

**CITY OF MCMINNVILLE, OREGON**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2014**

Prepared by:

**Finance Department**

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

**Rina Byrne, CPA**  
Technical Services Accountant

**Julie M. Orth**  
Accountant



**City of McMinnville, Oregon**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2014**

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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.ci.mcminnville.or.us](http://www.ci.mcminnville.or.us)

December 17, 2014

Mayor Rick Olson  
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, 2014. The *Comprehensive Annual Financial Report (CAFR)* presents the financial position of the City of McMinnville (City) as of June 30, 2014 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 following accounting principles generally accepted in the United States of America (GAAP) and were audited by Talbot, Korvola & Warwick, LLP in accordance with auditing standards generally accepted in the United States of America. Talbot, Korvola & Warwick, 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 seventeenth largest city in Oregon, and the economic hub of the region. The economy is widely diversified, with primary industries including steel production and other manufacturing, health and educational services, agriculture, insurance products and services, and tourism. This diverse economy is based primarily on smaller companies with less than 50 employees, although a number of larger companies are also based in McMinnville.

**Transmittal Letter  
Year Ended June 30, 2014**

The City is a municipal government, incorporated as a town in 1876 and as a city in 1882, and operates under a 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 inspection services; parks, recreational and cultural activities; and a municipal airport.

**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) that is governed by a Mayor appointed and City Council confirmed Water and Light Commission. 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. A. 2.

**Local Economy:**

**Employment:** According to Oregon Employment Department estimates, the largest share of employment in McMinnville is concentrated in two industries; the trade, transportation, and utilities sector; and the private education and health services sector. These two sectors are followed by manufacturing and local government. The majority of the employment in McMinnville is in industries with above-average levels of payroll per employee. Over the past decade, many industries in McMinnville have shown increases in employment, especially in health services and private education. McMinnville's principal employers are listed in the Statistical Section at the end of this report.

In the past year, unemployment rates for Yamhill County have slowly but steadily trended downward, similar to the rest of the State. Unemployment rates (not seasonally adjusted) for Yamhill County were 6.3 percent in June 2014 compared to 7.7 percent in June 2013. According to a report recently released by the Oregon Office of Economic Analysis (OEA), after suffering relatively severe job losses during the recession, Oregon is now experiencing above average job growth. Oregon's job gains have accelerated as the recovery has spread from the Portland metropolitan area and has become more broad-based across the state. The forecast by the OEA projects that growth rates of 2.6 percent will occur over the 2014-2016 timeframe. With its proximity to the Portland and Salem metropolitan areas, McMinnville is well-positioned to benefit from that job growth.

McMinnville is located in the heart of Oregon wine country, an area which showcases more than 90 wineries and 200 vineyards. McMinnville hosts the International Pinot Noir Celebration, a three day event, famous around the world as a mecca for lovers of Pinot noir and northwest cuisine. The growth of the wine industry in McMinnville and the surrounding area has been a significant factor in sustaining the local economy during the recent recession. The transient lodging tax implemented in fiscal year 2014 will provide funding for the City's efforts to position itself as a premiere destination for wine and culinary tourism.

Recently, Parade magazine featured McMinnville as a finalist in its America's Best Main Street contest. McMinnville's main street is well known for its vibrancy and uniqueness. Visitors can sample craft beers, visit nine different wine tasting rooms, and enjoy a meal at a five star restaurant, featuring produce purchased from local family farms.

**Transmittal Letter  
Year Ended June 30, 2014**

One of McMinnville's largest tourist attractions is the Evergreen Aviation and Space Museum and the Wings and Waves Waterpark. The Museum, which houses Howard Hughes' Spruce Goose airplane and a Titan missile, draws over 150,000 visitors a year. The adjacent Wings and Waves Waterpark is an indoor water park that includes ten waterslides, a wave pool, and a children's museum. An example of classic Evergreen Museum building design, the water park is topped by a massive B747 aircraft which sits on top of the building.

**Population Growth:** Over the last ten years, McMinnville's population has grown by nine percent. 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 13 percent, while the State of Oregon's population grew by nine percent.

Year	McMinnville		Yamhill County		State of Oregon	
	Population	Percent Change	Population	Percent Change	Population	Percent Change
2005	30,020	2.8%	90,310	1.2%	3,628,700	1.3%
2010	32,240	(1.6)	99,405	4.4	3,837,300	0.4
2011	32,270	0.1	99,850	0.4	3,857,625	0.5
2012	32,435	0.5	100,550	0.7	3,883,740	0.7
2013	32,510	0.2	101,400	0.8	3,919,020	0.9
2014	32,705	0.6	102,252	1.1	3,962,565	1.1

Source: US Census Bureau, Portland State University Population Research Center certified yearly estimates. The current fiscal year is based on the preliminary Oregon population estimate.

According to a recent projection by Portland State University, Yamhill County's population is expected to reach 123,897 by 2025; an increase of 21 percent from its 2014 population estimate of 102,252. For comparison, the projected increase for the state of Oregon's population during that same timeframe is 14 percent.

**Residential, Commercial, and Industrial Development:** During fiscal year 2014, several projects of note were initiated or completed, including the following: construction of a new transit facility in downtown McMinnville (\$0.7 million); construction of a 34-unit memory care facility (\$2.7 million); construction of a downtown multi-use commercial building (\$1.9 million); reconstruction of commercial building to accommodate a new drugstore (\$1.8 million); and several other commercial and industrial building and site improvements totaling more than \$2.0 million.

This past year, the City also approved projects for the coming year that, if constructed, will include a new car dealership showroom; a new surveyor's office; a new medical office building; and significant expansion of a memory care facility and construction of two new facilities. In addition, McMinnville saw the platting and groundbreaking of two residential subdivisions.

This year's residential permit numbers reflect an increase compared to the three prior years. In 2014, the value of new residential construction totaled \$21.6 million, compared to \$12.7 million in 2013 and \$11.7 million in 2012. For commercial, public sector, and industrial development, 2014 values were up slightly from the prior year's \$12 million figure, but were still down considerably from their highs of \$29.2 million and \$29.8 million in 2012 and 2011, respectively. Several major projects were completed in 2012 and 2011, including the new Chemeketa Community College building and a recreational water park on the Evergreen Aviation campus, which were the reason for such relatively high values.

**Property Values:** Maximum assessed values and real market values are factors that are useful in measuring the economic health of a community. As illustrated below, the maximum assessed value for McMinnville grew by 52 percent over the last ten years. Maximum assessed value increases were primarily related to new construction and major commercial building improvements. From 2005 to 2014, real market value for McMinnville increased by 36 percent. The table below illustrates that the City is located in a growing economic region. Yamhill County's real market value grew by 39 percent in the last ten years.

Although the City's real market value declined in the last five years, the decrease in 2014 was 0.7 percent compared to a decrease of 1.4 percent in 2013 and 12.1 percent in 2012. Maximum assessed value as a percentage of real market value was 81 percent for 2014 compared to 79 percent for 2013.

**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>
2005	\$ 1,473,341	6.7%	\$ 2,020,287	14.7%	\$ 6,587,913	13.3%
2010	2,034,616	4.9	3,267,741	(0.4)	10,751,680	(3.2)
2011	2,106,858	3.6	3,193,379	(2.3)	10,403,609	(1.9)
2012	2,140,278	1.6	2,806,089	(12.1)	9,189,327	(10.0)
2013	2,199,145	2.7	2,767,634	(1.4)	8,911,056	(3.0)
2014	2,233,167	1.5	2,748,715	(0.7)	9,156,128	2.8

Source: Yamhill County Assessor's Office

**Property Tax Rates:** Since fiscal year 2001, the City has levied the entire permanent property tax rate for operations, established by the 1996 Oregon tax limitation measure. Generally, the City's debt service levy has continued to decrease from 2009 through 2013, primarily due to the refunding of general obligation (GO) bonds in 2011 and increasing maximum assessed values. However, in 2013, the tax levy for bonded debt service was less than usual due to using unspent bond proceeds from the 2006 GO bonds to offset the amount of taxes levied.

**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>Total Property Tax Levy</u>	<u>Consolidated Property Tax Rate</u>
2005	\$ 5.02	\$ 0.96	\$ 5.98	\$ 15.93
2010	5.02	0.82	5.84	16.71
2011	5.02	0.72	5.74	16.49
2012	5.02	0.68	5.70	16.59
2013	5.02	0.63	5.65	16.56
2014	5.02	0.70	5.72	16.49

Source: Yamhill County Assessor's Office

## **Fiscal Policy and Financial Planning:**

After several years of economic recession, the city of McMinnville is beginning to see reasons for optimism; e.g., increased construction activity, job growth, and an end to dropping property real market values. During the economic downturn, the City of McMinnville maintained an adequate reserve in the General Fund. This was achieved through the long-term vision and leadership of City management and City Council.

To facilitate long-term planning, City management uses a three year financial forecast model. Forecasting is an essential financial tool that allows City management to evaluate the fiscal health of the City. Forecasts allow policymakers to take action in a timely manner, which mitigates future financial problems and allows planning for expansion when economic conditions improve. The forecast model projects revenues and expenditures based on a set of assumptions, such as assessed property values, cost of living adjustments, pension benefit rates, etc. In the past several years, the City has relied heavily on the General Fund forecast to navigate through the recession. The City has done an excellent job of holding down expenses in light of revenues that have been essentially flat. As a result the City has largely been able to maintain appropriate levels of services, while maintaining an adequate General fund cash reserve.

For fiscal year 2014, the City's General Fund ending fund balance (after adjusting for unspent loan proceeds) is approximately 48 percent of total General Fund expenditures. 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 to cover operating expenditures from July through October, prior to the receipt of current year property taxes. Additional information on the City's fund balance policy is included in the notes to the financial statements, Note I.E.11.

The City has identified several factors which will impact the financial position of the City in the future, including the following:

- Although the rate of increase in assessed property values has not returned to historically high pre-2009 levels, 2014 assessed values increased by approximately two percent compared to the prior year. For comparison, a one percent increase in assessed value results in approximately \$100,000 in property tax revenue.
- The upward trend in assessed values is critical because property tax revenue is approximately 60% of all General Fund revenues and the options for increasing other revenues are limited. As in the past, the City will need to continue to manage the rising costs of salaries and fringe benefits, especially for police officers and firefighters, who are members of the City's two contractual bargaining units.
- To maintain an adequate General Fund reserve, the City has chosen to limit the amount of repair and maintenance projects on City buildings. This deferred maintenance will need to be addressed in the near future.
- In fiscal year 2014, ambulance services operating expenses exceeded operating revenues by \$0.9 million on a full accrual basis, requiring the General Fund to subsidize ambulance operations with a transfer of \$0.6 million. This subsidy will most likely continue to be necessary in the future. Additional information on ambulance operations is included in the Management's Discussion and Analysis section titled "Economic Factors and Future Operations".

**Transmittal Letter  
Year Ended June 30, 2014**

City management will continue to closely monitor revenues and expenditures and respond proactively as opportunities and issues are identified. The long-term financial forecast will be updated as new information becomes available and any significant changes in revenues or expenditures come to light. As in past years, the City will continue to follow a conservative fiscal policy and make adjustments, as needed, to maintain an adequate fund balance in the General Fund and all other funds of the City.

**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 and other adopted plans that provide the vision for the development of downtown McMinnville. The Urban Renewal Agency facilitates financing of projects within the urban renewal area. The City Council serves as the Board of Directors for the Urban Renewal Agency. The Urban Renewal Agency will begin collecting incremental property taxes in fiscal year 2015.

In January 2014, the City began collecting an eight percent tax on transient lodging rentals, generally defined as hotels, motels, and other dwelling units designed for temporary overnight occupancy. State law requires that at least 70 percent of net revenue collected as transient lodging tax be used to fund tourism promotion and tourism related facilities. The remaining 30 percent may be appropriated at the City Council's discretion. In fiscal year 2014, the discretionary monies were transferred to the General Fund. Total annual tax revenues for fiscal year 2015 are estimated at \$0.4 million.

During fiscal year 2014, Wastewater spent over \$1.1 million on projects related to reducing inflow and infiltration (I&I). These projects are a vital component in controlling wastewater system overflows and reducing demands on the Water Reclamation Facility (WRF). In addition, \$1.1 million was spent for the designing the WRF secondary treatment expansion and modifications per the WRF master plan. An additional \$10.1 million is budgeted in fiscal year 2015 to complete the project.

**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, 2013. The City has received this recognition for 25 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 Accountant II Julie M. Orth, who was instrumental in preparation of the *CAFR*, and to Technical Services Accountant Rina M. Byrne, CPA, who provided valuable assistance in the drafting 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,



Kent L. Taylor  
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, 2013**

Executive Director/CEO



**CITY OF McMinnville, Oregon**

**ELECTED OFFICIALS  
AND  
PRINCIPAL APPOINTED OFFICERS OF THE CITY**

**JUNE 30, 2014**

**CITY COUNCIL**

**TERM EXPIRES**

<b>Rick Olson</b> 1324 SW Louise Drive McMinnville Oregon 97128	Mayor	December 31, 2016
<b>Scott Hill</b> 1525 Gilson Court McMinnville Oregon 97128	Ward I	December 31, 2016
<b>Kevin Jeffries</b> 2355 SW Peggy Street McMinnville Oregon 97128	Ward I	December 31, 2014
<b>Kellie Menke</b> 678 NW Wintergreen McMinnville Oregon 97128	Ward II	December 31, 2016
<b>Alan Ruden</b> 1688 NW Emerson Drive McMinnville Oregon 97128	Ward II	December 31, 2014
<b>Larry Yoder</b> 565 Haven Lane McMinnville Oregon 97128	Ward III Council President	December 31, 2016
<b>Paul May</b> 309 NE 5 <sup>th</sup> Street McMinnville Oregon 97128	Ward III	December 31, 2014

**CITY ADMINISTRATION**

**Kent L. Taylor**

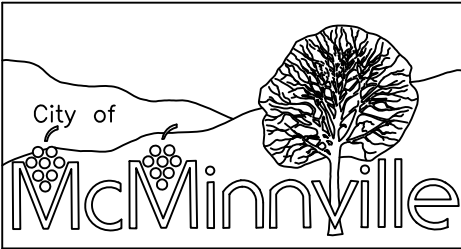
**City Manager**

**Candace A. Haines**

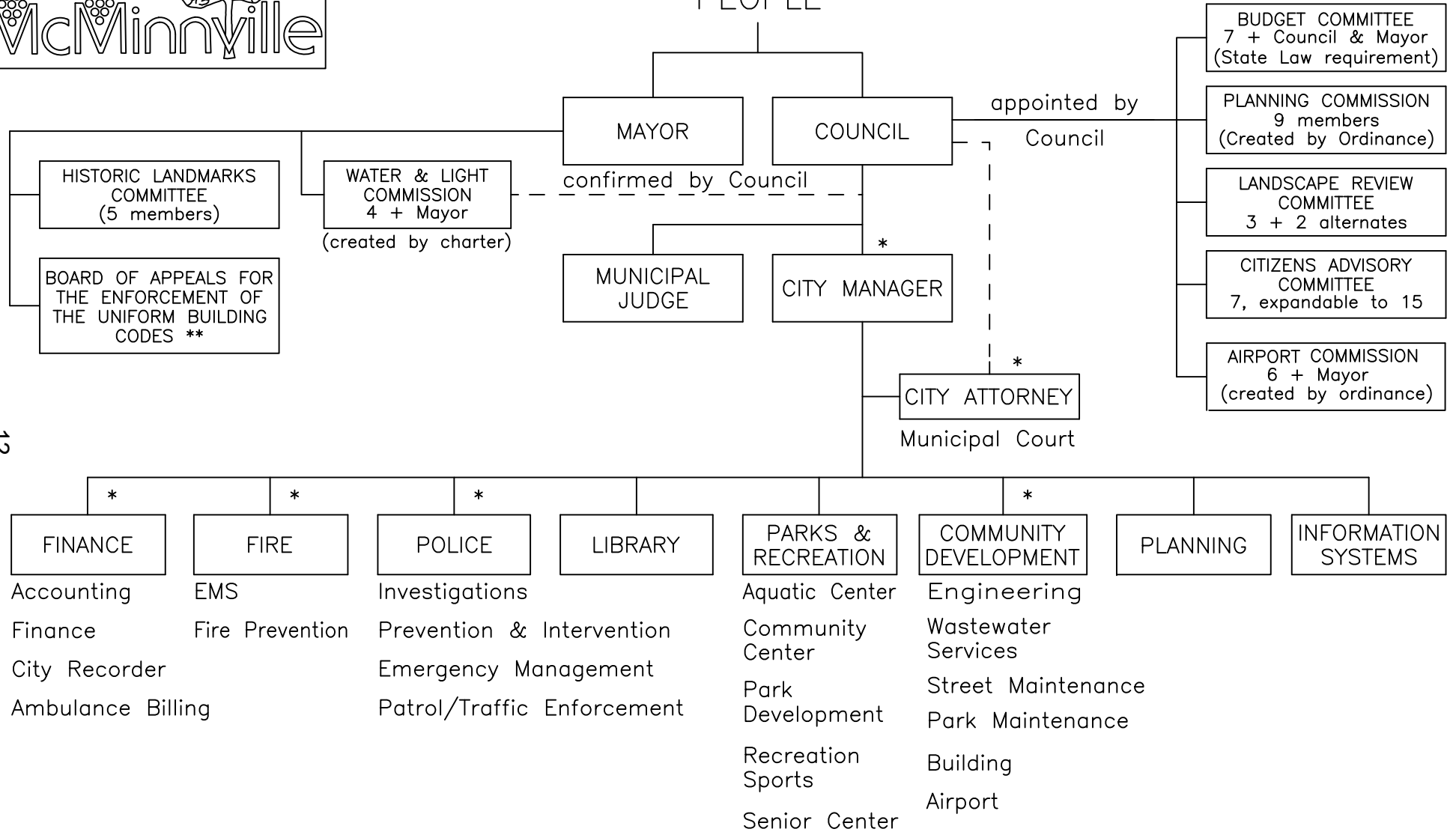
**City Attorney**

**Marcia T. Baragary, CPA**

**Finance Director**



PEOPLE



12

\* Officers listed in Charter and appointed by Council upon recommendation by City Manager.  
 Council serves as own Contract Review Board.  
 Council serves as Library Board to meet any State Law requirements.

\*\* Includes the BOARD OF APPEALS FOR THE ENFORCEMENT OF THE UNIFORM BUILDING CODE FOR THE ABATEMENT OF DANGEROUS BUILDINGS.

All commissions, boards, and committees (unless otherwise noted) have been created by Council action.

## **FINANCIAL SECTION**

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





Talbot, Korvola  
& Warwick, LLP

Certified Public Accountants  
& Consultants

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of McMinnville  
McMinnville, Oregon

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McMinnville, Oregon, (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of 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 the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

Honorable Mayor and City Council  
City of McMinnville, Oregon

### **AUDITOR'S RESPONSIBILITY (Continued)**

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, based on our audit and the report of other auditors, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison information for the General and Airport Maintenance Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **EMPHASIS OF MATTER**

As discussed in Note IV. J., the financial statements referred to above include the effects of a change in accounting principle, specifically related to depreciation of capital assets. Beginning net position of the governmental activities in the Statement of Activities was restated to reflect those effects. Our opinion is not modified with respect to this matter.

### **OTHER MATTERS**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules, and other schedules, collectively presented as Other Supplementary Information, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

Honorable Mayor and City Council  
City of McMinnville, Oregon

### **OTHER MATTERS**

#### ***Other Information (Continued)***

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, based on our audit, and the procedures performed as described above, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

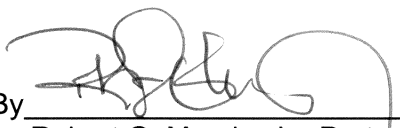
The Introductory and Statistical Sections, as listed in the Table of Contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 17, 2014, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

**TALBOT, KORVOLA & WARWICK, LLP**

By   
\_\_\_\_\_  
Robert G. Moody, Jr., Partner

Lake Oswego, Oregon  
December 17, 2014





## **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, 2014. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the City's "Letter of Transmittal" of 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**

#### **Government-Wide:**

- Prior to July 1, 2013, certain street and sewer infrastructure capital assets were depreciated using the composite method of depreciation. The City has determined that street and sewer infrastructure should be depreciated using the straight-line method, to more accurately reflect usage of the assets. As a result of this change in principle, the beginning balance of accumulated depreciation for street infrastructure has been decreased by approximately \$3.3 million with a corresponding increase in net position. Additional information regarding the change in accounting principle and the effect on the City's capital assets can be found in the notes to the financial statements, Note III. C. and Note IV.J.
- In addition, certain intergovernmental revenues were previously recognized when received with an emphasis on recording these revenues consistently with prior years. The City has determined that these revenues should be recognized under the modified accrual basis of accounting, consistent with recognition of other revenues. As a result of implementing this change, beginning net position/fund balances have been restated to reflect the prior period adjustment. Additional information regarding this change can be found in the notes to the financial statements, Note IV.J.
- Assets of the City exceeded liabilities by \$144.2 million at June 30, 2014 (*net position*). This compares to \$141.5 million for the prior year, as restated.
- The net position balance of \$144.2 million is comprised of the following:
  - 1) Net investment in capital assets, such as buildings, parks and roads (\$107.9 million compared to \$106.4 million in the prior year, as restated);
  - 2) Restricted amounts for future capital projects and debt service (\$6.2 million compared to \$4.4 million in the prior year, as restated); and
  - 3) An unrestricted balance, which may be used to meet the City's ongoing obligations to citizens and creditors (\$30.1 million compared to \$30.7 million in the prior year, as restated).

#### **Fund Level:**

- The City's governmental funds report a combined fund balance of \$17.5 million, an increase of \$2.2 million from last fiscal year. Approximately \$8.1 million of that amount 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.

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

- The City's proprietary funds, including Internal Service Funds, report a total net position balance of \$71.0 million, an increase of \$3.4 million over the prior year. The favorable change in net position was primarily due to a \$2.8 million decrease in liabilities resulting from principal payments on revenue bonds.

### Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic statements include three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. This report contains other supplementary information in addition to the basic financial statements and required information.

**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, 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. Business-type activities of the City are Wastewater, Ambulance, and Building.

- **Statement of Net Position:** This statement includes all assets and liabilities 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.

**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.

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

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 eleven governmental funds, three of which are considered major funds. Funds that receive property tax revenues have been classified as major funds; i.e., General Fund and Debt Service Fund. The Airport Maintenance Fund is also classified as a major fund to be consistent with the prior year. The remaining governmental funds, five special revenue and three 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.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

- **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.

**Notes to basic financial statements:** The notes to basic financial statements are essential to a complete understanding of the government-wide and fund financial statements.

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. This includes budget and actual comparisons for funds, property tax and debt service schedules, and a schedule of expenditures of federal awards.

**Statistical section:** The statistical section includes a number of financial schedules to enable the reader to understand the City's overall financial health. This section presents multi-year summaries for financial trends, revenue capacity, debt capacity, demographic, and general operating information.

**Independent certified public accountants report:** This report provides supplemental communication on City compliance and internal controls as required by Oregon Statutes.

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

### Government-Wide Financial Analysis

#### Statement of Net Position:

The following table is a summary of the City's Net Position compared to the prior fiscal year. Fiscal year 2013 amounts for other assets, capital assets, and invested in capital assets for governmental activities have been adjusted to reflect the restatement discussed in the Government-Wide Financial Highlights section at the beginning of the MD&A. This allows for better comparison between fiscal year 2014 and fiscal year 2013.

