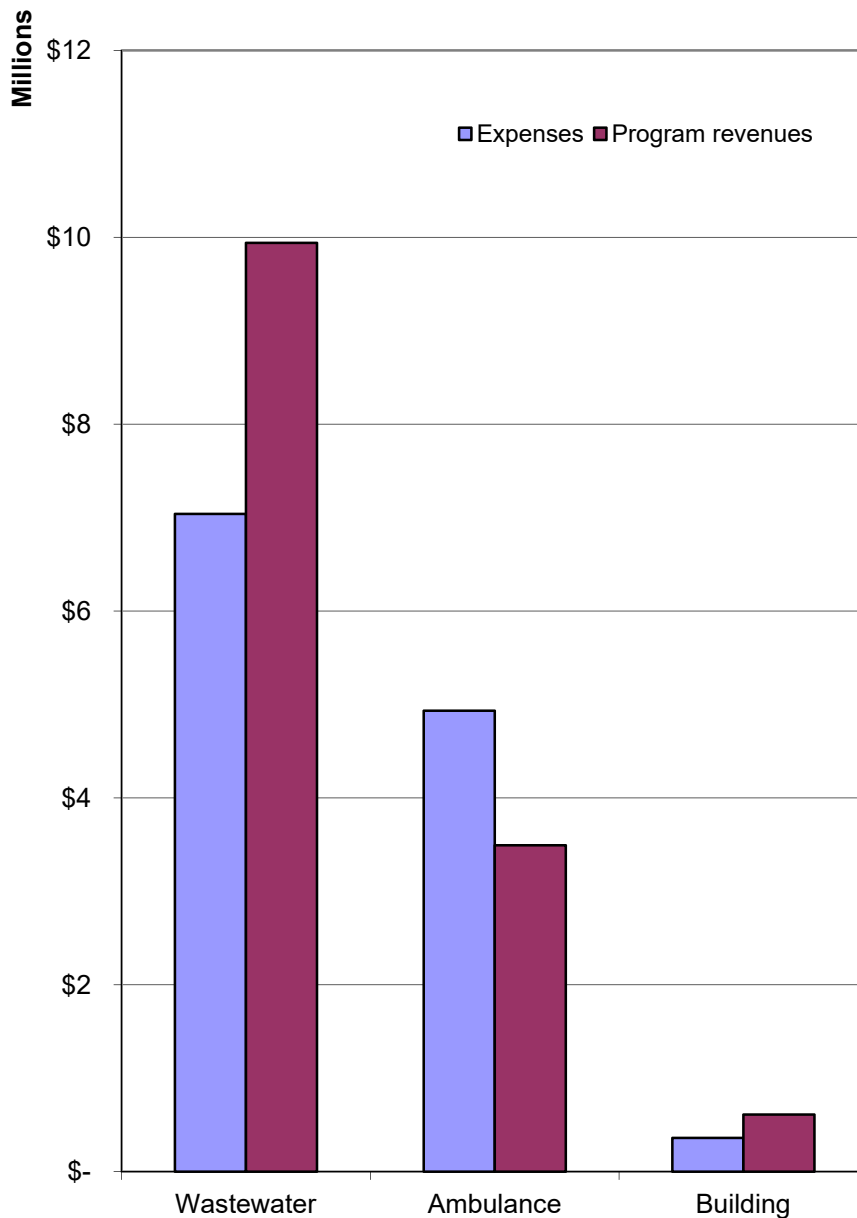
For business-type activities, total revenue, primarily consisting of charges for services, increased by \$0.4 million. Charges for services, including user fees and systems development charges, increased in Wastewater Services by \$0.1 million due to increased rates and higher consumption. Charges for 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.

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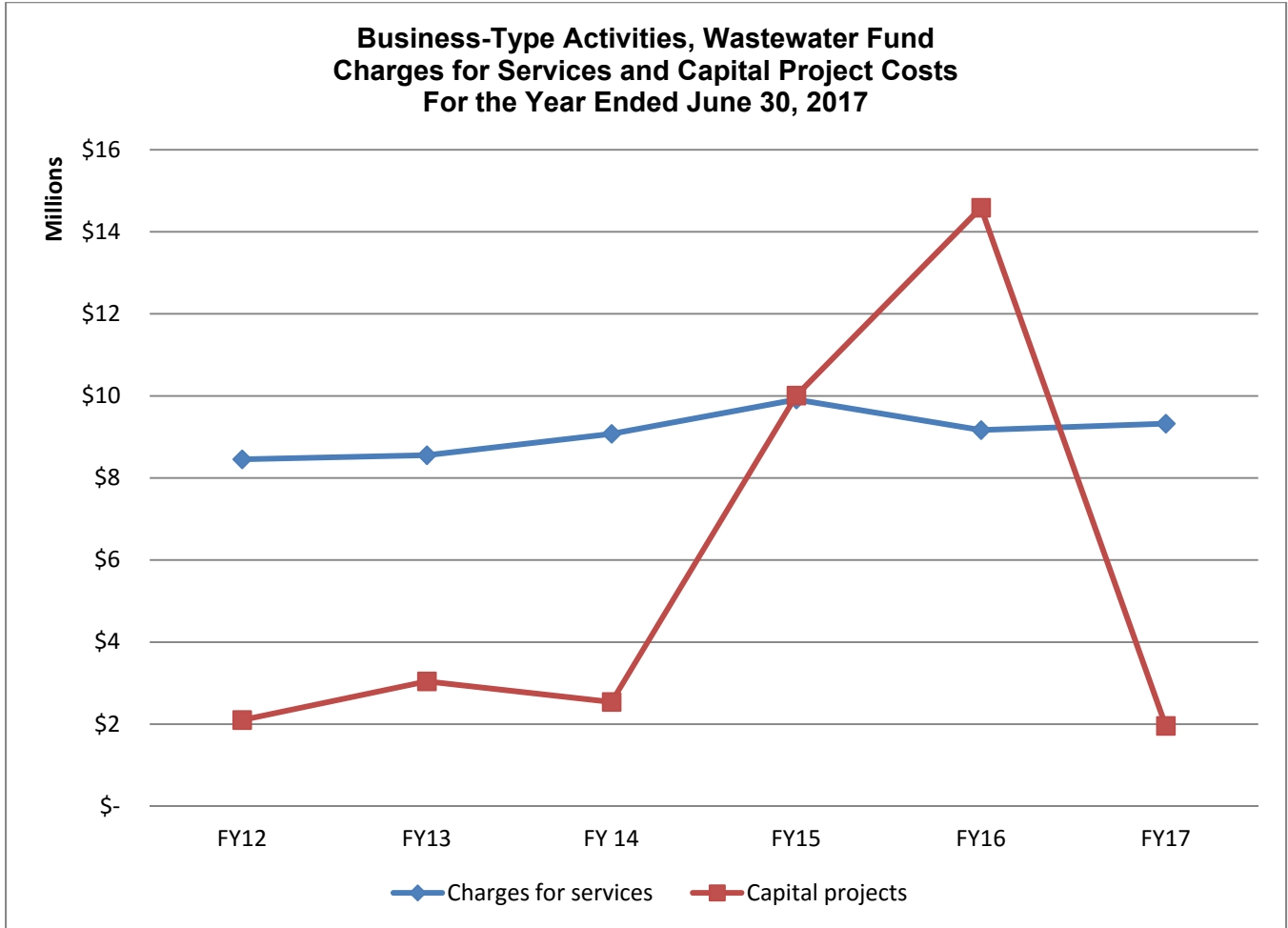
The following bar chart compares each business-type activity expense with the revenue stream for that activity. The significant difference between Wastewater revenue and expenses is due to a financial policy adopted by City Council to set sewer rates at a level sufficient to fund future capital projects 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



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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	<u>6,445</u>	<u>6,769</u>	-	-	-	-	-	-	(2,082)	(189)	<u>\$ 4,363</u>	<u>6,580</u>
Total ending fund balance	<u>\$ 9,364</u>	<u>\$ 7,484</u>	<u>\$ 636</u>	<u>\$ 869</u>	<u>\$ 11,577</u>	<u>\$ 17,446</u>	<u>\$ 1,228</u>	<u>\$ 1,849</u>	<u>\$ 2,924</u>	<u>\$ 3,632</u>	<u>\$ 25,729</u>	<u>\$ 31,280</u>

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.

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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
Total ending net position	\$ 19,711	\$ 15,893	\$ 708	\$ 437	\$ 57,303	\$ 58,658	\$ 77,722	\$ 74,988

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.

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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.

Capital Assets						
June 30, 2017 and 2016						
(in millions)						
	Governmental		Business-Type		Total City	
	Activities		Activities			
	Restated					
	2017	2016	2017	2016	2017	2016
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
Total capital assets	159.2	149.9	105.7	103.9	264.9	253.8
Accumulated depreciation	(77.3)	(74.3)	(48.9)	(45.8)	(126.2)	(120.1)
Net capital assets	\$ 81.9	\$ 75.6	\$ 56.8	\$ 58.1	\$ 138.7	\$ 133.7

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)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total City</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
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
Total outstanding debt	<u>\$ 35.9</u>	<u>\$ 36.2</u>	<u>\$ 1.0</u>	<u>\$ 1.0</u>	<u>\$ 36.9</u>	<u>\$ 37.2</u>

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.