**Government-Wide --- Comparative Summary Statement of Net Position**  
**June 30, 2014 and 2013 (Restated)**  
(in millions)

	Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total City		Water and Light	
	2014	2013	2014	2013	2014	2013	2014	2013
Cash and investments	\$ 18.8	\$ 16.4	\$ 20.3	\$ 19.6	\$ 39.1	\$ 36.0	\$ 32.8	\$ 29.3
Other assets	2.5	2.7	1.5	1.4	4.0	4.1	9.2	9.0
Capital assets	73.2	75.5	48.3	48.5	121.5	124.0	118.0	115.1
<b>Total assets</b>	<b>94.5</b>	<b>94.6</b>	<b>70.1</b>	<b>69.5</b>	<b>164.6</b>	<b>164.1</b>	<b>160.0</b>	<b>153.4</b>
Other liabilities	3.5	3.4	0.9	3.5	4.4	6.9	5.3	4.9
Non-current liabilities	15.8	15.5	0.2	0.2	16.0	15.7	1.5	1.4
<b>Total liabilities</b>	<b>19.3</b>	<b>18.9</b>	<b>1.1</b>	<b>3.7</b>	<b>20.4</b>	<b>22.6</b>	<b>6.8</b>	<b>6.3</b>
Invested in capital assets	59.6	60.8	48.3	45.6	107.9	106.4	118.1	115.1
Restricted	5.9	4.2	0.3	0.2	6.2	4.4	-	-
Unrestricted	9.7	10.7	20.4	20.0	30.1	30.7	35.1	32.0
<b>Total net position</b>	<b>\$ 75.2</b>	<b>\$ 75.7</b>	<b>\$ 69.0</b>	<b>\$ 65.8</b>	<b>\$ 144.2</b>	<b>\$ 141.5</b>	<b>\$ 153.2</b>	<b>\$ 147.1</b>

For the City, assets exceeded liabilities by \$144.2 million at the end of the current fiscal year. The largest portion of the City's net position, or \$107.9 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 \$6.2 million and represents amounts that are legally restricted for capital expansion, debt service, or other purposes. The remaining \$30.1 million is unrestricted, meaning it is available for meeting the City's ongoing obligations.

**City --- Comparative Summary Statement of Net Position – Governmental Activities:** Total net position decreased by \$0.5 million compared to fiscal year 2013. However, cash and investments increased by \$2.4 million compared to the prior fiscal year. A significant portion of this increase is the result of receiving \$1.4 million in loan proceeds during fiscal year 2014 to purchase fire vehicles in fiscal year 2015. Unspent loan proceeds are included in restricted net position. Capital assets decreased by \$2.3 million, primarily due to annual depreciation. Total liabilities increased by \$0.4 million, due to two factors. Although non-current liabilities were reduced by \$1.1 million due to principal payments on general obligation bonds, this reduction was offset by an increase of \$1.4 million, which resulted from the City's entering into a loan agreement for the purchase of fire vehicles.

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

**City --- Comparative Summary Statement of Net Position – Business-Type Activities:** Total net position increased by \$3.2 million or five percent. The favorable change is primarily due to a reduction in other liabilities resulting from a scheduled \$2.8 million principal payment on 2004 sewer revenue refunding bonds. This payment retired the remaining amount payable on the revenue bonds.

- **Component Unit - Department --- Comparative Summary Statement of Net Position:** Total net position for the Department increased by \$6.1 million or four percent. Cash and investments increased by \$3.5 million primarily due to increased revenue from electricity sales. Capital assets increased by \$2.9 million due to improvements to both the water and electric utility plants.

### **Statement of Activities:**

The following table is a summary of the City's governmental and business-type activities compared to the prior fiscal year. In the government-wide Statement of Activities, governmental activities beginning net position for fiscal year 2014, as previously reported, was restated to reflect a change in accounting principle and a prior period adjustment. However, in the following comparative table, the total amount of the restatement of \$3.7 million is included in fiscal year 2013 governmental activities. This provides for a better comparison between fiscal year 2014 and fiscal 2013.

City of McMinnville - Management's Discussion and Analysis

**Government-Wide --- Comparative Summary Statement of Activities  
For the Years Ended June 30, 2014 and 2013 (Restated)**

(in millions)

	City of McMinnville - Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total City		Water and Light	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>								
Program revenues								
Charges for services	\$ 4.0	\$ 4.0	\$ 12.2	\$ 11.7	\$ 16.2	\$ 15.7	\$ 44.7	\$ 43.0
Operating grants & contributions	2.3	2.2	-	-	2.3	2.2	-	-
Capital grants & contributions	0.7	0.8	-	0.1	0.7	0.9	0.9	0.5
General revenues								
Property taxes	12.5	12.1	-	-	12.5	12.1	-	-
Franchise taxes	2.5	2.5	-	-	2.5	2.5	-	-
Other	1.1	0.9	0.1	0.1	1.2	1.0	3.7	4.8
<b>Total revenues</b>	<b>23.1</b>	<b>22.5</b>	<b>12.3</b>	<b>11.9</b>	<b>35.4</b>	<b>34.4</b>	<b>49.3</b>	<b>48.3</b>
<b>Expenses:</b>								
Governmental activities								
General government	2.0	1.9	-	-	2.0	1.9	-	-
Community development	1.2	1.3	-	-	1.2	1.3	-	-
Public safety								
Police	7.6	7.1	-	-	7.6	7.1	-	-
Fire	2.5	2.5	-	-	2.5	2.5	-	-
Emergency communications	0.8	0.6	-	-	0.8	0.6	-	-
Highways and streets	2.5	3.8	-	-	2.5	3.8	-	-
Culture and recreation								
Parks and recreation	4.1	4.1	-	-	4.1	4.1	-	-
Library	1.3	1.4	-	-	1.3	1.4	-	-
Airport	0.6	0.6	-	-	0.6	0.6	-	-
Interest on long-term debt	0.5	0.5	-	-	0.5	0.5	-	-
Business-type activities								
Wastewater	-	-	5.8	5.8	5.8	5.8	-	-
Ambulance	-	-	3.5	3.4	3.5	3.4	-	-
Building	-	-	0.3	0.3	0.3	0.3	-	-
Component unit	-	-	-	-	-	-	43.2	41.5
<b>Total expenses</b>	<b>23.1</b>	<b>23.8</b>	<b>9.6</b>	<b>9.5</b>	<b>32.7</b>	<b>33.3</b>	<b>43.2</b>	<b>41.5</b>
<b>Change in net position before transfers</b>	<b>-</b>	<b>(1.3)</b>	<b>2.7</b>	<b>2.4</b>	<b>2.7</b>	<b>1.1</b>	<b>6.1</b>	<b>6.8</b>
Transfers	(0.5)	(0.2)	0.5	0.2	-	-	-	-
<b>Change in net position</b>	<b>(0.5)</b>	<b>(1.5)</b>	<b>3.2</b>	<b>2.6</b>	<b>2.7</b>	<b>1.1</b>	<b>6.1</b>	<b>6.8</b>
Beginning net position as previously reported	75.7	73.5	65.8	63.2	141.5	136.7	147.1	140.3
Restatement	-	3.7	-	-	-	3.7	-	-
Beginning net position as restated	75.7	77.2	65.8	63.2	141.5	140.4	-	-
<b>Ending net position</b>	<b>\$ 75.2</b>	<b>\$ 75.7</b>	<b>\$ 69.0</b>	<b>\$ 65.8</b>	<b>\$ 144.2</b>	<b>\$ 141.5</b>	<b>\$ 153.2</b>	<b>\$ 147.1</b>

Total net position of the City increased by \$2.7 million compared to the prior fiscal year. Governmental activities net position declined by \$0.5 million, while total net position of business-type activities grew by \$3.2 million.

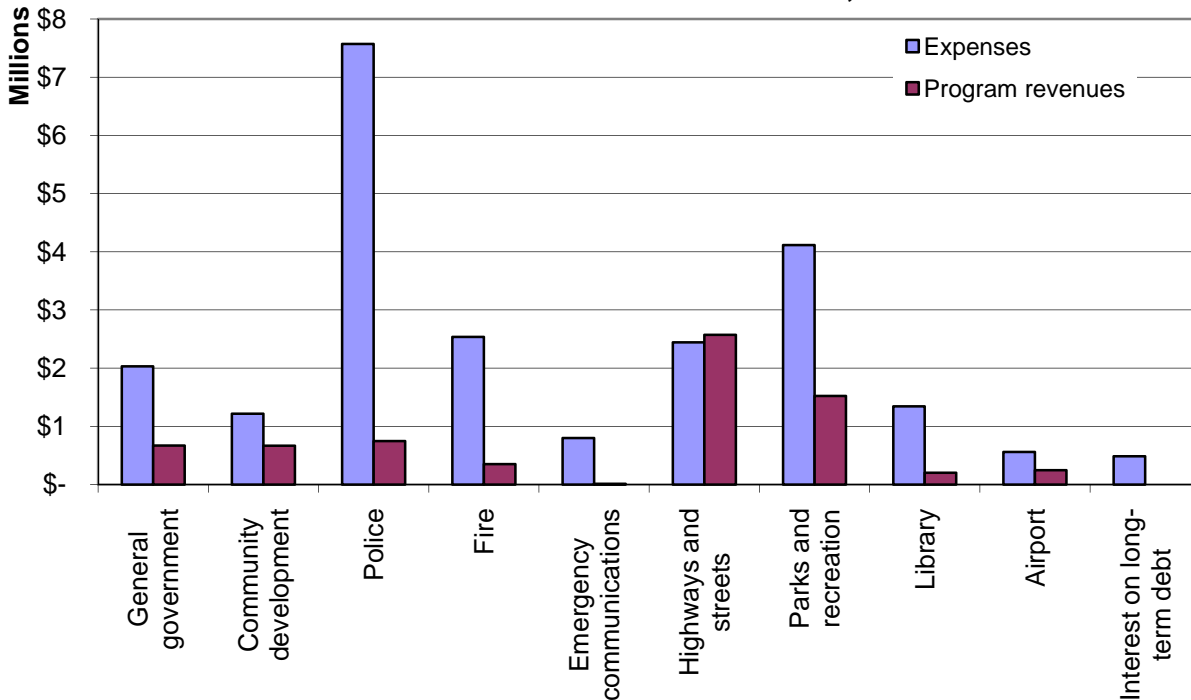
## City of McMinnville - Management's Discussion and Analysis

- City --- Comparative Summary Statement of Activities – Governmental Activities:** Program revenues remained consistent with the prior year. General revenues increased by \$0.6 million or four percent compared to the prior year, primarily due to increased property tax revenue and the receipt of transient lodging taxes, which the City began collecting in January 2014.

Total expenses for governmental activities decreased approximately \$0.7 million compared to the prior year. This change is attributable to several factors. Highways and streets decreased by \$1.3 million primarily due to a significant reduction in depreciation expense in fiscal year 2014 compared to the prior year. In prior fiscal years, street infrastructure was depreciated using the composite method. In fiscal year 2014, the City determined that the straight line method more accurately reflects the usage of the asset. The change in depreciation method significantly reduced the amount of depreciation expense recorded for street infrastructure. Other expenses, including general government, community development, culture and recreation, and airport expenses, were consistent with the prior year. However, public safety expenses increased by \$0.7 million compared to the prior year, primarily due to cost of living salary adjustments and higher costs for fringe benefits for police officers and firefighters.

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.

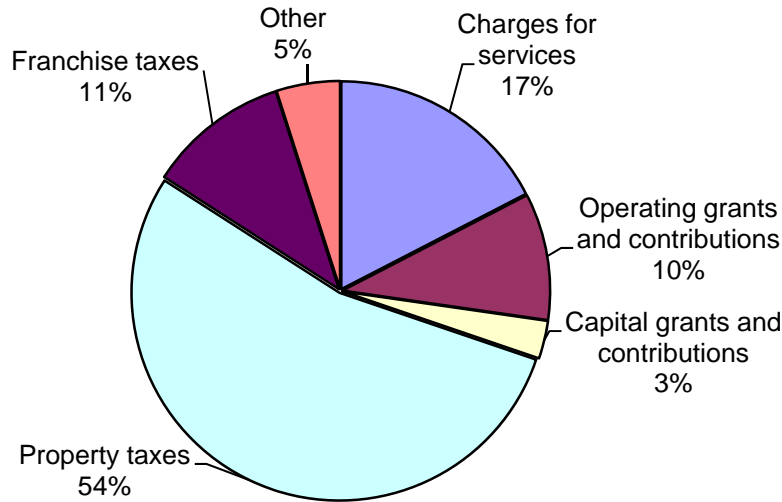
**Governmental Activities  
Expenses and Program Revenues by Function  
For the Year Ended June 30, 2014**



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

The following pie chart illustrates the relative amount of the different categories of revenue sources for governmental activities. Percentages for fiscal year 2014 are consistent with the prior fiscal year.

**Governmental Activities  
Revenues by Source  
For the Year Ended June 30, 2014**



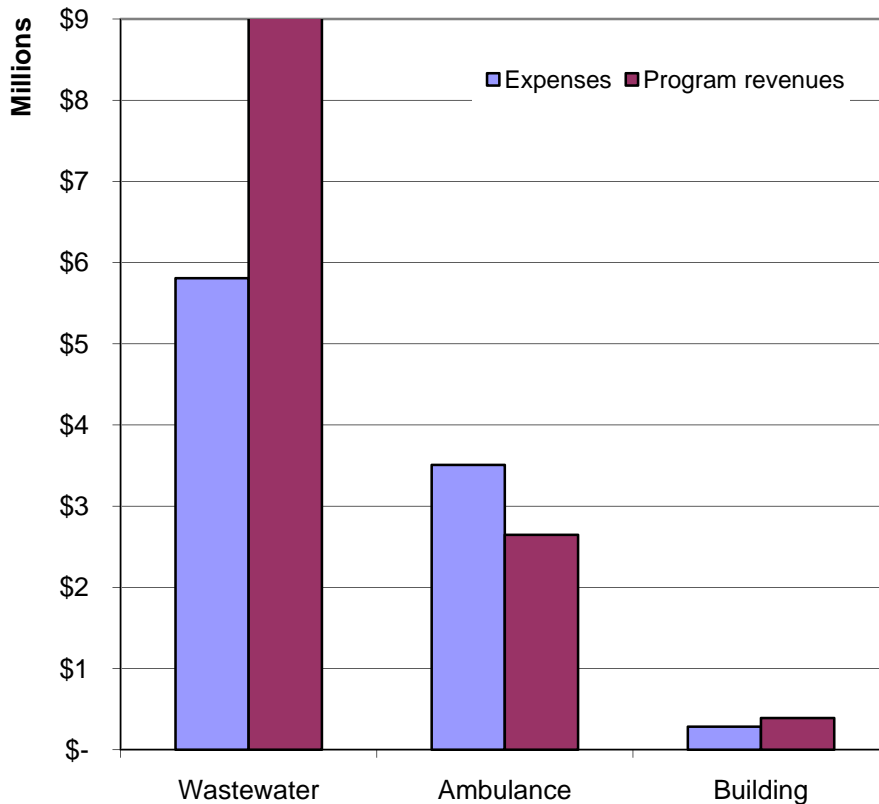
**City --- Comparative Summary Statement of Activities – Business-Type Activities:** Revenues for business-type activities, primarily consisting of charges for services, rose by \$0.4 million or four percent compared to the prior year. For Wastewater, charges for services increased by \$0.5 million over the previous year, primarily due to a 2.8% sewer rate increase effective July 2013 and a 51 percent increase in systems development charges revenue. However, Ambulance revenue decreased by \$0.2 million or seven percent due to a decrease in the number of transports. Building revenues increased by \$0.1 million compared to the prior year, due to increase building construction activity.

Total expenses for Wastewater and Building activities remained relatively consistent with the prior year. However, total expenses related to Ambulance services increased by \$0.1 million or three percent, primarily due to cost of living salary adjustments and increased overtime for ambulance personnel.

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 also shows that Ambulance expenses exceeded revenue in the current fiscal year, requiring operations to be partially funded with \$0.6 million transfer from the General Fund. Building Department permit revenue exceeded expenses by \$0.1 million, reflecting that the number of building permits issued increased, while staffing levels for the Building Department did not.

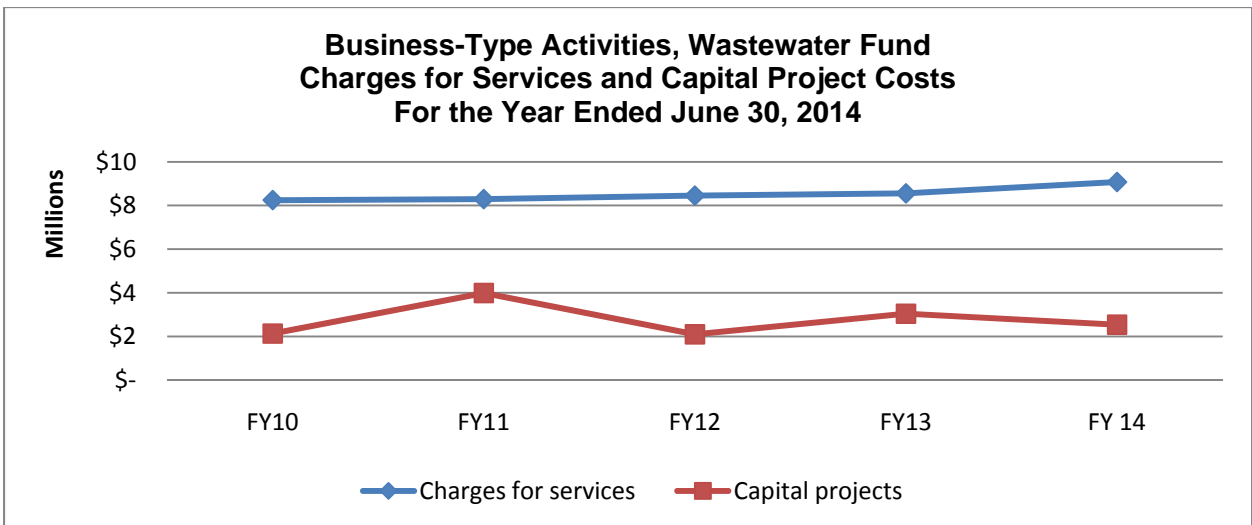


**Business-Type Activities  
Net Expenses and Program Revenues by Function  
For the Year Ended June 30, 2014**



The line graph below focuses on Wastewater, as it is the largest of the City's business-type activities. The graph displays charges for services and capital project costs for the last five years. The graph illustrates that charges for services are relatively steady, while capital project costs can vary due to the number and size of projects in a given year. The graph also reflects the City's long term financial policy of setting user fees at a level that will fund future capital projects on a "pay as you go" basis.

**Business-Type Activities, Wastewater Fund  
Charges for Services and Capital Project Costs  
For the Year Ended June 30, 2014**



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

**Component Unit - Department --- Comparative Summary Statement of Activities:** Total revenues for the Department overall increased by \$1.0 million or two percent compared to the prior year. Revenues from charges for services for water and electricity increased \$1.7 million, primarily due to higher electric rates and increased consumption. However, revenue from timber sales, net of related expenses, decreased by \$1.1 million. Total expenses increased by \$1.7 million, primarily due to higher costs for supply and transmission of electricity and depreciation of capital assets.

### 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*. Fiscal year 2013 fund balances have been adjusted to reflect the prior period adjustment discussed in the Fund Level Financial Highlights section at the beginning of the MD&A. This allows for better comparison between fiscal year 2014 and fiscal year 2013.

#### Governmental Funds – Comparative Ending Fund Balances June 30, 2014 and 2013 (Restated) (in thousands)

	Ending Fund Balances										
	Major Funds										Net Change
	General		Airport Maintenance		Debt Service		Non-major Funds		Total		
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Nonspendable	\$ 23	\$ 22	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23	\$ 22	\$ 1
Restricted	1,352	-	-	-	1,460	1,443	4,212	3,652	7,024	5,095	1,929
Committed	-	-	727	679	-	-	262	10	989	689	300
Assigned	557	1,163	-	-	-	-	814	1,149	1,371	2,312	(941)
Unassigned	<u>8,054</u>	<u>7,117</u>	-	-	-	-	-	-	<u>8,054</u>	<u>7,117</u>	937
<b>Total ending fund balance</b>	<b><u>\$9,986</u></b>	<b><u>\$ 8,302</u></b>	<b><u>\$727</u></b>	<b><u>\$679</u></b>	<b><u>\$1,460</u></b>	<b><u>\$1,443</u></b>	<b><u>\$5,288</u></b>	<b><u>\$4,811</u></b>	<b><u>\$17,461</u></b>	<b><u>\$15,235</u></b>	<b><u>\$ 2,226</u></b>

**City --- Governmental Funds:** Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they are measurable and available and expenditures generally are recorded when a liability is incurred, except for long-term liabilities.

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).

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

General Fund revenues consist of property taxes (61% of total revenue); licenses and permits (13%); intergovernmental (8%); charges for services (13%); fines and forfeitures (3%); and miscellaneous (2%). Total General Fund revenues increased by \$0.3 million or two percent compared to the prior year, due to several factors. Property tax revenue increased by \$0.2 million or two percent due to growth in assessed property values and new construction. Licenses and permits revenue (primarily franchise fees) and charges for services revenue (primarily Parks and Recreation program fees) combined reflect an increase of \$0.1 million. Intergovernmental revenues increased slightly primarily due to higher liquor tax collections. Fines and forfeitures decreased by \$0.1 million, primarily due to a decrease in citations in the Municipal Court.

Total General Fund expenditures increased by \$0.6 million or four percent compared to the prior year. Expenditures for general government, community development, and culture and recreation were largely unchanged. However, higher costs for public safety salaries and fringe benefits, including cost of living adjustments, medical insurance premiums, and retirement benefit contributions, resulted in a \$0.6 million increase.

In the General Fund, current fiscal year total revenues exceeded total expenditures by \$1.4 million. Other financing uses consisted of \$1.1 million in transfers to other funds. Other financing sources consisted of proceeds from the issuance of a full faith and credit obligation in the amount of \$1.4 million for the purchase of fire vehicles. These proceeds, net of issuance costs and interest earned, are reflected on the governmental funds balance sheet as restricted fund balance. The fire vehicles will be purchased in fiscal year 2015.

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 increased by \$1.0 million, due to two factors. The net change in fund balance, excluding proceeds from the full faith and credit obligation, was approximately \$0.3 million. In addition, \$0.6 million had previously been "saved" toward future fire vehicles purchase and was considered assigned. With \$1.4 million in loan proceeds restricted for fire vehicles at June 30, 2014, the \$0.6 million that had been assigned was no longer needed and was added to unassigned fund balance.

The Airport Maintenance Fund balance remained at \$0.7 million, the same as the prior year. Charges for services revenue, including rental payments for land and building leases, nearly matched operating expenditures in the current fiscal year. Operating expenditures, primarily maintenance and improvements costs for buildings, taxiways, and runways, vary from year to year depending on projects. Rental property revenue is committed by City Council resolution solely for airport operations. Federal Aviation Administration (FAA) grant funds are accounted for in the Airport Maintenance Fund and are restricted for airport improvement projects. The City did not receive any FAA grant funds in the current fiscal year.

The Debt Service Fund balance remained at \$1.5 million, the same as the prior year. The City levies property taxes sufficient to pay general obligation bond debt service. The Debt Service Fund reserve is maintained at a level sufficient to pay debt service payments that are due early in the fiscal year prior to receipt of property tax revenue. For the Public Safety and Courtroom/Civic Buildings and the Parks Improvements bonds, principal and interest payments of \$1.4 million are due in August of each fiscal year. Interest payments of \$0.3 million are due in February, after the majority of property tax revenue has been received.

Non-major governmental fund ending fund balances include amounts restricted for street maintenance; transportation and park system improvements; and transient lodging taxes, which must be used for tourism promotion.