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



McMinnville

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

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
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
Deferred Outflows of Resources				
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
Liabilities				
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
Deferred Inflows of Resources				
Deferred inflow of resources - pension	941,049	348,439	1,289,488	483,906
Net Position				
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
Primary Government				
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	<u>28,785,644</u>	<u>3,894,672</u>	<u>2,364,801</u>	<u>2,686,710</u>
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	<u>12,335,709</u>	<u>13,429,928</u>	<u>-</u>	<u>617,329</u>
Total primary government	<u>\$ 41,121,353</u>	<u>\$ 17,324,600</u>	<u>\$ 2,364,801</u>	<u>\$ 3,304,039</u>
Component Unit				
Water and Light	<u>\$ 46,506,252</u>	<u>\$ 46,246,552</u>	<u>\$ -</u>	<u>\$ 1,076,976</u>
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)	-
<u>(19,839,461)</u>	<u>-</u>	<u>(19,839,461)</u>	<u>-</u>
-	251,055	251,055	-
-	2,901,072	2,901,072	-
-	(1,440,579)	(1,440,579)	-
-	1,711,548	1,711,548	-
<u>(19,839,461)</u>	<u>1,711,548</u>	<u>(18,127,913)</u>	<u>-</u>
			<u>\$ 817,276</u>
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	-	-
<u>19,139,023</u>	<u>872,827</u>	<u>20,011,850</u>	<u>3,304,875</u>
(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	-
<u>62,977,072</u>	<u>73,295,790</u>	<u>136,272,862</u>	<u>159,529,031</u>
<u>\$ 62,276,634</u>	<u>\$ 75,880,165</u>	<u>\$ 138,156,799</u>	<u>\$ 163,651,182</u>



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



McMinnville

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
Assets						
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	\$ 11,900,717	\$ 1,376,247	\$ 12,741,874	\$ 1,413,673	\$ 5,740,957	\$ 33,173,468
Liabilities						
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	1,516,149	560,489	1,164,889	-	2,766,065	6,007,592
Deferred inflows of resources:						
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	1,020,711	180,347	-	185,373	50,522	1,436,953
Fund Balances						
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	9,363,857	635,411	11,576,985	1,228,300	2,924,370	25,728,923
Total liabilities, deferred inflows of resources and fund balances	\$ 11,900,717	\$ 1,376,247	\$ 12,741,874	\$ 1,413,673	\$ 5,740,957	\$ 33,173,468

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
Revenues						
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	<u>19,971,661</u>	<u>2,025,298</u>	<u>896,997</u>	<u>2,638,537</u>	<u>3,572,660</u>	<u>29,105,153</u>
Expenditures						
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	<u>22,530,168</u>	<u>2,258,610</u>	<u>7,749,434</u>	<u>3,358,950</u>	<u>4,144,516</u>	<u>40,041,678</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,558,507)</u>	<u>(233,312)</u>	<u>(6,852,437)</u>	<u>(720,413)</u>	<u>(571,856)</u>	<u>(10,936,525)</u>
Other Financing Sources (Uses)						
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)	<u>4,438,231</u>	<u>-</u>	<u>983,545</u>	<u>100,000</u>	<u>(135,871)</u>	<u>5,385,905</u>
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	<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>

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.

Rebatable 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)

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

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
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	<u>18,444,270</u>	<u>18,607,470</u>	<u>18,952,746</u>	<u>345,276</u>
Expenditures				
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	<u>22,617,291</u>	<u>26,476,051</u>	<u>24,429,197</u>	<u>2,046,854</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,173,021)</u>	<u>(7,868,581)</u>	<u>(5,476,451)</u>	<u>2,392,130</u>
Other Financing Sources (Uses)				
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)	<u>1,642,720</u>	<u>5,338,280</u>	<u>5,338,781</u>	<u>501</u>
Net change in fund balances	<u>(2,530,301)</u>	<u>(2,530,301)</u>	<u>(137,670)</u>	<u>2,392,631</u>
Fund balances - beginning	7,097,365	7,097,365	7,270,349	172,984
Fund balances - ending	<u>\$ 4,567,064</u>	<u>\$ 4,567,064</u>	<u>7,132,679</u>	<u>\$ 2,565,615</u>
Add (subtract):				
Outstanding Interfund loan			2,231,178	
Fund balance, modified accrual basis			<u>\$ 9,363,857</u>	
Reconciliation:				
Charges for services, budgetary basis			\$ 1,398,328	
Transfers from other funds - services provided			1,221,605	
Charges for services, modified accrual basis			<u>\$ 2,619,933</u>	
Miscellaneous revenue, budgetary basis			\$ 378,770	
Interfund loan payment			(202,690)	
Miscellaneous revenue, modified accrual basis			<u>\$ 176,080</u>	
Expenditures, budgetary basis			\$ 24,429,197	
Transfers to other funds - services provided			321,055	
Interfund loans			(2,220,084)	
Expenditures, modified accrual basis			<u>\$ 22,530,168</u>	
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			<u>\$ 4,438,231</u>	