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

**Proprietary Funds – Comparative Ending Net Position  
June 30, 2014 and 2013  
(in thousands)**

	<u>Unrestricted</u>		<u>Restricted</u>		<u>Net Investment in Capital Assets</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Fund:								
Wastewater	\$ 20,049	\$ 19,512	\$ -	\$ -	\$ 47,439	\$ 44,625	\$ 67,488	64,137
Ambulance	638	900	-	-	557	650	1,195	1,550
Building	-	-	300	179	279	293	579	472
Internal Service	1,055	735	-	-	641	655	1,696	1,390
<b>Total ending net position</b>	<b><u>\$ 21,742</u></b>	<b><u>\$ 21,147</u></b>	<b><u>\$ 300</u></b>	<b><u>\$ 179</u></b>	<b><u>\$ 48,916</u></b>	<b><u>\$ 46,223</u></b>	<b><u>\$ 70,958</u></b>	<b><u>\$ 67,549</u></b>

**City --- Proprietary Funds:** Total ending net position for proprietary funds, including Internal Services Funds, increased by \$3.4 million or five percent compared to the prior fiscal year, largely due to an increase in Net Investment in Capital Assets amounts. This amount reflects the difference between capital assets, adjusted for accumulated depreciation, less outstanding principal on capital-related debt.

For Wastewater, the increase in Net Investment in Capital Assets primarily resulted from a reduction in capital-related debt; i.e., principal payments of \$2.8 million paid in fiscal year 2014.

Ambulance unrestricted net position decreased by nearly \$0.3 million, as operating expenses continue to exceed operating revenues. Because reimbursements from Medicare and Medicaid have not kept pace with increasing costs of ambulance service operations, there was an operating loss of \$0.9 million. Ambulance transport fee revenues are not sufficient to cover operating costs and a subsidy of \$0.6 million was required from the General Fund.

Building Fund net position increased by \$0.1 million. This reflects an increase in building permit fee revenues and continued reduced levels of staffing.

Internal service funds include Information Systems & Services (IS) and Insurance Services Funds. Net position for the IS fund was consistent with the prior year, while net position for the Insurance Services Fund increased by \$0.1 million. Operating departments pay premiums to the Insurance Services Fund for property, liability, and workers compensation insurance. For fiscal year 2014, the amount of premiums paid exceeded the cost of claims. Excess amounts are generally retained in the Insurance Services Fund for future fiscal years when the cost of claims is higher than anticipated.

**General Fund Budgetary Highlights**

During the fiscal year, two resolutions were adopted by the City Council amending the General Fund budget. The first resolution authorized a contingency transfer for the unanticipated cost of replacing a significant number of computers in the Police and Municipal Court Departments. The City was required to replace the computers due to Microsoft discontinuing its support of Windows XP in April 2014. The second resolution authorized a contingency transfer primarily to allow payment of issuance costs related to entering into a loan agreement for purchasing fire vehicles.

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

The fiscal year 2014 General Fund budget adopted by the City Council provided for a \$1.5 million decrease in ending fund balance. However, actual ending fund balance increased by \$1.7 million, due to several factors. General Fund revenues exceeded budgeted revenues by \$0.3 million, primarily due to higher than anticipated property tax collections. Also other financing sources (loan proceeds) of \$1.4 million were not included in the adopted budget. Total expenditures were approximately \$1.6 million less than budgeted. This was due to management's conservative fiscal policies and savings achieved in all General Fund departments.

### Capital Assets

#### Government-Wide Capital Assets June 30, 2014 and 2013 (Restated) (in millions)

	Governmental Activities		Business-Type Activities		Total City	
	2014	2013	2014	2013	2014	2013
Land	\$ 27.7	\$ 27.7	\$ 0.8	\$ 0.8	\$ 28.5	\$ 28.5
Easements	1.5	1.5	0.2	0.2	1.7	1.7
Public art	0.2	0.2	-	-	0.2	0.2
Land improvements	18.6	18.5	0.1	0.1	18.7	18.6
Buildings	32.7	32.7	41.9	41.9	74.6	74.6
Machinery and equipment	6.0	6.0	1.9	1.8	7.9	7.8
Vehicles	3.5	3.4	1.8	1.8	5.3	5.2
Infrastructure	50.7	50.0	40.4	39.7	91.1	89.7
Construction in progress	-	-	1.9	0.2	1.9	0.2
<b>Total capital assets</b>	<b>140.9</b>	<b>140.0</b>	<b>89.0</b>	<b>86.5</b>	<b>229.9</b>	<b>226.5</b>
Accumulated depreciation	(67.7)	(64.5)	(40.7)	(38.0)	(108.4)	(102.5)
<b>Net capital assets</b>	<b>\$ 73.2</b>	<b>\$ 75.5</b>	<b>\$ 48.3</b>	<b>\$ 48.5</b>	<b>\$ 121.5</b>	<b>\$ 124.0</b>

**City --- Capital Assets:** The City's total net capital assets decreased \$2.5 million from the prior fiscal year. An increase of \$3.4 million in total capital assets was offset by \$5.9 million in depreciation.

- Governmental activities total capital assets increased by \$0.9 million, primarily due to an increase in infrastructure of \$0.7 million in street improvement projects. However, net capital assets decreased \$2.3 million due to \$3.2 million in depreciation expense. As discussed in the Government-Wide Financial Highlights section at the beginning of the MD&A, accumulated depreciation for fiscal year 2013 was adjusted due to a change in accounting principle related to the method used for depreciating street infrastructure. This resulted in a \$3.3 million reduction of accumulated depreciation.
- For business-type activities, total capital assets increased \$2.5 million. Construction in progress of \$1.9 million was primarily related to expansion of the Water Reclamation Facility secondary treatment facilities and a major inflow and infiltration reduction project. The increase in total capital assets was offset by \$2.7 million in depreciation, resulting in a decrease of \$0.2 million in net capital assets.

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

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

### Debt Administration

#### Government-Wide Outstanding Debt June 30, 2014 and 2013 (in millions)

	Governmental Activities		Business-Type Activities		Total City	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 14.4	\$ 15.8	\$ -	\$ -	\$ 14.4	\$ 15.8
Full Faith and Credit	1.4	-	-	-	1.4	-
Revenue bonds	-	-	-	2.9	-	2.9
<b>Total outstanding debt</b>	<b>\$ 15.8</b>	<b>\$ 15.8</b>	<b>\$ -</b>	<b>\$ 2.9</b>	<b>\$ 15.8</b>	<b>\$ 18.7</b>

**City --- Outstanding Debt:** At June 30, 2014, the City had \$15.8 million in outstanding debt compared to \$18.7 million in the prior year. Governmental debt increased by \$1.4 million as the City borrowed funds to purchase fire vehicles. That increase was offset by debt service payments for general obligation bond principal of \$1.4 million. Of the total outstanding debt for governmental activities, nearly \$1.2 million is due within one year.

For business-type activities, the total debt outstanding of \$2.9 million at June 30, 2013 was repaid in full during fiscal year 2014, as scheduled.

The \$14.4 million of governmental activities general obligation debt is entirely payable from property taxes levied specifically for that purpose. The remaining \$1.4 million full faith and credit obligation will be repaid from general revenues of the General Fund. City and Department outstanding debt are described in more detail in the notes to the financial statements, Note III. G.

**City --- Bond Ratings:** The City received an Aa3 rating from Moody's Investor's Services, Inc. for the 2011 Park System Improvements refunding bonds sold in October 2011. 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:

- Taxable assessed property values increased by approximately three percent compared to the prior year. This compares to increases of three percent and two percent in 2013 and 2012, respectively.
- Real market values remained consistent with 2013. This compares to decreases of one percent and twelve percent in 2013 and 2012, respectively. For the 2014 fiscal year, assessed property values are 81 percent of real market value.

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

- Unemployment rates in Yamhill County are slowly trending downward and are consistent with unemployment rate trends for the State of Oregon. Unemployment rates (not seasonally adjusted) for Yamhill County were 6.3 percent in June 2014 and 7.7 percent in June 2013.
- The closure of Evergreen International Airlines in 2013, resulting in the layoff of 130 employees, raised concerns regarding the possible negative economic impact on the community. Closure of the facility was followed by Evergreen filing for bankruptcy in May 2014. However, the City may receive several years of delinquent property taxes as a result of the bankruptcy proceedings. In addition, three parties have recently expressed interest in purchasing the entire six-building Evergreen complex and underlying 40 acres.
- A transient lodging tax was enacted in January 2014. An eight percent tax is collected on rent charged by hotels, motels, bed and breakfast establishments, and similar providers. As required by Oregon law, 70 percent of the tax collected is used to promote tourism. The remaining 30 percent is used to support General Fund programs. Total transient lodging taxes collected from January through June 2014 were \$0.2 million.
- In 2013, the City Council created an Urban Renewal Agency and adopted an Urban Renewal Plan. The purpose of the Plan is to foster economic growth and revitalization within a nearly 175 acre area that includes the historic downtown and neighboring properties. Funding for these projects will be provided through a combination of private and public resources, with the primary source being tax increment financing. The Agency will begin collecting incremental taxes in fiscal year 2015.
- The cost of employee fringe benefits, including health insurance premiums, continues to rise. However, general services and firefighters agreed to changes in health insurance plans that resulted in savings for both the City and the employee. General services employees pay 16 percent of the premium for a copay plan. Firefighters pay 10 percent of the total premium for a high deductible plan and the City contributes a negotiated amount into the firefighters' VEBA (a benefit plan that reimburses employees for healthcare expenses.) The City's contractual bargaining agreement with the police officers association includes a low deductible, high premium health insurance plan. Police officers pay five percent of the premium for this plan.
- Employer contributions paid to the Oregon Public Employee Retirement System (PERS) were expected to increase significantly in July 2013. However, legislation enacted by the State of Oregon changed several actuarial assumptions and the method used to calculate the employer contribution rate. As a result, the City's contribution rate for 2013 through 2015 is substantially the same as the previous rate for 2011 through 2013.

### 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 projects 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 plans to complete wastewater system and facilities upgrades of approximately \$30 million in the next five years.

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

- **Ambulance operations** --- The Ambulance service has experienced significant challenges over the last several years due to inadequate Medicare and Medicaid reimbursement rates. Although the cost of operating the Ambulance service has increased, Medicare and Medicaid reimbursement rates have not increased correspondingly. This has a significant impact as over 70% of ambulance transports are for Medicare and Medicaid patients. In the past several years, General Fund subsidies have helped fund ambulance operations and will most likely be necessary in the future.
- **Building operations** --- Building permit revenues increased by 37 percent compared to the prior year, reflecting increased building construction activity. Building permit revenues over the three years prior to the current have been relatively flat.

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

### Information Requests

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



## **BASIC FINANCIAL STATEMENTS**

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



## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

- Statement of Net Position
- Statement of Activities



**City of McMinnville, Oregon**  
**Statement of Net Position**  
**June 30, 2014**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Water and Light
<b>Assets</b>				
Cash and investments	\$ 16,287,799	\$ 20,315,104	\$ 36,602,903	\$ 32,753,944
Receivables, net of allowances for uncollectibles	2,103,276	1,126,952	3,230,228	4,318,947
Due from component unit	123,875	687,187	811,062	-
Internal balances	269,083	(269,083)	-	-
Inventories	-	-	-	831,286
Prepays	31,153	5,283	36,436	347,534
Note receivable	-	-	-	402,080
Renewable energy certificates	-	-	-	887,396
Regulatory asset - conservation charges	-	-	-	2,368,251
Restricted cash and investments	2,506,321	-	2,506,321	-
Capital assets:				
Non-depreciable capital assets	29,422,479	2,928,983	32,351,462	9,180,864
Depreciable capital assets	111,433,510	86,015,149	197,448,659	153,345,636
Accumulated depreciation	(67,695,959)	(40,668,241)	(108,364,200)	(44,446,939)
<b>Total assets</b>	<b>94,481,537</b>	<b>70,141,334</b>	<b>164,622,871</b>	<b>159,988,999</b>
<b>Liabilities</b>				
Accounts payable	423,549	589,446	1,012,995	3,140,492
Accrued payroll and other payroll liabilities	621,447	-	621,447	253,294
Due to primary government	-	-	-	811,062
Accrued interest payable	219,142	-	219,142	-
Retainage payable	-	28,000	28,000	-
Advances and deposits	104,538	-	104,538	490,114
Other liabilities	68,986	-	68,986	201,080
Unearned revenue	83,859	1,376	85,235	-
Compensated absences	817,315	270,790	1,088,105	406,050
Liabilities payable from restricted assets:				
Accounts payable	1,358	-	1,358	-
Non-current liabilities:				
Due within one year	1,173,594	-	1,173,594	-
Due in more than one year	15,792,455	258,715	16,051,170	1,453,199
<b>Total liabilities</b>	<b>19,306,243</b>	<b>1,148,327</b>	<b>20,454,570</b>	<b>6,755,291</b>
<b>Net Position</b>				
Net investment in capital assets	59,579,789	48,275,891	107,855,680	118,079,561
Restricted for:				
Capital projects	1,351,766	-	1,351,766	-
Debt service	1,351,022	-	1,351,022	-
System expansion	1,703,514	-	1,703,514	-
Building division	-	299,781	299,781	-
Highways and streets	1,525,955	-	1,525,955	-
Unrestricted	9,663,248	20,417,335	30,080,583	35,154,147
<b>Total net position</b>	<b>\$ 75,175,294</b>	<b>\$ 68,993,007</b>	<b>\$ 144,168,301</b>	<b>\$ 153,233,708</b>

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, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities:				
General government	\$ 2,031,927	\$ 569,633	\$ 138	\$ 98,545
Community development	1,215,961	611,380	54,748	-
Public safety:				
Police	7,571,954	717,134	28,475	-
Fire	2,537,593	347,407	3,309	566
Emergency Communications	798,106	13,130	-	-
Highways and streets	2,443,173	160,383	1,855,764	557,165
Culture and recreation:				
Parks and recreation	4,113,605	1,317,763	181,424	23,573
Library	1,343,265	45,433	157,606	-
Airport	560,272	244,969	-	-
Interest on long-term debt	484,383	-	-	-
Total governmental activities	<u>23,100,239</u>	<u>4,027,232</u>	<u>2,281,464</u>	<u>679,849</u>
Business-type activities:				
Wastewater	5,808,434	9,076,321	-	37,206
Ambulance	3,508,377	2,646,881	-	-
Building	283,842	390,852	-	-
Total business-type activities	<u>9,600,653</u>	<u>12,114,054</u>	<u>-</u>	<u>37,206</u>
Total primary government	<u>\$ 32,700,892</u>	<u>\$ 16,141,286</u>	<u>\$ 2,281,464</u>	<u>\$ 717,055</u>
<b>Component Unit</b>				
Water and light	<u>\$ 43,187,324</u>	<u>\$ 44,662,133</u>	<u>\$ -</u>	<u>\$ 909,683</u>

General revenues:

- Taxes:
  - Property taxes
  - Franchise taxes
  - Transient lodging taxes
- Unrestricted state shared revenues
- Unrestricted investment earnings
- Timber sales, net of related expenses
- Other, net
- Gain on sale of capital assets
- Transfers

Total general revenues and transfers

Change in net position

- Net position - beginning, as previously reported
- Restatement (see note IV.J.)
- 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
\$ (1,363,611)	\$ -	\$ (1,363,611)	\$ -
(549,833)	-	(549,833)	-
(6,826,345)	-	(6,826,345)	-
(2,186,311)	-	(2,186,311)	-
(784,976)	-	(784,976)	-
130,139	-	130,139	-
(2,590,845)	-	(2,590,845)	-
(1,140,226)	-	(1,140,226)	-
(315,303)	-	(315,303)	-
(484,383)	-	(484,383)	-
(16,111,694)	-	(16,111,694)	-
-	3,305,093	3,305,093	-
-	(861,496)	(861,496)	-
-	107,010	107,010	-
-	2,550,607	2,550,607	-
(16,111,694)	2,550,607	(13,561,087)	-
			2,384,492
12,457,511	-	12,457,511	-
2,538,348	-	2,538,348	-
235,874	-	235,874	-
807,749	-	807,749	-
97,482	100,694	198,176	199,400
-	-	-	2,243,586
-	-	-	1,318,548
1,637	-	1,637	-
(537,400)	537,400	-	-
15,601,201	638,094	16,239,295	3,761,534
(510,493)	3,188,701	2,678,208	6,146,026
72,039,408	65,804,306	137,843,714	147,087,682
3,646,379	-	3,646,379	-
75,685,787	65,804,306	141,490,093	147,087,682
\$ 75,175,294	\$ 68,993,007	\$ 144,168,301	\$ 153,233,708





## **FUND FINANCIAL STATEMENTS**

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



**City of McMinnville, Oregon**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<u>General</u>	<u>Airport Maintenance</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and investments	\$ 8,984,999	\$ 760,899	\$ 1,431,338	\$ 3,926,592	\$ 15,103,828
Receivables	1,555,047	22,956	134,106	391,038	2,103,147
Due from component unit	108,466	-	-	-	108,466
Prepays	22,722	-	-	4	22,726
Restricted cash and investments	1,351,766	-	-	1,154,555	2,506,321
<b>Total assets</b>	<b>\$ 12,023,000</b>	<b>\$ 783,855</b>	<b>\$ 1,565,444</b>	<b>\$ 5,472,189</b>	<b>\$ 19,844,488</b>
<b>Liabilities</b>					
Accounts payable	199,117	18,033	-	148,792	365,942
Accrued payroll and other payroll liabilities	621,447	-	-	-	621,447
Advances and deposits	104,538	-	-	-	104,538
Unearned revenue	44,226	38,970	-	665	83,861
Liabilities payable from restricted assets:					
Accounts payable	-	-	-	1,358	1,358
<b>Total liabilities</b>	<b>969,328</b>	<b>57,003</b>	<b>-</b>	<b>150,815</b>	<b>1,177,146</b>
<b>Deferred inflows of resources</b>					
Unavailble revenue taxes	1,038,975	-	105,635	-	1,144,610
Unavailable revenue other	29,301	-	-	32,811	62,112
<b>Total deferred inflows of resources</b>	<b>1,068,276</b>	<b>-</b>	<b>105,635</b>	<b>32,811</b>	<b>1,206,722</b>
<b>Fund Balances</b>					
Nonspendable	\$ 22,722	\$ -	\$ -	\$ 4	\$ 22,726
Restricted	1,351,766	-	1,459,809	4,212,159	7,023,734
Committed	-	726,852	-	262,238	989,090
Assigned	557,316	-	-	814,162	1,371,478
Unassigned	8,053,592	-	-	-	8,053,592
<b>Total fund balances</b>	<b>9,985,396</b>	<b>726,852</b>	<b>1,459,809</b>	<b>5,288,563</b>	<b>17,460,620</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 12,023,000</b>	<b>\$ 783,855</b>	<b>\$ 1,565,444</b>	<b>\$ 5,472,189</b>	<b>\$ 19,844,488</b>

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, 2014**

Total fund balances - governmental funds \$ 17,460,620

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	\$ 138,673,461	
Accumulated depreciation	<u>(66,155,089)</u>	72,518,372

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	1,144,610	
Other receivables earned but not available	<u>62,112</u>	1,206,722

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

Bonds payable	(15,740,000)	
Bonds premium	(364,796)	
Rebatable arbitrage	(11,476)	
Interest payable	(219,142)	
Other post employment benefits payable	(831,835)	
Compensated absences payable	<u>(808,576)</u>	(17,975,825)

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. 1,965,405

Total net position - governmental activities \$ 75,175,294

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, 2014**

	General	Airport Maintenance	Debt Service	Total Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 10,918,129	\$ -	\$ 1,517,266	\$ -	\$ 12,435,395
Special assessments	-	-	-	59,515	59,515
Licenses and permits	2,367,995	-	-	504,980	2,872,975
Intergovernmental	1,450,506	-	-	2,232,952	3,683,458
Charges for services	2,259,411	236,876	-	358,241	2,854,528
Fines and forfeitures	608,740	-	-	-	608,740
Miscellaneous	289,817	12,031	5,068	51,867	358,783
Total revenues	<u>17,894,598</u>	<u>248,907</u>	<u>1,522,334</u>	<u>3,207,555</u>	<u>22,873,394</u>
<b>Expenditures</b>					
Current:					
General government	1,434,022	-	-	370,118	1,804,140
Community development	1,165,511	-	-	-	1,165,511
Public Safety	9,506,431	-	-	717,104	10,223,535
Highways and streets	-	-	-	1,485,187	1,485,187
Culture and recreation	4,363,249	-	-	64,112	4,427,361
Airport	-	201,804	-	-	201,804
Capital outlay:					
Highways and streets	-	-	-	527,054	527,054
Culture and recreation	-	-	-	40,751	40,751
Debt service:					
Principal	-	-	1,070,000	-	1,070,000
Interest	-	-	535,025	-	535,025
Total expenditures	<u>16,469,213</u>	<u>201,804</u>	<u>1,605,025</u>	<u>3,204,326</u>	<u>21,480,368</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,425,385</u>	<u>47,103</u>	<u>(82,691)</u>	<u>3,229</u>	<u>1,393,026</u>
<b>Other Financing Sources (Uses)</b>					
Transfers from other funds	-	-	100,000	774,500	874,500
Transfers to other funds	(1,111,900)	-	-	(300,000)	(1,411,900)
Full faith and credit obligation issued	1,370,000	-	-	-	1,370,000
Total other financing sources (uses)	<u>258,100</u>	<u>-</u>	<u>100,000</u>	<u>474,500</u>	<u>832,600</u>
Net change in fund balances	<u>1,683,485</u>	<u>47,103</u>	<u>17,309</u>	<u>477,729</u>	<u>2,225,626</u>
Fund balances - beginning, as previously reported	8,093,627	670,468	1,442,500	4,645,238	14,851,833
Restatement (see note IV.J.)	208,284	9,281	-	165,596	383,161
Fund balances - beginning as restated	<u>8,301,911</u>	<u>679,749</u>	<u>1,442,500</u>	<u>4,810,834</u>	<u>15,234,994</u>
Fund balances - ending	<u>\$ 9,985,396</u>	<u>\$ 726,852</u>	<u>\$ 1,459,809</u>	<u>\$ 5,288,563</u>	<u>\$ 17,460,620</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, 2014**

Net change in fund balances - governmental funds \$ 2,225,626

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	\$ 790,400	
Current year depreciation expense	<u>(3,297,687)</u>	(2,507,287)

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

Donations of capital assets	208,412	
Change in property taxes earned but not available	22,116	
Change in donations earned but not available	26,045	
Change in fire fees earned but not available	(1,133)	
Change in assessments earned but not available	<u>(5,964)</u>	249,476

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	(323,384)	
Accumulated depreciation	<u>267,740</u>	(55,644)

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 - general obligation bonds	1,070,000	
Loan proceeds principal	(1,370,000)	
Amortization of premium - general obligation bonds	<u>43,407</u>	(256,593)

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.

Change in compensated absences	(86,065)	
Change in other post employment benefits	(131,485)	
Change in accrued interest	12,290	
Issuance costs	<u>(180,311)</u>	(385,571)

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.