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
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>
Expenditures				
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>
Other Financing Sources (Uses)				
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	(342,820)	(342,820)	(233,312)	109,508
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>
Reconciliation:				
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

	Business-Type Activities				Governmental Activities
	Enterprise Funds				Internal Service Funds
	Wastewater Services	Ambulance	Non-major Building	Total	
Assets					
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	<u>22,312,252</u>	<u>1,533,880</u>	<u>979,885</u>	<u>24,826,017</u>	<u>1,837,543</u>
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	<u>56,015,791</u>	<u>533,639</u>	<u>242,560</u>	<u>56,791,990</u>	<u>512,238</u>
Total assets	<u>78,328,043</u>	<u>2,067,519</u>	<u>1,222,445</u>	<u>81,618,007</u>	<u>2,349,781</u>
Deferred outflow of resources					
Deferred outflow of resources - pension	1,225,613	2,266,312	188,296	3,680,221	209,024
Liabilities					
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	<u>534,225</u>	<u>410,433</u>	<u>22,522</u>	<u>967,180</u>	<u>231,141</u>
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	<u>2,713,718</u>	<u>4,968,510</u>	<u>420,216</u>	<u>8,102,444</u>	<u>465,549</u>
Total liabilities	<u>3,247,943</u>	<u>5,378,943</u>	<u>442,738</u>	<u>9,069,624</u>	<u>696,690</u>
Deferred inflow of resources					
Deferred inflow of resources - pension	116,039	214,572	17,828	348,439	19,790
Net Position					
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	<u>\$ 76,189,674</u>	<u>\$ (1,259,684)</u>	<u>\$ 950,175</u>	<u>\$ 75,880,165</u>	<u>\$ 1,842,325</u>

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	
Operating Revenues					
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	<u>9,323,139</u>	<u>3,494,130</u>	<u>612,659</u>	<u>13,429,928</u>	<u>2,048,236</u>
Operating Expenses					
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	<u>7,039,396</u>	<u>4,919,676</u>	<u>361,604</u>	<u>12,320,676</u>	<u>1,911,285</u>
Operating income (loss)	<u>2,283,743</u>	<u>(1,425,546)</u>	<u>251,055</u>	<u>1,109,252</u>	<u>136,951</u>
Nonoperating Revenues (Expenses)					
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)	<u>567,298</u>	<u>(13,296)</u>	<u>6,295</u>	<u>560,297</u>	<u>12,770</u>
Income (loss) before contributions and transfers	<u>2,851,041</u>	<u>(1,438,842)</u>	<u>257,350</u>	<u>1,669,549</u>	<u>149,721</u>
Capital Contributions and Transfers					
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	<u>199,026</u>	<u>715,800</u>	<u>-</u>	<u>914,826</u>	<u>-</u>
Change in net position	<u>3,050,067</u>	<u>(723,042)</u>	<u>257,350</u>	<u>2,584,375</u>	<u>149,721</u>
Total net position - beginning	73,139,607	(536,642)	692,825	73,295,790	1,692,604
Total net position - ending	<u>\$ 76,189,674</u>	<u>\$ (1,259,684)</u>	<u>\$ 950,175</u>	<u>\$ 75,880,165</u>	<u>\$ 1,842,325</u>

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
	Enterprise Funds				Activities
	Wastewater	Ambulance	Building	Total	Internal Service Funds
Cash Flows From Operating Activities					
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>
Cash Flows From Non-Capital Financing Activities					
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>
Cash Flows From Capital and Related Financing Activities					
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	418,303	-	-	418,303	-
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>
Cash Flows From Investing Activities					
Interest received	148,995	1,737	6,295	157,027	12,770
Increase (decrease) in cash and investments	3,893,813	(595,388)	290,209	3,588,634	289,161
Cash and investments - beginning	17,063,396	595,388	688,889	18,347,673	1,542,707
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>
Reconciliation of Operating Income (Loss) to					
Net Cash From Operating Activities					
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>
Non-Cash Investing, Capital, and Financing Activities					
Capital asset contributions from developers	\$ 199,026	\$ -	\$ -	\$ 199,026	\$ -

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



McMinnville

NOTES TO BASIC FINANCIAL STATEMENTS

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McMinnville

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 30th 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 30th.

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 30th.