Net revenue		<u>219,500</u>
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Change in net position - governmental activities \$ (510,493)

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 10,547,000	\$ 10,547,000	\$ 10,918,129	\$ 371,129
Licenses and permits	2,370,010	2,370,010	2,367,995	(2,015)
Intergovernmental	1,347,537	1,347,537	1,450,506	102,969
Charges for services	1,230,885	1,230,885	1,175,876	(55,009)
Fines and forfeitures	731,570	731,570	608,740	(122,830)
Miscellaneous	326,666	326,666	289,817	(36,849)
<b>Total revenues</b>	<u>16,553,668</u>	<u>16,553,668</u>	<u>16,811,063</u>	<u>257,395</u>
<b>Expenditures</b>				
General government:				
Administration	811,589	820,089	758,104	61,985
Finance	689,677	689,677	630,100	59,577
Community development:				
Engineering	726,572	726,572	705,035	21,537
Planning	473,975	473,975	414,657	59,318
Public safety:				
Police	6,668,870	6,724,870	6,595,697	129,173
Municipal court	454,219	468,219	426,203	42,016
Fire	2,591,435	2,610,235	2,415,803	194,432
Culture and recreation:				
Parks and recreation	2,325,092	2,325,092	2,137,591	187,501
Park maintenance	1,012,950	1,012,950	935,375	77,575
Library	1,288,726	1,288,726	1,221,553	67,173
Contingencies	750,000	652,700	-	652,700
<b>Total expenditures</b>	<u>17,793,105</u>	<u>17,793,105</u>	<u>16,240,118</u>	<u>1,552,987</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,239,437)</u>	<u>(1,239,437)</u>	<u>570,945</u>	<u>1,810,382</u>
<b>Other Financing Sources (Uses)</b>				
Loan proceeds	-	-	1,370,000	1,370,000
Transfers from other funds	1,084,773	1,084,773	1,083,535	(1,238)
Transfers to other funds	(1,340,995)	(1,340,995)	(1,340,995)	-
<b>Total other financing sources (uses)</b>	<u>(256,222)</u>	<u>(256,222)</u>	<u>1,112,540</u>	<u>1,368,762</u>
<b>Net change in fund balances</b>	<u>(1,495,659)</u>	<u>(1,495,659)</u>	<u>1,683,485</u>	<u>3,179,144</u>
Fund balances - beginning, as previously reported	7,467,150	7,467,150	8,093,627	626,477
Restatement (see note IV.J.)	-	-	208,284	208,284
Fund balances - beginning as restated	<u>7,467,150</u>	<u>7,467,150</u>	<u>8,301,911</u>	<u>834,761</u>
<b>Fund balances - ending</b>	<u>\$ 5,971,491</u>	<u>\$ 5,971,491</u>	<u>\$ 9,985,396</u>	<u>\$ 4,013,905</u>
<b>Reconciliation:</b>				
Charges for services, budgetary basis			\$ 1,175,876	
Transfers from other funds - services provided			1,083,535	
Charges for services, modified accrual basis			<u>\$ 2,259,411</u>	
Expenditures, budgetary basis			\$ 16,240,118	
Transfers to other funds - services provided			229,095	
Expenditures, modified accrual basis			<u>\$ 16,469,213</u>	
Other financing sources (uses), budgetary basis			\$ 1,112,540	
Transfers from other funds - services provided			(1,083,535)	
Transfers to other funds - services provided			229,095	
Other financing sources (uses), modified accrual basis			<u>\$ 258,100</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 180,000	\$ 180,000	\$ -	\$ (180,000)
Charges for services	239,200	239,200	236,876	(2,324)
Miscellaneous	15,300	15,300	12,031	(3,269)
<b>Total revenues</b>	<b>434,500</b>	<b>434,500</b>	<b>248,907</b>	<b>(185,593)</b>
<b>Expenditures</b>				
Airport:				
Materials and services	327,600	327,600	140,682	186,918
Contingencies	300,000	300,000	-	300,000
<b>Total expenditures</b>	<b>627,600</b>	<b>627,600</b>	<b>140,682</b>	<b>486,918</b>
Excess (deficiency) of revenues over (under) expenditures	(193,100)	(193,100)	108,225	301,325
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	(131,122)	(131,122)	(131,122)	-
<b>Net change in fund balances</b>	<b>(324,222)</b>	<b>(324,222)</b>	<b>(22,897)</b>	<b>301,325</b>
Fund balances - beginning, as previously reported	739,694	739,694	740,468	774
Restatement (see note IV.J.)	-	-	9,281	9,281
Fund balances - beginning as restated	739,694	739,694	749,749	10,055
<b>Fund balances, budgetary basis - ending</b>	<b>\$ 415,472</b>	<b>\$ 415,472</b>	<b>\$ 726,852</b>	<b>\$ 311,380</b>
<b>Reconciliation:</b>				
Expenditures, budgetary basis			\$ 140,682	
Transfers to other funds - services provided			61,122	
Expenditures, modified accrual basis			<b>\$ 201,804</b>	
Other financing sources (uses), budgetary basis			\$ (131,122)	
Transfers to other funds - advance from other funds			70,000	
Transfers to other funds - services provided			61,122	
Other financing sources (uses), modified accrual basis			<b>\$ -</b>	

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, 2014**

	<b>Business-Type Activities</b>				<b>Governmental Activities</b>
	<b>Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Wastewater Services</b>	<b>Ambulance</b>	<b>Non-Major Building</b>	<b>Total</b>	
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 19,550,419	\$ 431,737	\$ 332,948	\$ 20,315,104	\$ 1,183,972
Receivables, net of allowance for uncollectibles	587,060	539,892	-	1,126,952	129
Due from component unit	687,187	-	-	687,187	15,409
Prepays	2,332	2,950	1	5,283	8,427
Total current assets	<u>20,826,998</u>	<u>974,579</u>	<u>332,949</u>	<u>22,134,526</u>	<u>1,207,937</u>
Non-current assets:					
Capital assets:					
Non-depreciable capital assets	2,925,857	3,126	-	2,928,983	-
Depreciable capital assets	84,538,353	1,094,908	381,887	86,015,148	2,182,530
Accumulated depreciation	<u>(40,024,728)</u>	<u>(540,760)</u>	<u>(102,753)</u>	<u>(40,668,241)</u>	<u>(1,540,870)</u>
Total non-current assets	<u>47,439,482</u>	<u>557,274</u>	<u>279,134</u>	<u>48,275,890</u>	<u>641,660</u>
Total assets	<u>68,266,480</u>	<u>1,531,853</u>	<u>612,083</u>	<u>70,410,416</u>	<u>1,849,597</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	557,307	28,417	3,722	589,446	57,608
Retainage payable	28,000	-	-	28,000	-
Other liabilities	-	-	-	-	68,986
Unearned revenue	1,300	76	-	1,376	-
Compensated absences	93,154	168,043	9,593	270,790	8,739
Total current liabilities	<u>679,761</u>	<u>196,536</u>	<u>13,315</u>	<u>889,612</u>	<u>135,333</u>
Non-current liabilities:					
Other post employment benefits	98,547	140,315	19,853	258,715	17,942
Total liabilities	<u>778,308</u>	<u>336,851</u>	<u>33,168</u>	<u>1,148,327</u>	<u>153,275</u>
<b>Net Position</b>					
Net investment in capital assets	47,439,482	557,274	279,134	48,275,890	641,660
Restricted for:					
Building	-	-	299,781	299,781	
Unrestricted	20,048,690	637,728	-	20,686,418	1,054,662
Total net position	<u>\$ 67,488,172</u>	<u>\$ 1,195,002</u>	<u>\$ 578,915</u>	<u>69,262,089</u>	<u>\$ 1,696,322</u>
Deduct:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(269,082)	
Total net position, business-type activities				<u>\$ 68,993,007</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, 2014**

	<b>Business-Type Activities</b>				<b>Governmental Activities</b>
	<b>Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Wastewater Services</b>	<b>Ambulance</b>	<b>Non-major Building</b>	<b>Total</b>	
<b>Operating Revenues</b>					
Charges for services	\$ 8,601,036	\$ 2,599,175	\$ 389,060	\$ 11,589,271	\$ 1,645,322
Miscellaneous	-	-	-	-	63,502
Total operating revenues	<u>8,601,036</u>	<u>2,599,175</u>	<u>389,060</u>	<u>11,589,271</u>	<u>1,708,824</u>
<b>Operating Expenses</b>					
Personnel services	1,631,416	2,809,555	195,656	4,636,627	292,632
Materials and services	1,636,435	637,727	75,576	2,349,738	1,012,785
Depreciation	2,572,126	94,982	14,414	2,681,522	103,825
Total operating expenses	<u>5,839,977</u>	<u>3,542,264</u>	<u>285,646</u>	<u>9,667,887</u>	<u>1,409,242</u>
Operating income (loss)	<u>2,761,059</u>	<u>(943,089)</u>	<u>103,414</u>	<u>1,921,384</u>	<u>299,582</u>
<b>Nonoperating Revenues (Expenses)</b>					
Investment earnings	96,746	2,719	1,229	100,694	5,274
Interest expense, net of capitalized interest	(13,941)	-	-	(13,941)	-
Development charges and fees	428,778	-	-	428,778	-
Other revenue	46,507	47,707	1,791	96,005	1,000
Gain/Loss on disposal of assets	(5,184)	-	-	(5,184)	-
Total nonoperating revenues (expenses)	<u>552,906</u>	<u>50,426</u>	<u>3,020</u>	<u>606,352</u>	<u>6,274</u>
Income (loss) before contributions and transfers	<u>3,313,965</u>	<u>(892,663)</u>	<u>106,434</u>	<u>2,527,736</u>	<u>305,856</u>
<b>Capital Contributions and Transfers</b>					
Capital contributions	37,206	-	-	37,206	-
Transfers from other funds	-	600,000	-	600,000	-
Transfers to other funds	-	(62,600)	-	(62,600)	-
Total capital contributions and transfers	<u>37,206</u>	<u>537,400</u>	<u>-</u>	<u>574,606</u>	<u>-</u>
Change in net position	<u>3,351,171</u>	<u>(355,263)</u>	<u>106,434</u>	<u>3,102,342</u>	<u>305,856</u>
Total net position - beginning	<u>64,137,001</u>	<u>1,550,265</u>	<u>472,481</u>		<u>1,390,466</u>
Total net position - ending	<u>\$ 67,488,172</u>	<u>\$ 1,195,002</u>	<u>\$ 578,915</u>		<u>\$ 1,696,322</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>86,359</u>	
Change in net position, business-type activities				<u>\$ 3,188,701</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, 2014**

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	Wastewater	Ambulance	Non-Major Building	Total	Internal Service Funds
<b>Cash Flows From Operating Activities</b>					
Receipts from customers and users	\$ 8,495,862	\$ 2,605,731	\$ 389,060	\$ 11,490,653	\$ -
Receipts from interfund services provided	-	-	-	-	1,645,322
Other operating receipts	46,507	47,732	1,791	96,030	54,332
Payments to suppliers	(1,488,749)	(535,894)	(57,184)	(2,081,827)	(1,275,113)
Payments to employees	(1,564,095)	(2,667,455)	(193,031)	(4,424,581)	(291,648)
Payments for interfund services used	(197,265)	(156,910)	(18,447)	(372,622)	(2,561)
Net cash from operating activities	<u>5,292,260</u>	<u>(706,796)</u>	<u>122,189</u>	<u>4,707,653</u>	<u>130,332</u>
<b>Cash Flows From Non-Capital Financing Activities</b>					
Transfers from other funds	70,000	600,000	-	670,000	-
Transfers to other funds	-	(62,600)	-	(62,600)	-
Net cash from non-capital financing activities	<u>70,000</u>	<u>537,400</u>	<u>-</u>	<u>607,400</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Additions to capital assets	(2,168,394)	(2,418)	-	(2,170,812)	(112,242)
Interest paid on capital debt	(92,464)	-	-	(92,464)	-
Principal paid on capital debt	(2,845,000)	-	-	(2,845,000)	-
Development charges and fees	428,778	-	-	428,778	-
Net cash from capital and related financing activities	<u>(4,677,080)</u>	<u>(2,418)</u>	<u>-</u>	<u>(4,679,498)</u>	<u>(112,242)</u>
<b>Cash Flows From Investing Activities</b>					
Interest received	96,746	2,719	1,229	100,694	5,274
Increase (decrease) in cash and investments	781,926	(169,095)	123,418	736,249	23,364
Cash and investments - beginning	18,768,493	600,832	209,530	19,578,855	1,160,608
Cash and investments - ending	<u>\$ 19,550,419</u>	<u>\$ 431,737</u>	<u>\$ 332,948</u>	<u>\$ 20,315,104</u>	<u>\$ 1,183,972</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities</b>					
Operating income (loss)	\$ 2,761,059	\$ (943,089)	\$ 103,414	\$ 1,921,384	\$ 299,582
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	2,572,126	94,982	14,414	2,681,522	103,825
Other revenues	46,507	47,707	1,791	96,005	1,000
Change in current assets and liabilities:					
Receivables	(35,888)	6,556	-	(29,332)	3,085
Due from component unit	(69,286)	-	-	(69,286)	(13,255)
Prepays	417	(1,514)	(1)	(1,098)	(7,985)
Accounts payable	916	15,198	2,169	18,283	(150,860)
Compensated absences	554	46,477	(1,515)	45,516	(2,446)
Other post employment benefits	15,855	26,862	1,917	44,634	2,869
Other liabilities	-	-	-	-	(105,483)
Unearned revenue	-	25	-	25	-
Net cash from operating activities	<u>\$ 5,292,260</u>	<u>\$ (706,796)</u>	<u>\$ 122,189</u>	<u>\$ 4,707,653</u>	<u>\$ 130,332</u>
<b>Non-Cash Investing, Capital, and Financing Activities</b>					
Capital asset contributions from developers	\$ 37,206	\$ -	\$ -	\$ 37,206	\$ -
Capital asset disposals	(5,184)	-	-	(5,184)	-
Capital assets accrued in accounts payable	479,854	-	-	479,854	-

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



## **NOTES TO BASIC FINANCIAL STATEMENTS**

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  - B. Basic Financial Statements
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  - J. Restatement
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**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2014**

**I. Summary of Significant Accounting Policies**

**A. 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, forms 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 unit, McMinnville Water and Light Department (Department). 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. Both the City and the Department have June 30<sup>th</sup> fiscal year ends.

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

**2. 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.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**I. Summary of Significant Accounting Policies (Continued)**

**B. Basic Financial Statements**

**1. Government-Wide Financial Statements**

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

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.

**C. 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.



**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**I. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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. 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. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under full accrual accounting. However, debt service, compensated absences, other post employment benefits expenditures, and claims and judgments are recorded only when payment is due. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

**D. 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 funds supported by property taxes as major funds due to community interest in these resources. For consistency with the prior year, the City elected to include the Airport Maintenance Fund as a major fund.

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.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**I. Summary of Significant Accounting Policies (Continued)**

**D. Financial Statement Presentation (Continued)**

- 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 the City’s debt service property taxes levied for payment of principal and interest for general obligation bonds.

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.

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.
- Ambulance Fund – accounts for emergency medical services revenues, the General Fund operating subsidy, 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.

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, 2014**

**I. Summary of Significant Accounting Policies (Continued)**

**D. Financial Statement Presentation (Continued)**

In preparing the City's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E. 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 are stated at fair value.

**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.

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.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**I. Summary of Significant Accounting Policies (Continued)**

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

**2. Receivables and Payables (Continued)**

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 Public Safety and Civic Buildings Bond proceeds, unspent Park System Improvement Bond proceeds, and the unspent proceeds from borrowing for fire vehicles.

**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.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**I. Summary of Significant Accounting Policies (Continued)**

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

**5. Capital Assets (Continued)**

Capital assets are defined by the City as assets with an initial cost of \$5,000 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. Interest incurred during the construction phase of proprietary fund type's capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. In the current fiscal year, capitalized interest applied to assets in the Wastewater Capital Fund was approximately \$10,000.

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 fair market 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.

Certain street and sewer infrastructure was previously depreciated using the composite method; effective July 1, 2013, these assets are depreciated using the straight line method. The City has determined that this is a change in accounting principle. The straight line method is considered preferable as it will more accurately reflect usage of the assets. As a result of this change the beginning balance of accumulated depreciation for street infrastructure has been decreased by approximately \$3,300,000 with a corresponding increase in net position.

Capital assets are depreciated 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

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**I. Summary of Significant Accounting Policies (Continued)**

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

**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 as 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.

**8. 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.

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.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**I. Summary of Significant Accounting Policies (Continued)**

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

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City does not have items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, donations and assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**10. 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.

**11. 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 should be 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.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**I. Summary of Significant Accounting Policies (Continued)**

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

**11. Fund Balance (Continued)**

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 as "designated" during the adoption of the annual budget. "Designated" amounts are reported as assigned in the City's Comprehensive Annual Financial Report.

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.

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.



**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

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

**A. Budgetary Information**

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

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

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

All changes and amendments to the budget require the approval of the City Council. Supplemental budgets less than 10 percent of a fund's original budget may be adopted by the City Council at a regular City Council meeting. A supplemental budget greater than 10 percent of a fund's original budget requires publication, a hearing before the public, and approval by the City Council. One supplemental budget was approved by the City Council during fiscal year ending June 30, 2014. 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 several appropriation transfers during the fiscal year ending June 30, 2014. The Statements/Schedules of Revenues, Expenditures, and Changes in Fund Balance, Budget and 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.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**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, 2014 was unmodified. The fair value of the City's position in the Pool at June 30, 2014 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 \$589,706 and the bank balance was \$777,447. The City's bank balances were covered by \$250,000 Federal Depository Insurance. At year end, the Department's book balance for deposits with financial institutions was \$641,709 and the bank balance was \$725,639. 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, 2014, the City's cash and investment balances were as follows:

	Fair Value
Cash held in city offices	\$ 3,385
Deposits with financial institutions	589,706
Cash with fiscal agent	557,316
Oregon State Local Government Investment Pool - City's general account	36,939,480
Oregon State Local Government Investment Pool - Park System Improvement Bond proceeds	1,019,337
Total City cash and investments	\$ 39,109,224

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**III. Detailed Notes on Accounts (Continued)**

**A. Cash and Investments (Continued)**

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

Cash and investments		
Unrestricted		\$ 36,602,903
Park System Improvement Bond unspent proceeds	\$ 1,142,961	
Full faith and credit bank loan unspent proceeds	1,351,766	
Public Safety and Civic Buildings Bond unspent proceeds	<u>11,594</u>	
Restricted		2,506,321
Total cash and investments		<u>\$ 39,109,224</u>

At June 30, 2014, the Department's cash and investment balances were as follows:

	<u>Fair Value</u>
Cash on hand	\$ 1,700
Deposits with financial institutions	641,709
Oregon State Local Government Investment Pool	<u>32,110,535</u>
Total Department cash and investments	<u>\$ 32,753,944</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, 2014, 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:	<u>General</u>	<u>Airport Maintenance</u>	<u>Debt Service</u>	<u>Total Non- Major</u>	<u>Total Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Governmental Activities</u>
Accounts	\$ 310,487	\$ 22,956	\$ -	\$ 358,227	\$ 691,670	\$ 129	\$ 691,799
Property Taxes	1,097,326	-	113,725	-	1,211,051	-	1,211,051
Cash with county treasurer	145,405	-	20,381	-	165,786	-	165,786
Assessments	<u>1,829</u>	<u>-</u>	<u>-</u>	<u>32,811</u>	<u>34,640</u>	<u>-</u>	<u>34,640</u>
Total	<u>\$ 1,555,047</u>	<u>\$ 22,956</u>	<u>\$ 134,106</u>	<u>\$ 391,038</u>	<u>\$ 2,103,147</u>	<u>\$ 129</u>	<u>\$ 2,103,276</u>

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**III. Detailed Notes on Accounts (Continued)**

**B. Receivables (Continued)**

**1. Government Funds and Governmental Activities (Continued)**

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	\$ 12,783,322
Less: discounts, etc.	(325,811)
Net revenue	\$ 12,457,511

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

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

**2. Business-Type Activities**

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

	<u>Wastewater</u>	<u>Ambulance</u>	<u>Total Major Enterprise</u>
Receivables:			
Accounts	\$ 587,060	\$689,502	\$ 1,249,821
Less: allowance for uncollectibles	-	(149,610)	(149,610)
Net receivables	\$ 587,060	\$ 539,892	\$ 1,126,952

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

Gross revenue	\$ 3,312,504
Less: change in allowance for uncollectibles	2,591
Less: medical write-off's	(715,920)
Net revenue	\$2,599,175

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**III. Detailed Notes on Accounts (Continued)**

**B. Receivables (Continued)**

**3. Non-Cancellable Leases**

The City leases certain property with an approximate net capital cost of \$1,709,000 under long-term operating leases. For fiscal year ended June 30, 2014, total depreciation expense was \$52,450. As of June 30, 2014, accumulated depreciation was \$1,172,560. The minimum future payments to be received under these non-cancellable leases are approximately as follows:

Year Ending June 30	
2015	\$ 221,800
2016	196,600
2017	178,100
2018	181,300
2019	149,300
Thereafter	<u>747,800</u>
Total	<u><u>\$ 1,674,900</u></u>

**4. Department**

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

Accounts receivable	\$ 4,357,058
Less: allowance for uncollectibles	<u>(38,111)</u>
Net receivables	<u><u>\$ 4,318,947</u></u>

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**III. Detailed Notes on Accounts (Continued)**

**C. Capital Assets**

In the government-wide financial statements, the City's governmental activities' capital asset activity for the year ended June 30, 2014 is illustrated in the following table. Activity includes additions, dispositions, annual depreciation expense and adjustments.

	Beginning Balance (as restated)	Increases	Decreases	Ending Balance
Non-depreciable:				
Land	\$ 27,665,720	\$ 57,525	\$ -	\$ 27,723,245
Easements	1,472,061	33,354	(3,636)	1,501,779
Public Art	185,735	-	-	185,735
Construction in progress	4,929	8,216	(1,425)	11,720
Total non-depreciable	<u>29,328,445</u>	<u>99,095</u>	<u>(5,061)</u>	<u>29,422,479</u>
Depreciable:				
Land Improvements	18,452,069	68,850	-	18,520,919
Buildings	32,716,903	41,332	(26,151)	32,732,084
Machinery and equipment	6,070,266	181,221	(244,739)	6,006,748
Vehicles	3,436,287	62,173	(48,858)	3,449,602
Infrastructure	50,086,107	638,050	-	50,724,157
Total depreciable	<u>110,761,632</u>	<u>991,626</u>	<u>(319,748)</u>	<u>111,433,510</u>
Accumulated depreciation:				
Land Improvements	(7,864,552)	(785,476)	-	(8,650,028)
Buildings	(15,659,525)	(990,032)	5,274	(16,644,283)
Machinery and equipment	(4,049,841)	(499,986)	221,362	(4,328,465)
Vehicles	(2,817,083)	(153,563)	41,104	(2,929,542)
Infrastructure	(34,171,189)	(972,452)	-	(35,143,641)
Total accumulated depreciation	<u>(64,562,190)</u>	<u>(3,401,509)</u>	<u>267,740</u>	<u>(67,695,959)</u>
Governmental activities capital assets, net	<u>\$ 75,527,887</u>	<u>\$ (2,310,788)</u>	<u>\$ (57,069)</u>	<u>\$ 73,160,030</u>

At June 30, 2014, the City's government-wide governmental activities construction in progress consisted of costs related to the park system improvement bond project and the fire station remodel.