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.	(411,009)
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:

	Wastewater	Ambulance	Building	Business-type Activities
Accounts receivable	\$ 629,982	\$ 1,816,485	787	\$ 2,447,254
Less: allowance for uncollectable accounts	-	(287,605)	-	(287,605)
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	(294,006)
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	725,500
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>\$ 4,768,145</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
Non-depreciable:							
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>
Depreciable:							
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>
Accumulated depreciation:							
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:					Total
	General Fund	Transportation Fund	Debt Service Fund	Nonmajor Governmental funds	Enterprise Fund Ambulance Fund	
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 receiving funds to the debt service fund; 2) move allocations of revenues from the receiving funds to support specific capital projects or programs.

Advances to/from other funds

Receivable Fund	Payable fund	
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:

Year Ending June 30,	Principal
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	<u>5,604,744</u>	<u>356,684</u>
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	<u>62,205</u>	<u>848</u>
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>
<u>\$ 4,903,101</u>	<u>\$ -</u>	<u>\$ (4,903,101)</u>	<u>\$ -</u>

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	-
	<u>33,554,370</u>	<u>2,575,846</u>	<u>(2,805,369)</u>	<u>33,324,847</u>	<u>2,671,318</u>
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	\$ 9,363,857	\$ 635,411	\$ 11,576,985	\$ 1,228,300	\$ 2,924,370	\$ 25,728,923

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:

	<u>General Service Retirees</u>	<u>Police Retirees</u>	<u>Fire Union Retirees</u>
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)	<u>380,978</u>
Interest on net OPEB obligation	50,126
Adjustment to ARC	<u>(172,207)</u>
Annual OPEB cost	258,897
Contribution	<u>(54,197)</u>
Increase in Net OPEB obligation	204,700
Net OPEB obligation, beginning of year	<u>1,432,179</u>
Net OPEB obligation, end of year.	<u><u>1,636,879</u></u>

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:

Fiscal Year Ended June 30,	Annual OPEB Cost	Contribution	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
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)	<u>\$ 1,285,440</u>
Annual required contribution (ARC)	1,336,867
Interest on prior year net OPEB obligation	42,690
Adjustment to ARC	<u>(1,262,403)</u>
Annual OPEB cost	117,154
Contribution	<u>(90,244)</u>
Increase in net OPEB obligation	26,910
Net OPEB obligation, beginning of year	<u>1,219,713</u>
Net OPEB obligation, end of year	<u>\$ 1,246,623</u>

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.

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	\$ 13,619,586	\$ 1,289,489	\$ 5,111,021	\$ 483,906

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
	\$ (1,289,489)	\$ 11,716,694	\$ 10,427,205

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
	\$ 483,906	\$ 4,396,923	\$ 4,880,829

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	\$ 5,286	\$ (32,377)

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)
	\$ (32,377)	\$ 5,286	\$ (27,091)

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 F (2.2%)	Discount Rate F (3.2%)	1% Increase F (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	F (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



McMinnville

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



City Of

McMinnville

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) (a)	Proportionate share of the net pension liability (asset) (b)	Covered payroll (c)	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll (b/c)	Plan fiduciary net position as a percentage of the total pension liability
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) (a)	Proportionate share of the net pension liability (asset) (b)	Covered payroll (c)	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll (b/c)	Plan fiduciary net position as a percentage of the total pension liability
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



McMinnville

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

- Governmental Funds
- Proprietary Funds



McMinnville

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



McMinnville

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

	Special Revenue Funds					Total
	Special Assessment	Transient Lodging Tax	Telecommunications	Emergency Communications	Street	
Assets						
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	\$ 191,957	\$ 192,211	\$ 62,437	\$ 139,376	\$ 2,048,030	\$ 2,634,011
Liabilities						
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	-	39,932	60,612	3,138	67,482	171,164
Deferred inflows of resources						
Deferred revenue taxes	-	-	-	-	-	-
Deferred revenue other	41,873	-	-	-	-	41,873
Total deferred inflows of resources	41,873	-	-	-	-	41,873
Fund Balances						
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	150,084	152,279	1,825	136,238	1,980,548	2,420,974
Total liabilities, deferred inflows of resources, and fund balances	\$ 191,957	\$ 192,211	\$ 62,437	\$ 139,376	\$ 2,048,030	\$ 2,634,011

Debt Service	Capital Projects Funds				Total Nonmajor Governmental Funds
	Urban Renewal Debt Service	Public Safety Facilities Constr	Park Development	Urban Renewal	
\$ 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	
Revenues						
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
Expenditures						
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)
Other Financing Sources (Uses):						
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	Total Nonmajor Governmental
	Public Safety Facilities Constr	Park Develop- ment	Urban Renewal		
\$ 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
<u>178,326</u>	<u>27</u>	<u>253,096</u>	<u>16,902</u>	<u>270,025</u>	<u>3,572,660</u>
-	-	-	-	-	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
<u>1,417</u>	<u>550</u>	<u>243,427</u>	<u>698,965</u>	<u>942,942</u>	<u>4,144,516</u>
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
<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>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
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>
Expenditures				
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>
Other Financing Sources (Uses)				
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>
Reconciliation:				
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