The beginning balance of accumulated depreciation for infrastructure has been restated to account for a change in accounting principle. The City previously depreciated street and sewer infrastructure using the composite method and changed to the straight line method on July 1, 2013. The opening balance of accumulated depreciation for infrastructure has been restated as follows:

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**III. Detailed Notes on Accounts (Continued)**

**C. Capital Assets (Continued)**

Accumulated depreciation – Infrastructure	
As previously reported	\$37,434,404
Adjustment based on change in accounting principle	<u>(3,263,215)</u>
As restated	<u>\$34,171,189</u>

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 161,863
Community development	38,802
Public safety:	
Police	484,926
Fire	163,447
Emergency communications	81,003
Highways and streets	980,087
Culture and recreation:	
Parks and recreation	930,352
Library	92,950
Airport	364,255
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>103,825</u>
Total governmental activities depreciation expense	<u>\$3,401,509</u>

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**III. Detailed Notes on Accounts (Continued)**

**C. Capital Assets (Continued)**

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, 2014 is illustrated in the following table. Activity includes additions, dispositions, annual depreciation expense, and adjustments.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non-depreciable:				
Land	\$ 785,223	\$ -	\$ -	\$ 785,223
Easements	239,205	2,948	(1,916)	240,237
Construction in progress	228,154	1,715,326	(39,957)	1,903,523
Total non-depreciable	<u>1,252,582</u>	<u>1,718,274</u>	<u>(41,873)</u>	<u>2,928,983</u>
Depreciable:				
Land Improvements	93,808	-	(9,363)	84,445
Buildings	41,862,272	-	-	41,862,272
Machinery and equipment	1,806,814	87,086	-	1,893,900
Vehicles	1,760,314	-	-	1,760,314
Infrastructure	39,688,962	737,168	(11,912)	40,414,218
Total depreciable	<u>85,212,170</u>	<u>824,254</u>	<u>(21,275)</u>	<u>86,015,149</u>
Accumulated depreciation:				
Land Improvements	(64,299)	(4,665)	6,096	(62,868)
Buildings	(26,815,094)	(1,594,938)	-	(28,410,032)
Machinery and equipment	(1,038,180)	(111,173)	-	(1,149,353)
Vehicles	(875,043)	(139,179)	-	(1,014,222)
Infrastructure	(9,212,111)	(831,567)	11,912	(10,031,766)
Total accumulated depreciation	<u>(38,004,727)</u>	<u>(2,681,522)</u>	<u>18,008</u>	<u>(40,668,241)</u>
Business-type activities capital assets, net	<u>\$ 48,460,025</u>	<u>\$ (138,994)</u>	<u>\$ (45,140)</u>	<u>\$ 48,275,891</u>

At June 30, 2014, the City's business-type activities construction in progress consisted of costs related to the Wastewater Reclamation Facilities secondary treatment expansion and an inflow and infiltration reduction project.

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

Building	\$ 14,414
Wastewater	2,572,126
Ambulance	94,982
Total business-type activities depreciation expense	<u>\$ 2,681,522</u>



**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**III. Detailed Notes on Accounts (Continued)**

**C. Capital Assets (Continued)**

The Department's capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable:				
Land and land rights	\$ 4,424,991	\$ 3,955	\$ -	\$ 4,428,946
Construction in progress	1,057,584	5,635,097	(1,940,763)	4,751,918
Total non-depreciable	<u>5,565,979</u>	<u>5,639,052</u>	<u>(1,940,763)</u>	<u>9,180,864</u>
Depreciable:				
Structures and improvements	8,670,802	63,228	-	8,734,030
Water treatment plant	34,712,323	8,169	-	34,720,492
Supply and distribution systems	102,946,045	1,928,882	(309,403)	104,565,524
Furniture and equipment	2,420,903	111,023	-	2,531,926
Transportation equipment	2,429,052	524,917	-	2,793,664
Total depreciable	<u>151,179,125</u>	<u>2,636,219</u>	<u>(309,403)</u>	<u>153,345,636</u>
Accumulated depreciation:				
Electric plant	(19,681,070)	(1,825,581)	346,088	(21,160,563)
Water plant	(20,208,964)	(1,524,773)	83,814	(21,649,923)
Vehicles	(1,636,453)	-	-	(1,636,453)
Total accumulated depreciation	<u>(41,526,487)</u>	<u>(3,350,354)</u>	<u>429,902</u>	<u>(44,446,939)</u>
Department capital assets, net	<u>\$ 115,135,213</u>	<u>\$ 4,924,917</u>	<u>\$ (1,980,569)</u>	<u>\$ 118,079,561</u>

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

**D. Interfund Balances and Transfers**

During fiscal year ending June 30, 2009 the Wastewater Fund advanced \$350,000 to the Airport Fund in connection with the remodel of the automated flight service station. The advance was intended to be repaid over five years in equal installments; accordingly the final installment of \$70,000 was repaid during fiscal year ending June 30, 2014.

During the course of operations, activities between funds of the City occur for various purposes. Elimination of certain internal services funds activities between Business-type activities and Governmental activities resulted in a cumulative internal balance of \$269,083.

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.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**III. Detailed Notes on Accounts (Continued)**

**D. Interfund Balances and Transfers (Continued)**

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	\$ 108,466
Major enterprise fund – Wastewater Fund	Department	687,187
Internal Service Funds	Department	15,409
		\$ 811,062

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Transfers to Debt Service Fund from:

Non-major governmental funds	\$ 100,000
Total transfers to Debt Service Fund	100,000

Transfers to non-major governmental funds from:

General Fund	\$ 511,900
Ambulance Fund	62,600
Other non-major governmental funds	200,000
Total transfers to non-major governmental funds	\$774,500

Transfer to Ambulance Fund from:

General Fund	\$ 600,000
Total transfers to Ambulance Fund	\$ 600,000

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

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

As of June 30, 2014, the Department has 131,466 RECs banked in its Western Renewable Energy Generation Information System (WREGIS) account, valued at \$6.75 per REC, for a total value of \$887,396. The Department also holds 144,127 in its WREGIS account for RECs received from Waste Management Renewable Energy.

**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.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**III. Detailed Notes on Accounts (Continued)**

**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 improvements and new public safety and civic hall buildings.

The Park System Improvement Bonds are subject to federal arbitrage rebate calculations, although there is no contingent rebatable arbitrage liability as of June 30, 2014 related to these bonds.

The Public Safety and Civic Buildings Bonds are subject to federal arbitrage rebate calculations. The contingent rebatable arbitrage liability as of June 30, 2014 is \$11,476.

General obligation bonds payable as of June 30, 2014, consist of the following:

Park System Improvements:	
Issued October 6, 2011	
Original issue \$5,590,000	
Interest rates 2.00 – 4.00%	
Final maturity August 1, 2021	\$ 4,525,000
Add: unamortized premium	243,829
Public Safety and Civic Buildings:	
Issued November 14, 2006	
Original issue \$13,120,000	
Interest rates 3.75 – 5.50%	
Final maturity August 1, 2026	9,845,000
Add: unamortized premium	<u>120,967</u>
Total general obligation bonds outstanding at June 30, 2014	<u>\$ 14,734,796</u>

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

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**III. Detailed Notes on Accounts (Continued)**

**G. Long-Term Liabilities (Continued)**

**1. General Obligation Bonds – Governmental Activities (Continued)**

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest
2015	\$ 1,105,000	\$ 493,325
2016	1,150,000	454,388
2017	1,190,000	418,438
2018	1,220,000	382,119
2019	1,260,000	344,600
2020– 2024	5,700,000	1048,650
2025– 2027	2,745,000	167,500
Total	<u>\$ 14,370,000</u>	<u>\$ 3,309,020</u>

**2. Full Faith and Credit Obligations**

In May 2014, the City borrowed \$1,370,000 in order to finance the purchase of a fire truck and other vehicles. The 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.

Annual debt service requirements to maturity for full faith and credit obligations are as follows:

Year Ending June 30,	Principal	Interest
2015	\$ 68,594	\$ 46,698
2016	75,529	39,763
2017	77,889	37,403
2018	80,322	34,970
2019	82,831	32,461
2020-2024	984,835	121,835
Total	<u>\$ 1,370,000</u>	<u>\$ 313,130</u>

**3. Revenue Bonds – Business-Type Activities**

In February 2004, the City issued sewer system revenue refunding bonds. These bonds refunded the 1994 sewer revenue bonds and the 1993 Oregon Economic and Community Development Department (OECD) Special Public Works Fund note. The remaining principal on the bonds was repaid during the year ended June 30, 2014.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**III. Detailed Notes on Accounts (Continued)**

**G. Long-Term Liabilities (Continued)**

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

Long-term liability activity for the year ended June 30, 2014 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
General obligation bonds:					
Park system improvements	\$ 5,040,000	\$ -	\$ (515,000)	\$ 4,525,000	\$ 520,000
Add: premium	277,460	-	(33,632)	243,828	-
Public safety civic buildings const	10,400,000	-	(555,000)	9,845,000	585,000
Add: premium	130,742	-	(9,775)	120,967	-
Full faith and credit obligation	-	1,370,000	-	1,370,000	68,594
Rebatable Arbitrage	11,476	-	-	11,476	-
Other post employment benefits	715,423	134,355	-	849,778	-
Total governmental activities	<u>\$ 16,575,101</u>	<u>\$ 1,504,355</u>	<u>\$ (1,113,407)</u>	<u>\$ 16,966,049</u>	<u>\$ 1,173,594</u>
<u>Business-Type Activities</u>					
Revenue bonds:					
Sewer refunding	\$ 2,845,000	\$ -	\$ (2,845,000)	\$ -	\$ -
Add: premium	100,695	-	(100,695)	-	-
Less: deferred amount	(53,953)	-	53,953	-	-
Other post employment benefits	214,081	44,634	-	258,715	-
Total business-type activities	<u>\$ 3,105,823</u>	<u>\$ 44,634</u>	<u>\$ (2,891,742)</u>	<u>\$ 258,715</u>	<u>\$ -</u>
<u>Component Unit</u>					
Other post employment benefits	\$ 1,384,174	\$ 149,867	\$ (80,842)	\$ 1,453,199	\$ -

Internal service funds predominantly serve the governmental funds. Accordingly, internal service funds' long-term liabilities of \$17,942 for other post employment benefits 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.

### III. Detailed Notes on Accounts (Continued)

#### H. Fund Balances

Fund balances by classification for the year ended June 30, 2014 were as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Airport Maintenance</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
In Form:	\$ 22,722	\$ -	\$ -	\$ 4	\$ 22,726
Restricted for:					
Street Maintenance	-	-	-	963,308	963,308
Tourism Promotion	-	-	-	165,112	165,112
Capital Projects	1,351,766	-	-	3,083,739	4,435,505
Debt Service	-	-	1,459,809	-	1,459,809
Committed to:					
Emergency Communications	-	-	-	262,238	262,238
Airport Maintenance	-	726,852	-	-	726,852
Assigned to:					
LOSAP Volunteer	557,316	-	-	-	557,316
Special Assessments	-	-	-	164,479	164,479
Telecommunications	-	-	-	1,637	1,637
Tourism Promotion	-	-	-	1,781	1,781
Street Maintenance	-	-	-	640,684	640,684
Capital Projects	-	-	-	5,581	5,581
Unassigned:	8,053,592	-	-	-	8,053,592
Total fund balances	<u>\$ 9,985,396</u>	<u>\$ 726,852</u>	<u>\$ 1,459,809</u>	<u>\$ 5,288,563</u>	<u>\$ 17,460,620</u>

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**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 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.

**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, is not a stand-alone plan, and, therefore, does not issue its own financial statements.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**IV. Other Information (Continued)**

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

**1. Post-Employment Healthcare Plan – City (Continued)**

**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, 2014, the City contributed \$72,147 consisting of retiree payments. The City has elected to not prefund the actuarially determined future cost amount \$1,108,492.

The required monthly contributions of the plan members for medical, vision and dental coverage were as follows for the year ended June 30, 2014:

	General Service Retirees	Police Retirees	Fire Union Retirees
Employee	\$ 539	\$ 623	\$ 463
Employee & child	984	1,140	841
Employee & spouse	1,122	1,300	958
Employee & children	1,349	1,555	1,158
Employee & family	1,553	1,790	1,332

**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	\$ 128,870
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	201,497
Annual Required Contribution (ARC)	330,367
Interest on net OPEB obligation	32,533
Adjustment to ARC	(111,765)
Annual OPEB cost	251,135
Contribution	(72,147)
Increase in net OPEB obligation	178,988
Net OPEB obligation, beginning of year	929,504
Net OPEB obligation, end of year	\$ 1,108,492



**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**IV. Other Information (Continued)**

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

**1. Post-Employment Healthcare Plan – City (Continued)**

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
2012	\$ 295,483	\$ 146,369	50%	\$ 745,002
2013	307,516	123,014	40	929,504
2014	251,135	72,147	29	1,108,492

**Funded Status and Funding Progress**

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 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.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
August 1,	(a)	(b)	(b-a)	(a/b)	(c)	((b-a) / c)
2008	\$ -	\$ 2,344,755	\$ 2,344,755	-	\$ 9,980,552	23%
2010	-	2,084,250	2,084,250	-	10,680,389	20%
2012	-	1,623,759	1,623,759	-	10,951,360	15%

**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, 2012 actuarial valuation were used to prepare GASB Statement 45 accounting results for the fiscal year ending June 30, 2014. In the August 1, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.5% discount rate and an annual healthcare cost trend rate of 7.25% initially, reduced by decrements to an ultimate rate of 5.5%. The UAAL is being amortized as a level dollar amount over a rolling period of ten years.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**IV. Other Information (Continued)**

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

**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.

**Funding Policy**

At June 30, 2014, there were 19 retired employees and spouses receiving health insurance coverage provided by the Department. For fiscal year ended June 30, 2014, the Department incurred \$80,842 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 to the plan.

Annual required contribution (ARC)	\$ 101,739
Interest on net OPEB obligation	48,128
Annual OPEB cost	<u>149,867</u>
Contribution	<u>(80,842)</u>
Increase in net OPEB obligation	69,025
Net OPEB obligation, beginning of year	<u>1,384,174</u>
Net OPEB obligation, end of year	<u><u>\$ 1,453,199</u></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	Contribution	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 269,912	\$ 113,284	42%	\$ 1,372,288
2013	97,630	85,844	88%	1,384,174
2014	149,867	80,842	54%	1,453,199

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**IV. Other Information (Continued)**

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

**2. Post-Employment Healthcare Plan – Department (Continued)**

**Funded Status and Funding Progress**

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 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.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
August 1,	(a)	(b)	(b-a)	(a/b)	(c)	((b-a) / c)
2008	\$ -	\$ 1,191,313	\$ 1,191,313	\$ -	\$ 2,634,910	45%
2010	-	1,338,305	1,338,305	-	2,558,493	52%
2012	-	1,377,227	1,377,227	-	2,477,432	56%

**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, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of four percent and an annual healthcare cost trend rate of approximately eight percent initially, reduced by decrements to an ultimate rate of five percent.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**IV. Other Information (Continued)**

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

**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 2013-14 were 0.59 percent for Tier 1 and 2 members and 0.49 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, 2012, 2013, and 2014 were \$61,000, \$61,000, and \$61,000, which equaled the required contributions each year. The Department's contributions to RHIA for the fiscal years ended June 30, 2012, 2013, and 2014 were \$25,000, \$25,000, and \$26,000 which equaled the required contributions each year.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**IV. Other Information (Continued)**

**D. Employee Retirement Systems and Pension Plans**

**1. Oregon Public Employees Retirement System**

**Plan Description**

The City and Department contribute to two pension plans administered by the Oregon Public Employees Retirement System (OPERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City's and Department's contribution for qualifying employees who were hired before August 29, 2003 and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: the Pension Program and the Individual Account Program (IAP). The Pension Program, the defined benefit portion of the plan, applies to qualifying City and Department employees hired after August 29, 2003.

Beginning January 1, 2004, all OPERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. OPERF members retain their existing OPERF accounts, but any future member contributions are deposited into the member's IAP account, not the member's OPERF account. All employees who serve a six-month waiting period in a qualifying position are eligible to participate; benefits generally vest after five years of continuous service.

Both OPERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. OPERF members are allowed to retire at age 58 with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Retirement benefits are payable in lump sum or monthly amounts using several payment options. The 1995 Oregon Legislature established a second tier of OPERF benefits for employees who established membership on or after January 1, 1996 called Tier Two. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher retirement age of 60 with unreduced benefits. OPSRP members are allowed to retire at age 65 with unreduced benefits.

OPERS is administered under Oregon Revised Statutes (ORS) Chapter 238, which establishes the Public Employees Retirement Board as the governing body of OPERS. 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.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**IV. Other Information (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Funding Policy**

The City and the Department are required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan; and general service, and police and fire rates for the qualifying employees under the OPSRP plan. The City's and the Department's employer contributions are paid as a percentage of covered employees' salaries. Rates were as follows:

		Year ended June 30,		
		<u>2014</u>	<u>2013</u>	<u>2012</u>
City	OPERF Tier one and two	18.28%	17.53%	17.53%
	OPSRP general service	14.03	13.56	13.56
	OPSRP police and fire	16.76	16.27	16.27
Department	OPERF Tier one and two	19.96	18.12	18.12
	OPSRP general service	18.43	14.06	14.06

Members of OPERF and OPSRP are required to contribute six percent of covered compensation, which is invested in the IAP. This contribution is paid by the City and the Department on behalf of their employees. For fiscal years ended June 30, 2012, 2013 and 2014, the City contributed \$656,000, \$657,000, and \$668,000, respectively. Employer contribution requirements are established and may be amended by the OPERS Public Employees Retirement Board while the employee members' rate is set by state statute, ORS 238.200.

**Annual Pension Cost**

The City's contributions to OPERS for the fiscal years ended June 30, 2012, 2013, and 2014 were \$1,833,000, \$1,826,000, and \$1,878,000 respectively. The Department's contributions to OPERS for the fiscal years ended June 30, 2012, 2013, and 2014 were \$1,005,000, \$1,054,000, and \$1,012,000 respectively. The annual pension costs were equal to the required contributions for fiscal years ended June 30, 2012, 2013, and 2014.

**Assumptions.** Significant actuarial assumptions used in the valuation include: (i) consumer price inflation of 2.75 percent per year, (ii) healthcare cost inflation assumed is graded from 8 percent in 2013 to 4.7 percent in 2083; (iii) a rate of return on the future investment earnings of the assets of the members' regular accounts are assumed to accrue at an annual rate of 7.75 percent compounded annually; (iv) a rate of return on the future investment earnings of the members' variable accounts are assumed to accrue at an annual rate of 7.75 percent, compounded annually; (v) projected annual rate of wage inflation of 3.75 percent, compounded annually, excluding merit or longevity increases; (vi) unfunded actuarial liability is amortized on a level percentage of combined annual payroll on a closed group fixed term basis over twenty year for PERS and sixteen years for OPSRP.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**IV. Other Information (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**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.

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.

The benefit provisions are established in the LOSAP Master Plan.

**Funding Policy**

The City funds the plan 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 under the relevant provisions of the GASB Statement 27.

The following disclosures are required by GASB Statement 27. The City intends to continue this pension plan; however, future payments are not required by the LOSAP Master Plan and thus the net pension obligation is not reported as a liability on the Statement of Net Position.

Annual Cost and Net Pension Obligation

Normal Cost	\$ 29,377
Amortization of Unfunded Actuarial Accrued Liability	81,996
Annual Required Contribution	111,373
Interest on Net Pension Obligation	9,997
Adjustment to Annual Required Contribution	(27,100)
Annual pension cost	94,270
Contribution	(23,736)
Increase (decrease) in Net Pension Obligation	70,534
Net Pension Obligation, beginning of year	333,225
Net Pension Obligation, end of year	<u>\$ 403,759</u>

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**IV. Other Information (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**2. McMinnville Fire Department Length of Service Awards Program (Continued)**

Following is the City's annual pension cost, contribution, percentage of the annual pension cost contributed to the plan, and the net pension obligation for the LOSAP for the current and two preceding years:

Fiscal Year End <u>June 30,</u>	<u>Annual Pension Cost</u>	<u>Contribution</u>	<u>% of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 100,823	\$ 26,616	26%	\$ 262,094
2013	97,015	25,884	27%	333,225
2014	94,270	23,736	25%	403,759

**Funding Status and Funding Progress**

The schedule of funding progress 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.

<u>Actuarial Valuation Date July 1</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>
2011	\$ -	\$870,353	\$870,353	0%
2012	-	935,026	935,026	0%
2014	-	1,008,227	1,008,227	0%

**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.

In the July 1, 2012 actuarial valuation, a 3.0% discount rate was used based on the assumption that the City's LOSAP will remain unfunded. Assumptions used in calculating the purchase price of annuities for vested terminated participants are projected from those used for the most recent annuity purchases made by the LOSAP. These include a 4.6% discount rate for the first 30 years after annuity purchase; a 3.0% discount rate thereafter; mortality rate per the 1994 GAM table projected to 2012; and a 7.5% expense load on the base value of the annuity. Disability rates and disabled mortality are assumed to follow those used in the 2010 Oregon PERS valuation for Fire employees. Withdrawal rates reflect the Fire Department's historical experience. All participants are assumed to retire when they reach entitlement age.

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



**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**IV. Other Information (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**2. McMinnville Fire Department Length of Service Awards Program (Continued)**

The UAAL is amortized over a 15-year open amortization period.

**E. Commitments and Contingencies**

**1. City**

At June 30, 2014, the City was committed to seven contracts. In the non-major governmental funds, approximately \$89,000 remained on the 2014 slurry seal project; and \$389,000 remained on the 2014 street overlay project. In the Wastewater Fund, a business-type activity, approximately \$760,000 remained on the Fairgrounds Trunkline inflow and infiltration project and approximately \$12,169,000 consisting of four contracts related to the Water Reclamation Facility Expansion.

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, 2014, the City had four open plan years with a total potential remaining liability of \$574,000. 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 for fiscal years ended June 30, 2012, 2013, and 2014 were \$194,000, \$389,000, and \$241,000, respectively.

In July 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 to be constructed by ODOT and will be repaid with Federal and State transportation funds. The City will make interest only payments on the City's share of ODOT's expended funds through 2016; principal and interest payments will begin in January 2017 and continue for 20 years, ending in January 2036. At June 30, 2014 ODOT had not expended City funds on the project and no interest was payable.

**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, 2014 were approximately \$565,000.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**IV. Other Information (Continued)**

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

Department sales of electricity were made to one major commercial customer during the year ended June 30, 2014 in an amount exceeding ten percent of total sales. This customer accounted for approximately \$13,083,000 of revenues during the year ended June 30, 2014. At June 30, 2014, accounts receivable from this same customer amounted to approximately \$967,000.

Department purchases were made from one major supplier of power, including supply, transmission and distribution during the year ended June 30, 2014 in amounts exceeding ten percent of the total of such purchases. The supplier accounted for \$27,103,000 of purchases during the year ended June 30, 2014. At June 30, 2014, amounts due to this same supplier, and included in accounts payable, amounted to \$1,941,000.

**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 \$685,000 in member contributions to YCOM in fiscal year 2014. 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 \$26,000 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.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**IV. Other Information (Continued)**

**G. Jointly Governed Organization (Continued)**

**2. Department**

The Department, in conjunction with six other Oregon municipal corporations that provide distribution of electric services, is a member of the Oregon Municipal Energy and Conservation Agency (OMECA). OMECA issued tax-exempt revenue bonds to fund conservation projects of the member organizations. The bonds are payable solely by the Bonneville Power Administration and do not represent obligations of OMECA or the Department. OMECA's Board of Directors is comprised of one member from each participating entity. No member has any obligation, entitlement or residual interest in OMECA.

**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 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 2013-14 credits for 2002-2006 look back adjustments were \$1,058,000. For fiscal year 2014-15 the lookback credit will be \$1,079,000. 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 2013-14, the City received \$318,000 from MRFPD for contract services, which is included in Fire's 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.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2014**

**IV. Other Information (Continued)**

**J. Restatement**

Certain street and sewer infrastructure was previously depreciated using the composite method of depreciation. The City has determined that these assets should be depreciated using the straight line method of depreciation. The straight line method is preferable as it will more accurately reflect usage of assets. As a result of this change in accounting principle, beginning net position was increased as follows:

Government-Wide Financial Statements:

Governmental Activities	\$ 3,263,218
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In addition, certain intergovernmental revenues, franchise fees and property rentals were previously recognized when received with an emphasis on recording these revenues consistently with prior years. The City has determined that these revenues should be recognized under the modified accrual basis of accounting, consistent with the recognition of other revenues. As a result of implementing this change in fiscal year ended June 30, 2014, beginning net position/fund balances have been restated to reflect the prior period adjustment. This restatement increased beginning net position/fund balances, as follows:

Government-Wide Financial Statements:

Governmental Activities	\$ 383,161
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Fund Financial Statements:

General Fund	\$ 208,284
Airport Fund	9,281
Non-Major Governmental Funds	165,596

**K. Subsequent Event**

Subsequent to June 30, 2014, the City contracted with Pierce Manufacturing for two fire apparatus, an aerial platform truck with pump and water tank and an engine/pumper for \$1,245,000.