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

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
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>
Expenditures				
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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
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>
Expenditures				
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>
Other Financing Sources (Uses)				
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	(58,926)	(58,926)	19,118	78,044
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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
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>
Expenditures				
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>
Other Financing Sources (Uses)				
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			<u>207,202</u>	
Expenditures, modified accrual basis			<u>\$ 1,534,813</u>	
Other financing sources (uses), budgetary basis			\$ (807,202)	
Transfers to other funds - services provided			<u>207,202</u>	
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>		
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	251,855	251,855	204,107	47,748
Net change in fund balances	(117,585)	(117,585)	(25,781)	91,804
Fund balances - beginning	148,125	148,125	174,835	26,710
Fund balances - ending	<u>\$ 30,540</u>	<u>\$ 30,540</u>	149,054	<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			(2,408,868)	
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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
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>
Expenditures				
Debt service	3,358,950	3,358,950	3,358,950	-
Excess (deficiency) of revenues over (under) expenditures	<u>(807,550)</u>	<u>(807,550)</u>	<u>(720,413)</u>	<u>87,137</u>
Other Financing Sources (Uses)				
Transfers from other funds	108,276	108,276	100,000	(8,276)
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	(699,274)	(699,274)	(620,413)	78,861
Fund balances - beginning	1,811,459	1,811,459	1,848,713	37,254
Fund balances - ending	<u>\$ 1,112,185</u>	<u>\$ 1,112,185</u>	<u>\$ 1,228,300</u>	<u>\$ 116,115</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>		
Revenues				
Miscellaneous	\$ 200	\$ 200	\$ 27	\$ (173)
Total revenues	<u>200</u>	<u>200</u>	<u>27</u>	<u>(173)</u>
Expenditures				
Public Safety:				
Materials and services	1,100	1,100	550	550
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	3,276	3,276	3,403	127
Fund balances, budgetary basis - ending	<u>\$ 2,376</u>	<u>\$ 2,376</u>	<u>\$ 2,880</u>	<u>\$ 504</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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
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>
Expenditures				
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>
Other Financing Sources (Uses)				
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>
Reconciliation:				
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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for Services	\$ -	\$ -	\$ 150	\$ 150
Miscellaneous	-	-	16,752	16,752
Total revenues	-	-	16,902	16,752
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)	1,382,117
Other Financing Sources (Uses)				
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			\$ 2,408,868	

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
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	<u>655,448</u>	<u>655,448</u>	<u>896,997</u>	<u>241,549</u>
Expenditures				
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	<u>12,463,042</u>	<u>12,463,042</u>	<u>7,216,409</u>	<u>5,246,633</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,807,594)</u>	<u>(11,807,594)</u>	<u>(6,319,412)</u>	<u>5,488,182</u>
Other Financing Sources (Uses)				
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)	<u>450,520</u>	<u>450,520</u>	<u>450,520</u>	<u>-</u>
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	<u>\$ 5,865,054</u>	<u>\$ 5,865,054</u>	<u>\$ 11,576,985</u>	<u>\$ 5,711,931</u>
Reconciliation:				
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			<u>\$ 7,749,434</u>	
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			<u>\$ 983,545</u>	

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

	Information Systems & Services	Insurance Services	Total Internal Service Funds
Assets			
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>
Deferred outflows of resources			
Deferred outflow of resources - pension	<u>209,024</u>	<u>-</u>	<u>209,024</u>
Liabilities			
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>
Deferred inflow of resources			
Deferred inflow of resources - pension	<u>19,790</u>	<u>-</u>	<u>19,790</u>
Net position			
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

	Information Systems & Services	Insurance Services	Total Internal Service Funds
Operating revenues			
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>
Operating expenses			
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>
Nonoperating Revenues			
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

	Information Systems & Services	Insurance Services	Total
Cash Flows From Operating Activities			
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	53,893	275,800	329,693
Cash Flows From Non-Capital Financing Activities			
Principal on pension related obligation	(557)	-	(557)
Cash Flows From Capital and Related Financing Activities			
Additions to capital assets	(52,745)	-	(52,745)
Cash Flows From Investing Activities			
Interest received	1,542	11,228	12,770
Increase in Cash and Investments	2,133	287,028	289,161
Cash and Investments - Beginning	211,710	1,330,997	1,542,707
Cash and Investments - Ending	\$ 213,843	\$ 1,618,025	\$ 1,831,868
Reconciliation of Operating Income to Net Cash From Operating Activities			
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	\$ 53,893	\$ 275,800	\$ 329,693

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
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>
Expenditures				
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>
Other Financing Sources (Uses)				
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	(847,922)	(847,922)	(449,326)	398,596
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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
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>
Expenditures				
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>
Other Financing Sources (Uses)				
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	2,419,237	2,419,237	4,756,015	2,336,778
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>\$ 76,189,674</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>\$ 9,307,533</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>\$ 7,039,396</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>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
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>
Expenditures				
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>
Other Financing Sources (Uses)				
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	1,234,847	1,234,847	1,350,363	115,516
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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
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>
Expenditures				
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>
Other Financing Sources (Uses)				
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	(143,420)	(143,420)	287,315	430,735
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>
Add (deduct):				
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>	
Reconciliation:				
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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
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>
Expenditures				
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>
Other Financing Sources (Uses)				
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>
Add (deduct):				
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>	
Reconciliation:				
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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 1,042,717	\$ 1,042,717	\$ 954,004	\$ (88,713)
Miscellaneous	142,700	142,700	134,026	(8,674)
Total revenues	<u>1,185,417</u>	<u>1,185,417</u>	<u>1,088,030</u>	<u>(97,387)</u>
Expenditures				
Materials and services	1,018,295	1,018,295	827,461	190,834
Contingencies	100,000	100,000	-	100,000
Total expenditures	<u>1,118,295</u>	<u>1,118,295</u>	<u>827,461</u>	<u>290,834</u>
Excess (deficiency) of revenues over (under) expenditures	<u>67,122</u>	<u>67,122</u>	<u>260,569</u>	<u>193,447</u>
Other Financing Sources (Uses)				
Transfers to other funds	(69,196)	(69,196)	(44,196)	25,000
Total other financing sources (uses)	<u>(69,196)</u>	<u>(69,196)</u>	<u>(44,196)</u>	<u>25,000</u>
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

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.



City Of

McMinnville

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>
Primary Government:			
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>
Component unit:			
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
32,006,301	33,671,841	31,952,469	31,127,734	36,515,824	36,415,854	40,284,763
<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
Expenses			
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>

Fiscal Year Ended June 30,

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 2,158,145	\$ 1,918,406	\$ 1,869,910	\$ 2,031,927	\$ 2,065,497	\$ 7,389,396	\$ 3,233,556
1,328,719	1,289,638	1,283,292	1,215,961	949,452	1,341,282	1,536,152
7,137,485	7,800,297	7,710,365	8,370,060	7,084,384	11,604,781	9,664,865
2,686,012	2,466,866	2,534,766	2,537,593	2,048,332	2,766,437	3,155,530
3,453,560	3,347,084	3,839,179	2,443,173	2,964,608	4,804,574	3,539,224
4,095,241	4,174,915	4,074,988	4,113,605	3,810,278	5,103,934	4,246,590
1,469,682	1,507,964	1,416,283	1,343,265	1,092,515	1,448,885	1,581,460
784,816	552,179	553,974	560,272	692,357	1,147,840	598,401
786,277	613,154	525,129	484,383	519,917	614,253	1,229,866
<u>23,899,937</u>	<u>23,670,503</u>	<u>23,807,886</u>	<u>23,100,239</u>	<u>21,227,340</u>	<u>36,221,382</u>	<u>28,785,644</u>
5,753,542	5,853,298	5,818,847	5,808,434	5,523,163	7,811,354	7,039,396
2,532,569	3,068,413	3,395,105	3,508,377	2,868,982	5,125,215	4,934,709
415,676	406,630	277,561	283,842	225,229	453,557	361,604
<u>8,701,787</u>	<u>9,328,341</u>	<u>9,491,513</u>	<u>9,600,653</u>	<u>8,617,374</u>	<u>13,390,126</u>	<u>12,335,709</u>
<u>\$ 32,601,724</u>	<u>\$ 32,998,844</u>	<u>\$ 33,299,399</u>	<u>\$ 32,700,892</u>	<u>\$ 29,844,714</u>	<u>\$ 49,611,508</u>	<u>\$ 41,121,353</u>
<u>\$ 37,802,141</u>	<u>\$ 40,626,635</u>	<u>\$ 41,583,845</u>	<u>\$ 43,187,324</u>	<u>\$ 42,099,300</u>	<u>\$ 44,911,690</u>	<u>\$ 46,506,252</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
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-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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>
Program revenues			
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>
Net revenue (expense)			
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)

<u>Functions/Programs</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General revenues and other changes in net position			
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)	<u>(298,387)</u>	<u>(1,208,811)</u>	<u>(451,403)</u>
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)	<u>298,387</u>	<u>1,208,811</u>	<u>451,403</u>
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>
Change in net position			
Primary government:			
Governmental activities	\$ 3,083,881	\$ (2,344,517)	\$ (2,216,492)
Business-type activities	<u>4,371,346</u>	<u>3,631,858</u>	<u>2,799,829</u>
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
<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>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)
2,301,565	2,552,795	2,647,766	3,188,701	5,623,642	1,658,875	2,584,375
<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

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

	June 30,			
	2008	2009	2010	2011
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>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	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
\$	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

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,

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 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 received 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
Primary government:				
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>
Component unit:				
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.