## **OTHER SUPPLEMENTARY INFORMATION**

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



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

- Governmental Funds
- Proprietary Funds





## **GOVERNMENTAL FUNDS**

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





**City of McMinnville, Oregon**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2014**

	<b>Special Revenue Funds</b>				
	<b>Special Assessment</b>	<b>Transient Lodging Tax</b>	<b>Telecommu- nications</b>	<b>Emergency Communica- tions</b>	<b>Street</b>
<b>Assets</b>					
Cash and investments	\$ 165,144	\$ 22,737	\$ 1,637	\$ 313,871	\$ 1,480,554
Receivables	32,811	144,156	59,472	8,361	146,238
Prepays	-	-	-	-	4
Restricted cash and investments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 197,955</b>	<b>\$ 166,893</b>	<b>\$ 61,109</b>	<b>\$ 322,232</b>	<b>\$ 1,626,796</b>
<b>Liabilities</b>					
Accounts payable	-	-	59,472	59,994	22,800
Unearned revenue	665	-	-	-	-
Liabilities payable from restricted assets:					
Accounts payable	-	-	-	-	-
<b>Total liabilities</b>	<b>665</b>	<b>-</b>	<b>59,472</b>	<b>59,994</b>	<b>22,800</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue other	32,811	-	-	-	-
<b>Fund Balances</b>					
Nonspendable	-	-	-	-	4
Restricted	-	165,112	-	-	963,308
Committed	-	-	-	262,238	-
Assigned	164,479	1,781	1,637	-	640,684
<b>Total fund balances</b>	<b>164,479</b>	<b>166,893</b>	<b>1,637</b>	<b>262,238</b>	<b>1,603,996</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 197,290</b>	<b>\$ 166,893</b>	<b>\$ 1,637</b>	<b>\$ 262,238</b>	<b>\$ 1,603,996</b>

**Capital Projects Funds**

<b>Total</b>	<b>Public Safety Facilities Construction</b>	<b>Transportation</b>	<b>Park Development</b>	<b>Total</b>	<b>Total Non-Major Governmental Funds</b>
\$ 1,983,943	\$ -	\$ 1,904,524	\$ 38,125	\$ 1,942,649	\$ 3,926,592
391,038	-	-	-	-	391,038
4	-	-	-	-	4
-	11,594	-	1,142,961	1,154,555	1,154,555
<u>\$ 2,374,985</u>	<u>\$ 11,594</u>	<u>\$ 1,904,524</u>	<u>\$ 1,181,086</u>	<u>\$ 3,097,204</u>	<u>\$ 5,472,189</u>
142,266	-	3,841	2,685	6,526	148,792
665	-	-	-	-	665
-	-	-	1,358	1,358	1,358
<u>142,931</u>	<u>-</u>	<u>3,841</u>	<u>4,043</u>	<u>7,884</u>	<u>150,815</u>
32,811	-	-	-	-	32,811
4	-	-	-	-	4
1,128,420	11,594	1,900,683	1,171,462	3,083,739	4,212,159
262,238	-	-	-	-	262,238
808,581	-	-	5,581	5,581	814,162
<u>2,199,243</u>	<u>11,594</u>	<u>1,900,683</u>	<u>1,177,043</u>	<u>3,089,320</u>	<u>5,288,563</u>
<u>\$ 2,374,985</u>	<u>\$ 11,594</u>	<u>\$ 1,904,524</u>	<u>\$ 1,181,086</u>	<u>\$ 3,097,204</u>	<u>\$ 5,472,189</u>

**City of McMinnville, Oregon**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2014**

	<b>Special Revenue Funds</b>				
	<b>Special Assessment</b>	<b>Transient Lodging Tax</b>	<b>Telecommu- nications</b>	<b>Emergency Communica- tions</b>	<b>Street</b>
<b>Revenues</b>					
Special assessments	\$ 59,515	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	235,873	234,071	34,949	87
Intergovernmental	-	-	-	-	1,855,764
Charges for services	-	-	-	13,130	-
Miscellaneous	2,962	1,782	40	1,635	9,367
<b>Total revenues</b>	<b>62,477</b>	<b>237,655</b>	<b>234,111</b>	<b>49,714</b>	<b>1,865,218</b>
<b>Expenditures</b>					
Current:					
General government	65,285	70,762	234,071	-	-
Public safety	-	-	-	717,104	-
Highways and streets	-	-	-	-	1,418,365
Culture and recreation	-	-	-	-	-
Capital outlay:					
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
<b>Total expenditures</b>	<b>65,285</b>	<b>70,762</b>	<b>234,071</b>	<b>717,104</b>	<b>1,418,365</b>
Excess (deficiency) of revenues over (under) expenditures	(2,808)	166,893	40	(667,390)	446,853
<b>Other Financing Sources (Uses)</b>					
Transfers from other funds	-	-	-	574,500	-
Transfers to other funds	-	-	-	-	(200,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>574,500</b>	<b>(200,000)</b>
<b>Net change in fund balances</b>	<b>(2,808)</b>	<b>166,893</b>	<b>40</b>	<b>(92,890)</b>	<b>246,853</b>
Fund balances - beginning, as previously reported	167,287	-	1,597	345,260	1,201,415
Restatement	-	-	-	9,868	155,728
Fund balances - beginning as restated	167,287	-	1,597	355,128	1,357,143
<b>Fund balances - ending</b>	<b>\$ 164,479</b>	<b>\$ 166,893</b>	<b>\$ 1,637</b>	<b>\$ 262,238</b>	<b>\$ 1,603,996</b>

**Capital Projects Funds**

<b>Total</b>	<b>Public Safety Facilities Construction</b>	<b>Transportation</b>	<b>Park Development</b>	<b>Total</b>	<b>Total Non- Major Governmental Funds</b>
\$ 59,515	\$ -	\$ -	\$ -	\$ -	\$ 59,515
504,980	-	-	-	-	504,980
1,855,764	-	377,188	-	377,188	2,232,952
13,130	-	157,880	187,231	345,111	358,241
15,786	59	8,871	27,151	36,081	51,867
<u>2,449,175</u>	<u>59</u>	<u>543,939</u>	<u>214,382</u>	<u>758,380</u>	<u>3,207,555</u>
370,118	-	-	-	-	370,118
717,104	-	-	-	-	717,104
1,418,365	-	66,822	-	66,822	1,485,187
-	-	-	64,112	64,112	64,112
-	-	527,054	-	527,054	527,054
-	-	-	40,751	40,751	40,751
<u>2,505,587</u>	<u>-</u>	<u>593,876</u>	<u>104,863</u>	<u>698,739</u>	<u>3,204,326</u>
<u>(56,412)</u>	<u>59</u>	<u>(49,937)</u>	<u>109,519</u>	<u>59,641</u>	<u>3,229</u>
574,500	-	200,000	-	200,000	774,500
<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(300,000)</u>
<u>374,500</u>	<u>-</u>	<u>200,000</u>	<u>(100,000)</u>	<u>100,000</u>	<u>474,500</u>
<u>318,088</u>	<u>59</u>	<u>150,063</u>	<u>9,519</u>	<u>159,641</u>	<u>477,729</u>
1,715,559	11,535	1,750,620	1,167,524	2,929,679	4,645,238
165,596	-	-	-	-	165,596
<u>1,881,155</u>	<u>11,535</u>	<u>1,750,620</u>	<u>1,167,524</u>	<u>2,929,679</u>	<u>4,810,834</u>
<u>\$ 2,199,243</u>	<u>\$ 11,594</u>	<u>\$ 1,900,683</u>	<u>\$ 1,177,043</u>	<u>\$ 3,089,320</u>	<u>\$ 5,288,563</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 65,000	\$ 65,000	\$ 59,515	\$ (5,485)
Miscellaneous	1,500	1,500	2,962	1,462
<b>Total revenues</b>	<b>66,500</b>	<b>66,500</b>	<b>62,477</b>	<b>(4,023)</b>
<b>Expenditures</b>				
General government:				
Materials and services	65,200	65,200	59,591	5,609
Contingencies	80,000	80,000	-	80,000
<b>Total expenditures</b>	<b>145,200</b>	<b>145,200</b>	<b>59,591</b>	<b>85,609</b>
Excess (deficiency) of revenues over (under) expenditures	(78,700)	(78,700)	2,886	81,586
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	(5,694)	(5,694)	(5,694)	-
<b>Net change in fund balances</b>	<b>(84,394)</b>	<b>(84,394)</b>	<b>(2,808)</b>	<b>81,586</b>
Fund balances, budgetary basis - beginning	167,285	167,285	167,287	2
<b>Fund balances, budgetary basis - ending</b>	<b>\$ 82,891</b>	<b>\$ 82,891</b>	<b>\$ 164,479</b>	<b>\$ 81,588</b>
<b>Reconciliation:</b>				
Expenditures, budgetary basis			\$ 59,591	
Transfers to other funds - services provided			5,694	
Expenditures, modified accrual basis			<u>\$ 65,285</u>	
Other financing sources (uses), budgetary basis			\$ (5,694)	
Transfers to other funds - services provided			5,694	
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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Licenses and permits	\$ 240,000	\$ 240,000	\$ 235,874	\$ (4,126)
Miscellaneous	-	-	1,781	1,781
Total revenues	<u>240,000</u>	<u>240,000</u>	<u>237,655</u>	<u>(2,345)</u>
<b>Expenditures</b>				
General government:				
Materials and services	168,000	168,000	-	168,000
Total expenditures	<u>168,000</u>	<u>168,000</u>	<u>-</u>	<u>168,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>72,000</u>	<u>72,000</u>	<u>237,655</u>	<u>165,655</u>
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	(72,000)	(72,000)	(70,762)	1,238
Net change in fund balances	-	-	166,893	166,893
Fund balances, budgetary basis - beginning	-	-	-	-
Fund balances, budgetary basis - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,893</u>	<u>\$ 166,893</u>
Reconciliation:				
Expenditures, budgetary basis			\$ -	
Transfers to other funds - services provided			70,762	
Expenditures, modified accrual basis			<u>\$ 70,762</u>	
Other financing sources (uses), budgetary basis			\$ (70,762)	
Transfers to other funds - services provided			70,762	
Other financing sources (uses), modified accrual basis			<u>\$ -</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Licenses and permits	\$ 237,300	\$ 237,300	\$ 234,071	\$ (3,229)
Miscellaneous	100	100	40	(60)
Total revenues	237,400	237,400	234,111	(3,289)
<b>Expenditures</b>				
General government:				
Materials and services	236,750	236,750	234,071	2,679
Contingencies	1,450	1,450	-	1,450
Total expenditures	238,200	238,200	234,071	4,129
Excess (deficiency) of revenues over (under) expenditures	(800)	(800)	40	840
Net change in fund balances	(800)	(800)	40	840
Fund balances - beginning	1,681	1,681	1,597	(84)
Fund balances - ending	\$ 881	\$ 881	\$ 1,637	\$ 756

**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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Licenses and permits	\$ 42,140	\$ 42,140	\$ 34,949	\$ (7,191)
Intergovernmental	15,000	15,000	-	(15,000)
Charges for services	12,500	12,500	13,130	630
Miscellaneous	2,300	2,300	1,635	(665)
Total revenues	<u>71,940</u>	<u>71,940</u>	<u>49,714</u>	<u>(22,226)</u>
<b>Expenditures</b>				
Public safety:				
Materials and services	719,700	719,700	717,104	2,596
Capital outlay	150,000	150,000	-	150,000
Contingencies	75,000	75,000	-	75,000
Total expenditures	<u>944,700</u>	<u>944,700</u>	<u>717,104</u>	<u>227,596</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(872,760)</u>	<u>(872,760)</u>	<u>(667,390)</u>	<u>205,370</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	574,500	574,500	574,500	-
Net change in fund balances	<u>(298,260)</u>	<u>(298,260)</u>	<u>(92,890)</u>	<u>205,370</u>
Fund balances - beginning, as previously reported	339,536	339,536	345,260	5,724
Restatement	-	-	9,868	9,868
Fund balances - beginning as restated	<u>339,536</u>	<u>339,536</u>	<u>355,128</u>	<u>15,592</u>
Fund balances - ending	<u>\$ 41,276</u>	<u>\$ 41,276</u>	<u>\$ 262,238</u>	<u>\$ 220,962</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Licenses and permits	\$ 50	\$ 50	\$ 87	\$ 37
Intergovernmental	1,815,000	1,805,335	1,855,764	50,429
Miscellaneous	9,400	9,400	9,367	(33)
<b>Total revenues</b>	<u>1,824,450</u>	<u>1,814,785</u>	<u>1,865,218</u>	<u>50,433</u>
<b>Expenditures</b>				
Highways and streets:				
Personnel services	653,871	653,871	607,898	45,973
Materials and services	875,874	875,874	635,673	240,201
Contingencies	250,000	250,000	-	250,000
<b>Total expenditures</b>	<u>1,779,745</u>	<u>1,779,745</u>	<u>1,243,571</u>	<u>536,174</u>
Excess (deficiency) of revenues over (under) expenditures	<u>44,705</u>	<u>35,040</u>	<u>621,647</u>	<u>586,607</u>
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	(374,794)	(374,794)	(374,794)	-
<b>Net change in fund balances</b>	<u>(330,089)</u>	<u>(339,754)</u>	<u>246,853</u>	<u>586,607</u>
Fund balances - beginning, as previously reported	1,172,306	1,172,306	1,201,415	29,109
Restatement	-	-	155,728	155,728
Fund balances - beginning as restated	<u>1,172,306</u>	<u>1,172,306</u>	<u>1,357,143</u>	<u>184,837</u>
<b>Fund balances, budgetary basis - ending</b>	<u>\$ 842,217</u>	<u>\$ 832,552</u>	<u>\$ 1,603,996</u>	<u>\$ 771,444</u>
<b>Reconciliation:</b>				
Expenditures, budgetary basis			\$ 1,243,571	
Transfers to other funds - services provided			174,794	
Expenditures, modified accrual basis			<u>\$ 1,418,365</u>	
Other financing sources (uses), budgetary basis			\$ (374,794)	
Transfers to other funds - services provided			174,794	
Other financing sources (uses), modified accrual basis			<u>\$ (200,000)</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Miscellaneous	\$ 60	\$ 60	\$ 59	\$ (1)
Total revenues	<u>60</u>	<u>60</u>	<u>59</u>	<u>(1)</u>
Net change in fund balances	60	60	59	(1)
Fund balances, budgetary basis - beginning	11,509	11,509	11,535	26
Fund balances, budgetary basis - ending	<u>\$ 11,569</u>	<u>\$ 11,569</u>	<u>\$ 11,594</u>	<u>\$ 25</u>

**City of McMinnville, Oregon**  
**Transportation Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 377,188	\$ 377,188	\$ 377,188	\$ -
Charges for services	150,000	150,000	157,880	7,880
Miscellaneous	7,300	7,300	8,871	1,571
<b>Total revenues</b>	<b>534,488</b>	<b>534,488</b>	<b>543,939</b>	<b>9,451</b>
<b>Expenditures</b>				
Highways and streets:				
Materials and services	30,000	30,000	18,570	11,430
Capital outlay	597,000	597,000	527,054	69,946
Debt Service	20,000	20,000	-	20,000
Contingencies	50,000	50,000	-	50,000
<b>Total expenditures</b>	<b>697,000</b>	<b>697,000</b>	<b>545,624</b>	<b>151,376</b>
Excess (deficiency) of revenues over (under) expenditures	(162,512)	(162,512)	(1,685)	160,827
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	200,000	200,000	200,000	-
Transfers to other funds	(48,252)	(48,252)	(48,252)	-
<b>Total other financing sources (uses)</b>	<b>151,748</b>	<b>151,748</b>	<b>151,748</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(10,764)</b>	<b>(10,764)</b>	<b>150,063</b>	<b>160,827</b>
Fund balances, budgetary basis - beginning	1,743,905	1,743,905	1,750,620	6,715
<b>Fund balances, budgetary basis - ending</b>	<b>\$ 1,733,141</b>	<b>\$ 1,733,141</b>	<b>\$ 1,900,683</b>	<b>\$ 167,542</b>
<b>Reconciliation:</b>				
Expenditures, budgetary basis			\$ 545,624	
Transfers to other funds - services provided			48,252	
Expenditures, modified accrual basis			<u>\$ 593,876</u>	
Other financing sources (uses), budgetary basis			\$ 151,748	
Transfers to other funds - services provided			48,252	
Other financing sources (uses), modified accrual basis			<u>\$ 200,000</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 130,000	\$ 130,000	\$ 187,231	\$ 57,231
Miscellaneous	1,100	1,100	27,151	26,051
Total revenues	<u>131,100</u>	<u>131,100</u>	<u>214,382</u>	<u>83,282</u>
<b>Expenditures</b>				
Culture and recreation:				
Materials and services	38,100	38,100	15,418	22,682
Capital outlay	553,400	553,400	38,082	515,318
Contingencies	577,427	577,427	-	577,427
Total expenditures	<u>1,168,927</u>	<u>1,168,927</u>	<u>53,500</u>	<u>1,115,427</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,037,827)</u>	<u>(1,037,827)</u>	<u>160,882</u>	<u>1,198,709</u>
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	(151,363)	(151,363)	(151,363)	-
Net change in fund balances	<u>(1,189,190)</u>	<u>(1,189,190)</u>	<u>9,519</u>	<u>1,198,709</u>
Fund balances, budgetary basis - beginning	1,189,190	1,189,190	1,167,524	(21,666)
Fund balances, budgetary basis - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,177,043</u>	<u>\$ 1,177,043</u>
Reconciliation:				
Expenditures, budgetary basis			\$ 53,500	
Transfers to other funds - services provided			51,363	
Expenditures, modified accrual basis			<u>\$ 104,863</u>	
Other financing sources (uses), budgetary basis			\$ (151,363)	
Transfers to other funds - services provided			51,363	
Other financing sources (uses), modified accrual basis			<u>\$ (100,000)</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 1,484,000	\$ 1,484,000	\$ 1,517,266	\$ 33,266
Miscellaneous	5,500	5,500	5,068	(432)
Total revenues	<u>1,489,500</u>	<u>1,489,500</u>	<u>1,522,334</u>	<u>32,834</u>
<b>Expenditures</b>				
Debt service	1,605,030	1,605,030	1,605,025	5
Excess (deficiency) of revenues over (under) expenditures	<u>(115,530)</u>	<u>(115,530)</u>	<u>(82,691)</u>	<u>32,839</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	100,000	100,000	100,000	-
Net change in fund balances	(15,530)	(15,530)	17,309	32,839
Fund balances - beginning	1,417,855	1,417,855	1,442,500	24,645
Fund balances - ending	<u>\$ 1,402,325</u>	<u>\$ 1,402,325</u>	<u>\$ 1,459,809</u>	<u>\$ 57,484</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, Oregon**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2014**

	<b>Information Systems &amp; Services</b>	<b>Insurance Services</b>	<b>Total Internal Service Funds</b>
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 151,294	\$ 1,032,678	\$ 1,183,972
Receivables, net of allowance for uncollectibles	-	129	129
Due from component unit	-	15,409	15,409
Prepays	8,427	-	8,427
Total current assets	<u>159,721</u>	<u>1,048,216</u>	<u>1,207,937</u>
Non-current assets:			
Capital assets			
Depreciable capital assets	2,182,530	-	2,182,530
Accumulated depreciation	(1,540,870)	-	(1,540,870)
Total non-current assets	<u>641,660</u>	<u>-</u>	<u>641,660</u>
Total assets	<u>801,381</u>	<u>1,048,216</u>	<u>1,849,597</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	3,777	53,831	57,608
Other liabilities	-	68,986	68,986
Compensated absences	8,739	-	8,739
Total current liabilities	<u>12,516</u>	<u>122,817</u>	<u>135,333</u>
Non-current liabilities:			
Other post employment benefits	17,942	-	17,942
Total liabilities	<u>30,458</u>	<u>122,817</u>	<u>153,275</u>
<b>Net Position</b>			
Invested in capital assets	641,660	-	641,660
Unrestricted	129,263	925,399	1,054,662
Total net position	<u>\$ 770,923</u>	<u>\$ 925,399</u>	<u>\$ 1,696,322</u>

**City of McMinnville, Oregon**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2014**

	<b>Information Systems &amp; Services</b>	<b>Insurance Services</b>	<b>Total Internal Service Funds</b>
<b>Operating revenues</b>			
Charges for services	\$ 860,358	\$ 784,964	\$ 1,645,322
Miscellaneous	-	63,502	63,502
Total operating revenues	<u>860,358</u>	<u>848,466</u>	<u>1,708,824</u>
<b>Operating expenses</b>			
Personnel services	292,632	-	292,632
Materials and services	461,203	551,582	1,012,785
Depreciation	103,825	-	103,825
Total operating expenses	<u>857,660</u>	<u>551,582</u>	<u>1,409,242</u>
Operating income (loss)	<u>2,698</u>	<u>296,884</u>	<u>299,582</u>
<b>Nonoperating revenues</b>			
Investment earnings	775	4,499	5,274
Other revenue	1,000	-	1,000
Total nonoperating revenues	<u>1,775</u>	<u>4,499</u>	<u>6,274</u>
Change in net position	4,473	301,383	305,856
Total net position - beginning	766,450	624,016	1,390,466
Total net position - ending	<u>\$ 770,923</u>	<u>\$ 925,399</u>	<u>\$ 1,696,322</u>

**City of McMinnville, Oregon**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2014**

	<b>Information Systems &amp; Services</b>	<b>Insurance Services</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from interfund services provided	\$ 860,358	\$ 784,964	\$ 1,645,322
Other operating receipts	1,000	53,332	54,332
Payments to suppliers	(477,922)	(797,191)	(1,275,113)
Payments to employees	(291,648)	-	(291,648)
Payments for interfund services used	(2,561)	-	(2,561)
Net cash from operating activities	89,227	41,105	130,332
<b>Cash Flows From Capital and Related Financing Activities</b>			
Additions to capital assets	(112,242)	-	(112,242)
<b>Cash Flows From Investing Activities</b>			
Interest received	775	4,499	5,274
<b>Increase (Decrease) in Cash and Investments</b>	(22,240)	45,604	23,364
<b>Cash and Investments - Beginning</b>	173,534	987,074	1,160,608
<b>Cash and Investments - Ending</b>	\$ 151,294	\$ 1,032,678	\$ 1,183,972
<b>Reconciliation of Operating Income to Net Cash From Operating Activities</b>			
Operating income	\$ 2,698	\$ 296,884	\$ 299,582
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	103,825	-	103,825
Other revenue	1,000	-	1,000
Change in current assets and liabilities:			
Receivables	-	3,085	3,085
Due from component unit	-	(13,255)	(13,255)
Prepays	(7,985)	-	(7,985)
Accounts payable	(10,734)	(140,126)	(150,860)
Compensated absences	(2,446)	-	(2,446)
Other post employment benefits	2,869	-	2,869
Other liabilities	-	(105,483)	(105,483)
Net cash from operating activities	\$ 89,227	\$ 41,105	\$ 130,332

**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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 8,565,542	\$ 8,565,542	\$ 8,620,486	\$ 54,944
Miscellaneous	11,000	11,000	19,518	8,518
Total revenues	<u>8,576,542</u>	<u>8,576,542</u>	<u>8,640,004</u>	<u>63,462</u>
<b>Expenditures</b>				
Wastewater:				
Wastewater services administration	636,931	636,931	500,882	136,049
Plant	1,619,364	1,619,364	1,356,688	262,676
Environmental services	414,903	414,903	407,601	7,302
Conveyance systems	719,874	719,874	597,819	122,055
Contingencies	300,000	300,000	-	300,000
Total expenditures	<u>3,691,072</u>	<u>3,691,072</u>	<u>2,862,990</u>	<u>828,082</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,885,470</u>	<u>4,885,470</u>	<u>5,777,014</u>	<u>891,544</u>
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	(6,493,493)	(6,493,493)	(6,493,493)	-
Net change in fund balances	(1,608,023)	(1,608,023)	(716,479)	891,544
Fund balances, budgetary basis - beginning	3,003,971	3,003,971	3,105,502	101,531
Fund balances, budgetary basis - ending	<u>\$ 1,395,948</u>	<u>\$ 1,395,948</u>	<u>\$ 2,389,023</u>	<u>\$ 993,075</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 300,000	\$ 300,000	\$ 428,778	\$ 128,778
Miscellaneous	113,800	113,800	104,284	(9,516)
Total revenues	<u>413,800</u>	<u>413,800</u>	<u>533,062</u>	<u>119,262</u>
<b>Expenditures</b>				
Wastewater:				
Materials and services	2,091,814	2,091,814	1,091,631	1,000,183
Capital outlay	8,235,000	8,235,000	1,280,931	6,954,069
Debt service	2,937,464	2,937,464	2,937,463	1
Contingencies	500,000	500,000	-	500,000
Total expenditures	<u>13,764,278</u>	<u>13,764,278</u>	<u>5,310,025</u>	<u>8,454,253</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,350,478)</u>	<u>(13,350,478)</u>	<u>(4,776,963)</u>	<u>8,573,515</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	6,295,691	6,295,691	6,295,691	-
Transfers to other funds	(201,081)	(201,081)	(201,081)	-
Total other financing sources (uses)	<u>6,094,610</u>	<u>6,094,610</u>	<u>6,094,610</u>	<u>-</u>
Net change in fund balances	(7,255,868)	(7,255,868)	1,317,647	8,573,515
Fund balances, budgetary basis - beginning	16,514,136	16,514,136	16,533,715	19,579
Fund balances, budgetary basis - ending	<u>\$ 9,258,268</u>	<u>\$ 9,258,268</u>	<u>\$ 17,851,362</u>	<u>\$ 8,593,094</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, 2014**

Reconciliation:

Wastewater Services Fund balances, budgetary basis - ending	\$ 2,389,023
Wastewater Capital Fund balances, budgetary basis - ending	17,851,362
Capital assets	87,464,210
Accumulated depreciation	(40,024,722)
Compensated absences payable	(93,154)
Other post employment benefits	(98,547)
Net position, full accrual - ending	<u>\$ 67,488,172</u>

Wastewater Services charges for services, budgetary basis	\$ 8,620,486
Wastewater Capital charges for services, budgetary basis	428,778
Development charges and fees	(428,778)
Other revenue, property rentals	(19,450)
Charges for services, full accrual basis	<u>\$ 8,601,036</u>

Wastewater Services expenditures, budgetary basis	\$ 2,862,990
Wastewater Capital expenditures, budgetary basis	5,310,025
Change in compensated absences	554
Change in other post employment benefits	15,855
Expenditures capitalized	(2,452,993)
Transfers to other funds - services provided	468,883
Depreciation	2,572,126
Debt Service	(2,937,463)
Operating expenses, full accrual basis	<u>\$ 5,839,977</u>

Wastewater Services other financing sources (uses), budgetary basis	\$ (6,493,493)
Wastewater Capital other financing sources (uses), budgetary basis	6,094,610
Capital contributions	37,206
Transfers to other funds - services provided	468,883
Transfers from other funds - advance to other fund	(70,000)
Total contributions and transfers, full accrual basis	<u>\$ 37,206</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 4,148	\$ 4,148
Charges for services	3,708,000	3,708,000	3,312,504	(395,496)
Miscellaneous	37,850	37,850	46,277	8,427
Total revenues	<u>3,745,850</u>	<u>3,745,850</u>	<u>3,362,929</u>	<u>(382,921)</u>
<b>Expenditures</b>				
Ambulance:				
Personnel services	2,797,671	2,797,671	2,736,216	61,455
Materials and services	1,301,399	1,301,399	1,116,893	184,506
Capital outlay	40,000	40,000	35,841	4,159
Contingencies	300,000	300,000	-	300,000
Total expenditures	<u>4,439,070</u>	<u>4,439,070</u>	<u>3,888,950</u>	<u>550,120</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(693,220)</u>	<u>(693,220)</u>	<u>(526,021)</u>	<u>167,199</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	600,000	600,000	600,000	-
Transfers to other funds	(265,931)	(265,931)	(265,931)	-
Total other financing sources (uses)	<u>334,069</u>	<u>334,069</u>	<u>334,069</u>	<u>-</u>
Net change in fund balances	(359,151)	(359,151)	(191,952)	167,199
Fund balances, budgetary basis - beginning	1,228,899	1,228,899	1,287,647	58,748
Fund balances, budgetary basis - ending	<u>\$ 869,748</u>	<u>\$ 869,748</u>	<u>1,095,695</u>	<u>\$ 225,947</u>
Add (deduct):				
Allowance for uncollectibles			(149,609)	
Capital assets			1,098,034	
Accumulated depreciation			(540,760)	
Compensated absences payable			(168,043)	
Other post employment benefits			(140,315)	
Net position, full accrual - ending			<u>\$ 1,195,002</u>	
Reconciliation:				
Charges for service, budgetary basis			\$ 3,312,504	
Medical write-offs			(715,920)	
Change in allowance for uncollectibles			2,591	
Charges for services, full accrual basis			<u>\$ 2,599,175</u>	
Expenditures, budgetary basis			\$ 3,888,950	
Change in compensated absences			46,477	
Change in other post employment benefits			26,862	
Medical write-offs			(715,920)	
Expenditures capitalized			(2,418)	
Transfers to other funds - services provided			203,331	
Depreciation			94,982	
Operating expenses, full accrual basis			<u>\$ 3,542,264</u>	
Other financing sources (uses), budgetary basis			\$ 334,069	
Transfers to other funds - services provided			203,331	
Total contributions and transfers, full accrual basis			<u>\$ 537,400</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Licenses and permits	\$ 290,275	\$ 290,275	\$ 389,060	\$ 98,785
Miscellaneous	2,100	2,100	3,020	920
Total revenues	<u>292,375</u>	<u>292,375</u>	<u>392,080</u>	<u>99,705</u>
<b>Expenditures</b>				
Building:				
Personnel services	195,606	195,606	195,254	352
Materials and services	51,355	51,355	38,577	12,778
Contingencies	75,000	75,000	-	75,000
Total expenditures	<u>321,961</u>	<u>321,961</u>	<u>233,831</u>	<u>88,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(29,586)</u>	<u>(29,586)</u>	<u>158,249</u>	<u>187,835</u>
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	(36,999)	(36,999)	(36,999)	-
Net change in fund balances	(66,585)	(66,585)	121,250	187,835
Fund balances, budgetary basis - beginning	182,628	182,628	207,977	25,349
Fund balances, budgetary basis - ending	<u>\$ 116,043</u>	<u>\$ 116,043</u>	<u>329,227</u>	<u>\$ 213,184</u>
Add (deduct):				
Capital assets			381,887	
Accumulated depreciation			(102,753)	
Compensated absences payable			(9,593)	
Other post employment benefits			(19,853)	
Net position, full accrual - ending			<u>\$ 578,915</u>	
<b>Reconciliation:</b>				
Expenditures, budgetary basis			\$ 233,831	
Change in compensated absences			(1,515)	
Change in other post employment benefits			1,917	
Transfers to other funds - services provided			36,999	
Depreciation			14,414	
Operating expenses, full accrual basis			<u>\$ 285,646</u>	
Other financing sources (uses), budgetary basis			\$ (36,999)	
Transfers to other funds - services provided			36,999	
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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 589,469	\$ 659,469	\$ 551,690	\$ (107,779)
Miscellaneous	900	900	1,775	875
Total revenues	<u>590,369</u>	<u>660,369</u>	<u>553,465</u>	<u>(106,904)</u>
<b>Expenditures</b>				
Personnel services	308,668	308,668	292,209	16,459
Materials and services	512,801	554,801	461,203	93,598
Capital outlay	76,668	104,668	90,487	14,181
Contingencies	65,000	65,000	-	65,000
Total expenditures	<u>963,137</u>	<u>1,033,137</u>	<u>843,899</u>	<u>189,238</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(372,768)</u>	<u>(372,768)</u>	<u>(290,434)</u>	<u>82,334</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	308,668	308,668	308,668	-
Net change in fund balances	(64,100)	(64,100)	18,234	82,334
Fund balances, budgetary basis - beginning	163,389	163,389	137,709	(25,680)
Fund balances, budgetary basis - ending	<u>\$ 99,289</u>	<u>\$ 99,289</u>	<u>155,943</u>	<u>\$ 56,654</u>
Add (deduct):				
Capital assets			2,182,530	
Accumulated depreciation			(1,540,869)	
Compensated absences payable			(8,739)	
Other post employment benefits			(17,942)	
Net position, full accrual - ending			<u>\$ 770,923</u>	
Reconciliation:				
Charges for services, budgetary basis			\$ 551,690	
Transfers from other funds - services provided			308,668	
Charges for services, full accrual basis			<u>\$ 860,358</u>	
Expenditures, budgetary basis			\$ 843,899	
Change in compensated absences			(2,446)	
Change in other post employment benefits			2,869	
Expenditures capitalized			(90,487)	
Depreciation			103,825	
Operating expenses, full accrual basis			<u>\$ 857,660</u>	
Other financing sources (uses), budgetary basis			\$ 308,668	
Transfers from other funds - services provided			(308,668)	
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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 833,422	\$ 833,422	\$ 784,964	\$ (48,458)
Miscellaneous	78,000	78,000	68,001	(9,999)
Total revenues	<u>911,422</u>	<u>911,422</u>	<u>852,965</u>	<u>(58,457)</u>
<b>Expenditures</b>				
Materials and services	864,250	864,250	615,158	249,092
Contingencies	100,000	100,000	-	100,000
Total expenditures	<u>964,250</u>	<u>964,250</u>	<u>615,158</u>	<u>349,092</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(52,828)</u>	<u>(52,828)</u>	<u>237,807</u>	<u>290,635</u>
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	<u>(41,908)</u>	<u>(41,908)</u>	<u>(41,908)</u>	<u>-</u>
Net change in fund balances	<u>(94,736)</u>	<u>(94,736)</u>	<u>195,899</u>	<u>290,635</u>
Fund balances, budgetary basis - beginning	683,618	683,618	798,487	114,869
Fund balances, budgetary basis - ending	<u>\$ 588,882</u>	<u>\$ 588,882</u>	<u>994,386</u>	<u>\$ 405,504</u>
Add (deduct):				
Insurance claims payable			<u>(68,987)</u>	
Net position, full accrual - ending			<u>\$ 925,399</u>	
Reconciliation:				
Expenditures, budgetary basis			\$ 615,158	
Transfers to other funds - services provided			41,908	
Change in insurance claims liability			<u>(105,484)</u>	
Operating expenses, full accrual basis			<u>\$ 551,582</u>	
Other financing sources (uses), budgetary basis				
Transfers to other funds - services provided			\$ (41,908)	
Total contributions and transfers, full accrual basis			<u>\$ 41,908</u>	
			<u>\$ -</u>	

## **OTHER FINANCIAL SCHEDULES**

- Schedule of Expenditures of Federal Awards
- Schedule of Future Debt Service Requirements
- Schedule of Property Tax Transactions
- Schedule of Accountability for Independently Elected Officials





**City of McMinnville, Oregon**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2014**

Federal Program Title	Federal CFDA Number	Award Description
<b>U.S. Department of Transportation</b>		
<b>National Highway Traffic Safety Administration</b>		
<b>Highway Safety Cluster</b>		
<b>Oregon Association of Chiefs of Police</b>		
State and Community Highway Safety	20.600	Safety Belt/Three Flags Traffic Safety Grant 2013
Total State and Community Highway Safety		
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	DUII Traffic Safety Grant 2013
Total Alcohol Impaired Driving Countermeasures Incentive Grant		
Total Highway Safety Cluster		
<b>U.S. Department of Justice</b>		
<b>JAG Program Cluster</b>		
<b>Bureau of Justice Assistance</b>		
Edward Byrne Memorial Justice Assistance Grant	16.738	Justice Assistance Grant (JAG) 2010
Edward Byrne Memorial Justice Assistance Grant	16.738	Justice Assistance Grant (JAG) 2011
Total JAG Program Cluster		
Bulletproof Vest Partnership Program	16.607	Bulletproof Vest Partnership 2012
Bulletproof Vest Partnership Program	16.607	Bulletproof Vest Partnership 2013
Total Bulletproof Vest Partnership Program		
<b>U.S. Department of the Interior</b>		
<b>National Park Service</b>		
<b>State of Oregon Parks &amp; Recreation Department</b>		
Historic Preservation Fund Grants-In-Aid	15.904	Certified Local Government Grant

**Total**

**Note 1. Basis of Presentation** - This schedule is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The amounts presented in this schedule agree with the presentation in the basic financial statements as all federal grants are reported on the modified accrual basis of accounting.



<u>Award Identification Number</u>	<u>Award Period</u>	<u>Total Award</u>	<u>Expended Current Year</u>	<u>Total Project to Date</u>	<u>Expired/Unexpended Balance June 30, 2014</u>
K2-13-46-08	10/1/12-09/30/13	\$ 4,500	\$ -	\$ 2,825	\$ 1,675
		<u>4,500</u>	<u>-</u>	<u>2,825</u>	<u>1,675</u>
K8-13-12-38	10/1/12-9/30/13	<u>10,000</u>	<u>-</u>	<u>2,600</u>	<u>7,400</u>
		<u>10,000</u>	<u>-</u>	<u>2,600</u>	<u>7,400</u>
		<u>14,500</u>	<u>-</u>	<u>5,425</u>	<u>9,075</u>
2010-DJ-BX-0478	10/1/09-9/30/13	10,914	-	10,893	21
2011-DJ-BX-2674	10/1/10-9/30/14	<u>10,116</u>	<u>10,116</u>	<u>10,116</u>	<u>-</u>
		<u>21,030</u>	<u>10,116</u>	<u>21,009</u>	<u>21</u>
2012 12064534	04/1/12-8/31/14	1,103	302	1,102	0
2013 13069826	4/1/13 - 8/31/15	<u>2,449</u>	<u>2,008</u>	<u>2,008</u>	<u>440</u>
		<u>3,551</u>	<u>2,310</u>	<u>3,111</u>	<u>440</u>
OR-12-12	4/1/12-8/31/13	14,000	-	12,806	1,194
		<u>\$ 53,081</u>	<u>\$ 12,426</u>	<u>\$ 42,351</u>	<u>\$ 10,730</u>

**City of McMinnville, Oregon**  
**Schedule of Future Debt Service Requirements**  
**June 30, 2014**

Fiscal Year of Maturity	Public Safety Civic Buildings Construction Bonds Issued November 14, 2006 3.75 - 5.50%		Park System Improvement Bonds Issued October 6, 2011 2.00 - 4.00%		Total Governmental Activity General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014-15	\$ 585,000	\$ 383,925	\$ 520,000	\$ 109,400	\$ 1,105,000	\$ 493,325
2015-16	615,000	355,538	535,000	98,850	1,150,000	454,388
2016-17	640,000	330,438	550,000	88,000	1,190,000	418,438
2017-18	665,000	305,169	555,000	76,950	1,220,000	382,119
2018-19	690,000	278,900	570,000	65,700	1,260,000	344,600
2019-20	720,000	251,150	580,000	51,300	1,300,000	302,450
2020-21	750,000	222,200	600,000	33,600	1,350,000	255,800
2021-22	780,000	191,600	615,000	12,300	1,395,000	203,900
2022-23	810,000	159,800	-	-	810,000	159,800
2023-24	845,000	126,700	-	-	845,000	126,700
2024-25	880,000	92,200	-	-	880,000	92,200
2025-26	915,000	56,300	-	-	915,000	56,300
2026-27	950,000	19,000	-	-	950,000	19,000
	<u>\$ 9,845,000</u>	<u>\$ 2,772,920</u>	<u>\$ 4,525,000</u>	<u>\$ 536,100</u>	14,370,000	<u>\$ 3,309,020</u>

Add:

General obligation bond premium - public safety buildings construction	120,967
General obligation bond premium - park system improvements	243,829
	<u>\$ 14,734,796</u>

Full Faith & Credit Bank Loan Issued May , 2014 3.1%		Total Governmental Activity Long Term Debt	
Principal	Interest	Principal	Interest
\$ 68,594	\$ 46,698	\$ 1,173,594	\$ 540,023
75,529	39,763	1,225,529	494,151
77,889	37,403	1,267,889	455,841
80,322	34,970	1,300,322	417,089
82,831	32,461	1,342,831	377,061
85,419	29,873	1,385,419	332,323
88,087	27,205	1,438,087	283,005
90,839	24,453	1,485,839	228,353
93,677	21,615	903,677	181,415
626,813	18,687	1,471,813	145,387
	-	880,000	92,200
		915,000	56,300
		950,000	19,000
<u>\$ 1,370,000</u>	<u>\$ 313,128</u>	15,740,000	<u>\$ 3,622,148</u>
		120,967	
		243,829	
		<u>\$ 16,104,796</u>	

**CITY OF MCMINNVILLE, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**  
**Year Ended June 30, 2014**

	<u>Tax Year</u>	<u>Uncollected July 1, 2013</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts Allowed</u>	<u>Interest</u>
Current year	2013-14	\$ -	\$ 12,783,321	\$ (321,989)	\$ 8,000
Prior years	2012-13	578,121	-	-	18,222
	2011-12	264,756	-	-	18,622
	2010-11	169,953	-	-	23,243
	2009-10	88,383	-	-	11,244
	2008-09	19,644	-	-	2,336
	2007-08 and prior years	59,985	-	-	8,427
Total prior years		<u>1,180,842</u>	<u>-</u>	<u>-</u>	<u>82,094</u>
		<u>\$ 1,180,842</u>	<u>\$ 12,783,321</u>	<u>\$ (321,989)</u>	<u>\$ 90,094</u>

Reconciliation of property taxes receivable by fund:

General Fund	\$ 1,097,326
Debt Service Fund	<u>113,725</u>
	<u>\$ 1,211,051</u>

Reconciliation of property tax collections to revenue on the fund financial statements:

Collections	\$ 12,427,275
Adjustment to modified accual basis	<u>8,120</u>
Total property tax revenue	<u>\$ 12,435,395</u>

<u>Adjustments</u>	<u>Collections</u>	<u>Uncollected June 30, 2014</u>
\$ (41,519)	\$ (11,893,500)	\$ 534,313
(26,248)	(266,810)	303,285
(1,910)	(112,711)	168,757
(5,263)	(94,455)	93,478
(4,731)	(37,968)	56,928
(3,776)	(4,313)	13,891
<u>(10,495)</u>	<u>(17,518)</u>	<u>40,399</u>
<u>(52,423)</u>	<u>(533,775)</u>	<u>676,738</u>
<u>\$ (93,942)</u>	<u>\$ (12,427,275)</u>	<u>\$ 1,211,051</u>

**City of McMinnville, Oregon**  
**Schedule of Accountability for Independently Elected Officials**  
**June 30, 2014**

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

## STATISTICAL SECTION

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

### Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

### Revenue Capacity

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

### Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

### Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

### Operating Information

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

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







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

	<b>Fiscal Year Ended June 30,</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Primary Government:</b>			
Governmental activities:			
Invested in capital assets (f)	\$ 56,795,878	\$ 59,476,033	\$ 62,898,370
Restricted (b)	2,082,235	2,507,360	2,876,332
Unrestricted (d) (f)	<u>8,526,428</u>	<u>9,320,862</u>	<u>10,696,218</u>
Total governmental activities net position (c) (e)	<u>\$ 67,404,541</u>	<u>\$ 71,304,255</u>	<u>\$ 76,470,920</u>
Business-type activities:			
Invested in capital assets (f)	\$ 29,353,385	\$ 30,714,356	\$ 32,603,644
Restricted (a) (b)	-	-	-
Unrestricted (f)	<u>10,363,595</u>	<u>12,290,008</u>	<u>14,664,424</u>
Total business-type activities net position (c) (e)	<u>\$ 39,716,980</u>	<u>\$ 43,004,364</u>	<u>\$ 47,268,068</u>
Primary government:			
Invested in capital assets (f)	\$ 86,149,263	\$ 90,190,389	\$ 95,502,014
Restricted	2,082,235	2,507,360	2,876,332
Unrestricted (f)	<u>18,890,023</u>	<u>21,610,870</u>	<u>25,360,642</u>
Total primary government net position (c) (e)	<u>\$ 107,121,521</u>	<u>\$ 114,308,619</u>	<u>\$ 123,738,988</u>
<b>Component unit:</b>			
Water and Light:			
Invested in capital assets (h)	\$ 75,324,660	\$ 75,969,725	\$ 78,018,533
Unrestricted	<u>25,041,388</u>	<u>33,233,236</u>	<u>39,601,674</u>
Total component unit	<u>\$ 100,366,048</u>	<u>\$ 109,202,961</u>	<u>\$ 117,620,207</u>

(a) The 1994 sewer system revenue bond issuance required the City to establish a sewer revenue bond debt service account with a trustee and to deposit monthly one-twelfth of the annual debt service. With the 2004 sewer revenue bond refunding, the requirement was eliminated from the bond issuance requirements as the City had 10 years of successful debt service payment history.

(b) As of fiscal year 2008-09, Building moved from a governmental activity to a business-type activity. Net position restricted for Building shrank by half in fiscal year 2008-09.

(c) 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.

(d) In fiscal year 2010-11, the City recorded a 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.

<u>2008</u>	<u>2009</u>	<u>2010 Restated</u>	<u>2011</u>	<u>2012</u>	<u>2013 Restated</u>	<u>2014</u>
\$ 65,247,969	\$ 64,720,490	\$ 64,577,951	\$ 62,431,482	\$ 59,774,579	\$ 60,826,806	\$ 59,579,789
3,827,337	3,011,121	3,223,454	3,745,053	4,034,072	4,139,865	5,932,257
10,479,495	9,478,673	8,881,472	9,436,731	9,748,354	10,719,116	9,663,248
<u>\$ 79,554,801</u>	<u>\$ 77,210,284</u>	<u>\$ 76,682,877</u>	<u>\$ 75,613,266</u>	<u>\$ 73,557,005</u>	<u>\$ 75,685,787</u>	<u>\$ 75,175,294</u>
\$ 33,806,347	\$ 35,556,686	\$ 38,573,448	\$ 41,736,064	\$ 44,032,172	\$ 45,568,283	\$ 48,275,891
-	374,891	284,065	183,776	148,044	178,933	299,781
17,833,067	19,339,695	19,444,666	18,683,904	18,976,324	20,057,090	20,417,335
<u>\$ 51,639,414</u>	<u>\$ 55,271,272</u>	<u>\$ 58,302,179</u>	<u>\$ 60,603,744</u>	<u>\$ 63,156,540</u>	<u>\$ 65,804,306</u>	<u>\$ 68,993,007</u>
\$ 99,054,316	\$ 100,277,176	\$ 103,151,399	\$ 104,167,546	\$ 103,806,751	\$ 106,395,089	\$ 107,855,680
3,827,337	3,386,012	3,507,519	3,928,829	4,182,116	4,318,798	6,232,038
28,312,562	28,818,368	28,326,138	28,120,635	28,724,678	30,776,206	30,080,583
<u>\$ 131,194,215</u>	<u>\$ 132,481,556</u>	<u>\$ 134,985,056</u>	<u>\$ 136,217,010</u>	<u>\$ 136,713,545</u>	<u>\$ 141,490,093</u>	<u>\$ 144,168,301</u>
\$ 83,072,182	\$ 97,147,985	\$ 103,852,317	\$ 103,521,631	\$ 106,683,105	\$ 115,135,213	\$ 118,079,561
42,264,683	33,751,837	28,853,295	32,006,301	33,671,841	31,952,469	35,154,147
<u>\$ 125,336,865</u>	<u>\$ 130,899,822</u>	<u>\$ 132,705,612</u>	<u>\$ 135,527,932</u>	<u>\$ 140,354,946</u>	<u>\$ 147,087,682</u>	<u>\$ 153,233,708</u>

(e) 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.