McMinnville

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.

Personal Property	Utilities	Total		Total Maximum Assessed Value as a Percentage of Estimated Real Market Value	Total Direct Tax Rate
Maximum Assessed Value	Maximum Assessed Value (a)	Maximum Assessed Value (b)	Estimated Real Market Value		
\$ 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 Direct and Overlapping Rates
McMinnville School District No. 40			Other Taxing Districts (b)			
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		<u>2,266,601,031</u>	<u>90.86</u>	
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

	<u>Assessed</u> <u>Value</u>	<u>Percentage</u>	<u>Rank</u>
\$	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
	<u>7,272,140</u>	0.40	10
	183,961,568	10.23	
	<u>1,614,879,352</u>	<u>89.77</u>	
\$	<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 Subsequent Years	Total Collections to Date	
	Amount	Percentage of 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)

<u>Customer Type</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
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)	<u>10,798,667</u>	<u>10,111,714</u>	<u>9,585,906</u>
 Total	 <u>155,528,290</u>	 <u>144,284,283</u>	 <u>136,918,537</u>

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

Fiscal Year Ended June 30,	General Obligation Bonds	Less Amount Available in Debt Service Fund (a)	Net General Obligation Bonded Debt	Percentage of Estimated Real Market Value (b)	Per Capita (c)	Other Full Faith & Credit Bank Loan
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>		Total Primary Government (d)	Percentage of Personal Income (e)	Per Capita (c)
<u>Certificates of Participation</u>	<u>Notes Payable</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Notes Payable</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
<u>(1,075,000)</u>	<u>(1,070,000)</u>	<u>(1,105,000)</u>	<u>(1,525,000)</u>	<u>(2,290,000)</u>	<u>(1,228,300)</u>
<u>15,440,000</u>	<u>14,370,000</u>	<u>13,265,000</u>	<u>27,055,000</u>	<u>24,765,000</u>	<u>23,536,700</u>
<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

Employer	Type of Business	Fiscal Year Ended June 30, 2017		
		Number of Employees	Percentage	Rank
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</u> <u>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.



McMinnville

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
Primary government:						
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><u>201.67</u></u>	<u><u>205.30</u></u>	<u><u>203.65</u></u>	<u><u>199.87</u></u>	<u><u>203.28</u></u>	<u><u>197.76</u></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
<u>15.38</u>	<u>15.52</u>	<u>15.45</u>	<u>15.31</u>
<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
<u>1.90</u>	<u>2.00</u>	<u>3.25</u>	<u>3.75</u>
<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
Primary government:				
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	1,100	1,138	1,070	1,032
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	16,452	14,651	13,747	13,857
Total attendance	<u>130,150</u>	<u>126,907</u>	<u>133,876</u>	<u>139,300</u>

Fiscal Year Ended June 30,

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>32,153</u>	<u>29,419</u>	<u>29,823</u>	<u>31,047</u>	<u>29,059</u>	na
1,206	1,251	1,132	1,234	998	na
2,873	2,677	2,418	2,442	2,014	na
<u>1,107</u>	<u>1,133</u>	<u>1,287</u>	<u>1,364</u>	<u>1,317</u>	<u>na</u>
<u>5,186</u>	<u>5,061</u>	<u>4,837</u>	<u>5,040</u>	<u>4,329</u>	<u>na</u>
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
<u>24,245</u>	<u>24,730</u>	<u>18,789</u>	<u>14,794</u>	<u>12,608</u>	<u>13,804</u>
<u>134,996</u>	<u>134,785</u>	<u>134,063</u>	<u>141,784</u>	<u>146,709</u>	<u>135,534</u>

(Continued)

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

Functions/Programs	2008	2009	2010	2011
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

2012	2013	2014	2015	2016	2017
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

<u>Functions/Programs</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
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	<u>-</u>	<u>794</u>	<u>836</u>	<u>782</u>
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
Component unit:				
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
Primary government:			
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,

2011	2012	2013	2015	2016	2017
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

<u>Functions/Programs</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Primary government (continued):			
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
Component unit:			
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



McMinnville

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