(f) In fiscal year 2013-14, the City changed street and sewer infrastructure depreciaton from the composite method to the straight line method. This required a restatement of beginning net position of \$3,263,218 for governmental activities.

(g) In fiscal year 2013-14, governmental activities net position was restated to increase restricted net positions for Highways and Streets by \$155,728 and unrestricted net position by \$227,433.

(h) In fiscal year 2012-13, the component unit Water and Light included an interfund loan in Invested in capital assets. This was corrected in fiscal year 2013-14 with no change to total net position.

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

<b>Functions/Programs</b>	<b>Fiscal Year Ended June 30,</b>			
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Expenses</b>				
Primary government:				
Governmental activities:				
General government (a)	\$ 1,937,929	\$ 3,849,409	\$ 2,655,004	\$ 1,984,604
Community development (e)	1,390,389	1,514,566	1,607,780	1,811,174
Public safety:				
Police	4,241,725	4,853,641	5,123,969	5,690,199
Fire	1,137,362	1,220,577	1,658,654	1,704,098
Emergency communications	702,777	725,927	754,142	760,164
Highways and streets	3,069,313	2,871,564	3,302,674	3,137,661
Culture and recreation:				
Parks and recreation	2,515,824	3,190,485	3,432,363	3,528,723
Library	1,249,009	1,402,779	1,440,647	1,488,868
Airport	281,802	351,884	325,485	590,710
Interest on long-term debt	582,373	504,474	773,903	915,543
Total governmental activities expenses	<u>17,108,503</u>	<u>20,485,306</u>	<u>21,074,621</u>	<u>21,611,744</u>
Business-type activities:				
Wastewater	5,544,512	5,771,040	5,855,037	6,052,599
Ambulance	1,982,940	2,117,649	2,241,064	2,264,966
Building (e)	-	-	-	-
Total business-type activities expenses	<u>7,527,452</u>	<u>7,888,689</u>	<u>8,096,101</u>	<u>8,317,565</u>
Total primary government expenses	<u>\$ 24,635,955</u>	<u>\$ 28,373,995</u>	<u>\$ 29,170,722</u>	<u>\$ 29,929,309</u>
Component unit:				
Water and Light	<u>\$ 35,274,135</u>	<u>\$ 36,289,752</u>	<u>\$ 38,592,365</u>	<u>\$ 39,809,429</u>
<b>Indirect expense allocation (f)</b>				
Primary government:				
Governmental activities:				
General government	\$ (560,848)	\$ (637,830)	\$ (626,919)	\$ (703,624)
Community development	(325,211)	(351,034)	(346,209)	(339,846)
Public safety:				
Police	46,615	54,151	61,234	95,954
Fire	318,896	363,879	390,355	429,429
Emergency communications	5,986	-	-	-
Highways and streets	160,958	180,688	188,744	187,281
Culture and recreation:				
Parks and recreation	150,774	206,701	197,256	177,972
Library	52,328	58,488	65,222	59,720
Airport	31,110	33,095	27,949	26,608
Total governmental activities indirect expenses	<u>(119,392)</u>	<u>(91,862)</u>	<u>(42,368)</u>	<u>(66,506)</u>
Business-type activities:				
Wastewater	237,178	236,907	230,064	269,875
Ambulance	(117,786)	(145,045)	(187,696)	(203,369)
Total business-type activities indirect expenses	<u>119,392</u>	<u>91,862</u>	<u>42,368</u>	<u>66,506</u>
Total primary government indirect expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



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

<b>Functions/Programs</b>	<b>Fiscal Year Ended June 30,</b>			
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Program revenues</b>				
Primary government:				
Governmental activities:				
Charges for services:				
General government	\$ 517,309	\$ 522,980	\$ 448,876	\$ 389,323
Community development (e)	907,236	915,385	999,440	957,770
Public safety:				
Police	724,749	794,308	905,620	1,011,006
Fire	296,462	287,128	288,870	286,520
Emergency communications	-	-	-	-
Highways and streets (c)	510,838	696,055	469,354	883,058
Culture and recreation:				
Parks and recreation	1,277,942	1,360,020	1,373,159	1,265,177
Library	45,398	59,492	58,578	54,006
Airport	184,017	198,701	211,823	218,171
Operating grants and contributions (g)	1,872,621	1,892,095	2,039,741	1,966,268
Capital grants and contributions (d)	4,232,161	5,014,859	6,658,636	3,889,300
Total governmental activities program revenues	<u>10,568,733</u>	<u>11,741,023</u>	<u>13,454,097</u>	<u>10,920,599</u>
Business-type activities:				
Charges for services:				
Wastewater	7,873,138	8,376,517	8,706,664	8,999,557
Ambulance	1,737,964	1,726,397	1,758,899	2,120,051
Building (e)	-	-	-	-
Operating grants and contributions	-	1,108	4,841	-
Capital grants and contributions (d)	866,904	865,871	973,666	672,870
Total business-type activities program revenues	<u>10,478,006</u>	<u>10,969,893</u>	<u>11,444,070</u>	<u>11,792,478</u>
Total primary government program revenues	<u>\$ 21,046,739</u>	<u>\$ 22,710,916</u>	<u>\$ 24,898,167</u>	<u>\$ 22,713,077</u>
Component unit:				
Water and Light:				
Charges for services	\$ 36,763,506	\$ 38,279,420	\$ 40,193,347	\$ 41,198,256
Operating grants and contributions	417,307	740,157	746,201	441,624
Capital grants and contributions	1,227,259	1,181,578	1,760,168	1,592,616
Total component unit program revenues	<u>\$ 38,408,072</u>	<u>\$ 40,201,155</u>	<u>\$ 42,699,716</u>	<u>\$ 43,232,496</u>
<b>Net revenue (expense)</b>				
Primary government:				
Governmental activities	(6,420,378)	(8,652,421)	(7,578,156)	(10,624,639)
Business-type activities	2,831,162	2,989,342	3,305,601	3,408,407
Total primary government net revenue (expense)	<u>\$ (3,589,216)</u>	<u>\$ (5,663,079)</u>	<u>\$ (4,272,555)</u>	<u>\$ (7,216,232)</u>
Component unit:				
Water and Light	<u>\$ 3,133,937</u>	<u>\$ 3,911,403</u>	<u>\$ 4,107,351</u>	<u>\$ 3,423,067</u>

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	540,622	\$ 496,923	\$ 485,866	\$ 482,333	\$ 477,936	\$ 569,633
	503,816	488,288	515,582	524,366	571,421	611,380
	981,277	956,903	817,709	824,755	893,005	717,134
	278,779	295,593	323,276	313,154	340,253	347,407
	-	-	-	-	12,500	13,130
	131,051	169,585	324,786	194,534	190,481	160,383
	1,071,145	1,073,688	1,217,185	1,223,292	1,248,255	1,317,763
	54,417	58,820	55,200	56,719	69,482	45,433
	188,858	220,329	233,651	237,082	239,436	244,969
	1,764,579	2,554,203	2,174,634	2,263,584	2,234,195	2,281,464
	<u>3,278,780</u>	<u>1,087,252</u>	<u>1,935,658</u>	<u>674,099</u>	<u>761,169</u>	<u>679,849</u>
	<u>8,793,324</u>	<u>7,401,584</u>	<u>8,083,547</u>	<u>6,793,918</u>	<u>7,038,133</u>	<u>6,988,545</u>
	8,351,447	8,244,213	8,292,062	8,453,886	8,554,156	9,076,321
	2,390,286	2,320,010	2,275,122	2,739,983	2,846,540	2,646,881
	201,002	334,380	295,934	297,204	290,537	390,852
	3,065	33,979	-	-	564	-
	-	34,704	-	24,943	106,632	37,206
	<u>10,945,800</u>	<u>10,967,286</u>	<u>10,863,118</u>	<u>11,516,016</u>	<u>11,798,429</u>	<u>12,151,260</u>
\$	<u>19,739,124</u>	<u>18,368,870</u>	<u>18,946,665</u>	<u>18,309,934</u>	<u>18,836,562</u>	<u>19,139,805</u>
\$	34,620,277	\$ 35,302,190	\$ 36,534,385	\$ 41,122,520	\$ 43,030,261	\$ 44,662,133
	187,957	510,961	187,233	400,388	-	-
	<u>364,500</u>	<u>254,723</u>	<u>334,413</u>	<u>242,183</u>	<u>474,900</u>	<u>909,683</u>
\$	<u>35,172,734</u>	<u>36,067,874</u>	<u>37,056,031</u>	<u>41,765,091</u>	<u>43,505,161</u>	<u>45,571,816</u>
	(15,237,641)	(16,273,746)	(15,816,390)	(16,876,585)	(16,769,753)	(16,111,694)
	<u>2,101,638</u>	<u>2,260,539</u>	<u>2,161,331</u>	<u>2,187,675</u>	<u>2,306,916</u>	<u>2,550,607</u>
\$	<u>(13,136,003)</u>	<u>(14,013,207)</u>	<u>(13,655,059)</u>	<u>(14,688,910)</u>	<u>(14,462,837)</u>	<u>(13,561,087)</u>
\$	<u>1,845,798</u>	<u>5,779</u>	<u>(746,110)</u>	<u>1,138,456</u>	<u>1,921,316</u>	<u>2,384,492</u>

(Continued)

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

Functions/Programs	Fiscal Year Ended June 30,			
	2005	2006	2007	2008
<b>General revenues and other changes in net position</b>				
Primary government:				
Governmental activities:				
Taxes				
Property taxes	\$ 8,656,934	\$ 8,996,764	\$ 9,435,904	\$ 10,350,548
Franchise taxes	2,155,329	2,224,711	2,320,014	2,376,220
Transient lodging taxes	-	-	-	-
Unrestricted state shared revenues	677,861	686,613	588,482	662,919
Unrestricted investment earnings (h)	255,068	517,062	709,041	614,480
Gain (loss) on disposal of capital assets	-	-		2,740
Transfers (b)	19,885	126,985	(308,620)	(298,387)
Total governmental activities	<u>11,765,077</u>	<u>12,552,135</u>	<u>12,744,821</u>	<u>13,708,520</u>
Business-type activities:				
Unrestricted investment earnings (h)	195,422	425,027	649,483	664,552
Gain (loss) on disposal of capital assets	-	-	-	-
Transfers (b)	(19,885)	(126,985)	308,620	298,387
Total business-type activities	<u>175,537</u>	<u>298,042</u>	<u>958,103</u>	<u>962,939</u>
Total primary government	<u>\$ 11,940,614</u>	<u>\$ 12,850,177</u>	<u>\$ 13,702,924</u>	<u>\$ 14,671,459</u>
Component unit:				
Water and Light:				
Unrestricted investment earnings (h)	\$ 552,704	\$ 1,213,320	\$ 1,831,449	\$ 1,712,036
Gain sale of capital assets	-	-	-	94,862
Timber sales, net of related expenses	1,394,775	3,210,353	2,158,598	1,460,202
Other, net	773,320	501,837	319,848	1,026,491
Total component unit	<u>\$ 2,720,799</u>	<u>\$ 4,925,510</u>	<u>\$ 4,309,895</u>	<u>\$ 4,293,591</u>
<b>Change in net position</b>				
Primary government:				
Governmental activities	\$ 5,344,699	\$ 3,899,714	\$ 5,166,665	\$ 3,083,881
Business-type activities	3,006,699	3,287,384	4,263,704	4,371,346
Total primary government	<u>\$ 8,351,398</u>	<u>\$ 7,187,098</u>	<u>\$ 9,430,369</u>	<u>\$ 7,455,227</u>
Component unit:				
Water and Light	<u>\$ 5,854,736</u>	<u>\$ 8,836,913</u>	<u>\$ 8,417,246</u>	<u>\$ 7,716,658</u>

(a) During fiscal years 2005-06 and 2006-07, the City expended approximately \$1,817,000 and \$715,000, respectively, to build the Virginia Garcia Memorial Health Center, a primary care clinic. The City does not own the facility and therefore did not capitalize the expenditures.



<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 11,053,039	\$ 11,573,566	\$ 11,860,485	\$ 11,880,645	\$ 12,145,519	\$ 12,457,511
2,140,723	2,191,818	2,202,237	2,441,291	2,486,923	2,538,348
-	-	-	-	-	235,874
672,334	685,444	692,662	683,388	760,551	807,749
235,839	57,829	60,685	85,988	95,507	97,482
-	-	4,858	3,475	3,300	1,637
<u>(1,208,811)</u>	<u>(451,403)</u>	<u>(74,148)</u>	<u>(274,463)</u>	<u>(239,644)</u>	<u>(537,400)</u>
<u>12,893,124</u>	<u>14,057,254</u>	<u>14,746,779</u>	<u>14,820,324</u>	<u>15,252,156</u>	<u>15,601,201</u>
321,409	87,887	66,086	90,657	101,206	100,694
-	-	-	-	-	-
<u>1,208,811</u>	<u>451,403</u>	<u>74,148</u>	<u>274,463</u>	<u>239,644</u>	<u>537,400</u>
<u>1,530,220</u>	<u>539,290</u>	<u>140,234</u>	<u>365,120</u>	<u>340,850</u>	<u>638,094</u>
<u>\$ 14,423,344</u>	<u>\$ 14,596,544</u>	<u>\$ 14,887,013</u>	<u>\$ 15,185,444</u>	<u>\$ 15,593,006</u>	<u>\$ 16,239,295</u>
\$ 872,186	\$ 323,950	\$ 425,450	\$ 422,467	\$ 182,845	\$ 199,400
-	-	-	-	-	-
1,726,608	832,598	1,355,475	2,605,898	3,962,482	2,243,586
<u>1,118,365</u>	<u>643,463</u>	<u>1,787,505</u>	<u>660,193</u>	<u>666,093</u>	<u>1,318,548</u>
<u>\$ 3,717,159</u>	<u>\$ 1,800,011</u>	<u>\$ 3,568,430</u>	<u>\$ 3,688,558</u>	<u>\$ 4,811,420</u>	<u>\$ 3,761,534</u>
\$ (2,344,517)	\$ (2,216,492)	\$ (1,069,611)	\$ (2,056,261)	\$ (1,517,597)	\$ (510,493)
<u>3,631,858</u>	<u>2,799,829</u>	<u>2,301,565</u>	<u>2,552,795</u>	<u>2,647,766</u>	<u>3,188,701</u>
<u>\$ 1,287,341</u>	<u>\$ 583,337</u>	<u>\$ 1,231,954</u>	<u>\$ 496,534</u>	<u>\$ 1,130,169</u>	<u>\$ 2,678,208</u>
<u>\$ 5,562,957</u>	<u>\$ 1,805,790</u>	<u>\$ 2,822,320</u>	<u>\$ 4,827,014</u>	<u>\$ 6,732,736</u>	<u>\$ 6,146,026</u>

(Continued)

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

(b) During fiscal years 2006-07, 2007-08, 2008-09, 2009-10, 2010-11, 2011-12, 2012-13, and 2013-14 the City subsidized the Ambulance business-type activity by \$300,000, \$300,000, \$155,000, \$500,000, \$150,000, \$300,000, \$575,000, and \$600,000 respectively. During fiscal year 2008-09, Building net assets of \$763,000 were transferred from governmental activities to business-type activities. During fiscal year 2011-12, the City subsidized the Building business-type activity by \$50,000.

(c) During fiscal year 2007-08, transportation system development charges doubled due to significant construction projects by the McMinnville School District. From fiscal years 2008-09 through 2013-14, transportation system development charges remained relatively flat due to a significant drop in construction activity with a slight improvement in fiscal year 2010-11.

(d) From fiscal years 2007-08 through 2012-13, developer donations decreased due to a significant drop in construction activity.

(e) 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.

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

(g) During fiscal year 2009-10, the City received an intergovernmental energy efficiency incentive for an project at the Aquatic Center.

(h) Beginning in fiscal year 2008-09 and continuing through fiscal year 2013-14, interest revenue decreased due to significantly lower interest rates.



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

**June 30,**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>General Fund:</b>				
Reserved (a)	\$ 587,408	\$ 524,469	\$ 580,991	\$ 786,210
Unreserved (e)	4,149,603	3,651,135	3,955,141	3,705,238
Nonspendable	n/a	n/a	n/a	n/a
Restricted	n/a	n/a	n/a	n/a
Assigned	n/a	n/a	n/a	n/a
Unassigned (f)	n/a	n/a	n/a	n/a
<b>Total General Fund</b>	<u>\$ 4,737,011</u>	<u>\$ 4,175,604</u>	<u>\$ 4,536,132</u>	<u>\$ 4,491,448</u>
<b>Airport Maintenance Fund:</b>				
Reserved	\$ -	\$ -	\$ -	\$ 319
Unreserved	156,307	231,143	672,908	799,480
Nonspendable	n/a	n/a	n/a	n/a
Restricted	n/a	n/a	n/a	n/a
Committed (f)	n/a	n/a	n/a	n/a
<b>Total Airport Maintenance Fund</b>	<u>\$ 156,307</u>	<u>\$ 231,143</u>	<u>\$ 672,908</u>	<u>\$ 799,799</u>
<b>Improvements Fund: (d)</b>				
Reserved	\$ -	\$ 92,167	\$ -	\$ -
Unreserved	1,183,005	1,774,125	1,570,206	1,174,359
<b>Total Improvements Fund</b>	<u>\$ 1,183,005</u>	<u>\$ 1,866,292</u>	<u>\$ 1,570,206</u>	<u>\$ 1,174,359</u>
<b>Fire Fund: (d)</b>				
Unreserved	\$ 1,263,916	\$ 1,241,632	\$ 1,602,173	\$ 2,038,274
<b>Total Fire Fund</b>	<u>\$ 1,263,916</u>	<u>\$ 1,241,632</u>	<u>\$ 1,602,173</u>	<u>\$ 2,038,274</u>
<b>Parks &amp; Recreation Fund: (d)</b>				
Unreserved	\$ 1,623,980	\$ 1,606,806	\$ 1,637,836	\$ 1,583,721
<b>Total Parks &amp; Recreation Fund</b>	<u>\$ 1,623,980</u>	<u>\$ 1,606,806</u>	<u>\$ 1,637,836</u>	<u>\$ 1,583,721</u>
<b>Debt Service Fund:</b>				
Reserved	\$ 687,407	\$ 585,474	\$ 657,448	\$ 835,068
Restricted	n/a	n/a	n/a	n/a
<b>Total Debt Service Fund</b>	<u>\$ 687,407</u>	<u>\$ 585,474</u>	<u>\$ 657,448</u>	<u>\$ 835,068</u>
<b>All other governmental funds: (b) (c) (e)</b>				
Reserved	\$ 5,195,081	\$ 6,060,221	\$ 19,734,767	\$ 10,777,250
Unreserved, reported in:				
Special revenue funds	448,729	457,115	486,579	472,592
Capital projects funds	175,715	111,429	264,444	278,907
Nonspendable	n/a	n/a	n/a	n/a
Restricted (f)	n/a	n/a	n/a	n/a
Committed (f)	n/a	n/a	n/a	n/a
Assigned	n/a	n/a	n/a	n/a
Unassigned	n/a	n/a	n/a	n/a
<b>Total all other governmental funds</b>	<u>\$ 5,819,525</u>	<u>\$ 6,628,765</u>	<u>\$ 20,485,790</u>	<u>\$ 11,528,749</u>

		Restated				Restated		
2009	2010	2010	2011	2012	2013	2014		
\$ 97,022	\$ 111,314	n/a	n/a	n/a	n/a	n/a		n/a
7,261,955	6,287,227	n/a	n/a	n/a	n/a	n/a		n/a
n/a	n/a	\$ 111,314	\$ 126,335	\$ 43,590	\$ 21,603	\$ 22,722		
n/a	n/a	-	-	-	-	1,351,766		
n/a	n/a	300,000	801,368	968,301	1,162,639	557,316		
n/a	n/a	5,987,227	6,403,635	6,465,935	7,117,669	8,053,592		
<u>\$ 7,358,977</u>	<u>\$ 6,398,541</u>	<u>\$ 6,398,541</u>	<u>\$ 7,331,338</u>	<u>\$ 7,477,826</u>	<u>\$ 8,301,911</u>	<u>\$ 9,985,396</u>		
\$ -	\$ -	n/a	n/a	n/a	n/a	n/a		n/a
567,087	671,256	n/a	n/a	n/a	n/a	n/a		n/a
n/a	n/a	\$ -	\$ -	\$ 5,788	\$ -	\$ -		
n/a	n/a	170,883	-	-	-	-		
n/a	n/a	500,373	564,391	663,499	679,749	726,852		
<u>\$ 567,087</u>	<u>\$ 671,256</u>	<u>\$ 671,256</u>	<u>\$ 564,391</u>	<u>\$ 669,287</u>	<u>\$ 679,749</u>	<u>\$ 726,852</u>		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
-	-	-	-	-	-	-		-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>
\$ 1,069,518	\$ 1,281,910	n/a	n/a	n/a	n/a	n/a		n/a
n/a	n/a	\$ 1,281,910	\$ 1,471,798	\$ 1,590,699	\$ 1,442,500	\$ 1,459,809		
<u>\$ 1,069,518</u>	<u>\$ 1,281,910</u>	<u>\$ 1,281,910</u>	<u>\$ 1,471,798</u>	<u>\$ 1,590,699</u>	<u>\$ 1,442,500</u>	<u>\$ 1,459,809</u>		
\$ 6,932,482	\$ 4,428,471	n/a	n/a	n/a	n/a	n/a		n/a
474,482	510,378	n/a	n/a	n/a	n/a	n/a		n/a
277,286	62,926	n/a	n/a	n/a	n/a	n/a		n/a
n/a	n/a	\$ -	\$ 5	\$ 49	\$ 45	\$ 4		
n/a	n/a	3,855,990	3,043,109	3,049,986	3,651,928	4,212,159		
n/a	n/a	35,000	-	-	9,868	262,238		
n/a	n/a	1,110,785	1,122,826	1,226,483	1,148,993	814,162		
n/a	n/a	-	(41,474)	-	-	-		
<u>\$ 7,684,250</u>	<u>\$ 5,001,775</u>	<u>\$ 5,001,775</u>	<u>\$ 4,124,466</u>	<u>\$ 4,276,518</u>	<u>\$ 4,810,834</u>	<u>\$ 5,288,563</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) The \$13.1 million 2006 Public Safety and Civic Buildings Bond proceeds were used to construct these two buildings during fiscal years 2006-07 through 2009-10. Beginning fiscal year 2010-11, the Public Safety Facilities Construction Fund is included with all other governmental funds, restricted.

(c) The \$9.5 million 2001 Park Improvement Bond proceeds are being used to construct new parks, renovate established parks, and purchase future park development land. Beginning fiscal year 2010-11, the Park Development Fund is included with all other governmental funds, restricted and all other governmental funds, assigned, reported in capital projects funds. In fiscal year 2011-12, the 2001 Park Improvement Bond was refunded with the 2011 Park Improvement Bond.

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

(e) 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.

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



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

	<b>Fiscal Year Ended June 30,</b>			
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Revenues:</b>				
Property taxes	\$ 8,697,174	\$ 8,731,613	\$ 9,741,059	\$ 10,221,234
Special assessments	55,998	51,058	53,209	55,997
Licenses and permits (k)	2,979,620	3,088,929	3,259,273	3,338,571
Intergovernmental (l) (o)	3,934,190	4,001,667	3,491,568	3,383,652
Charges for services	2,166,580	2,411,435	2,160,123	2,470,408
Fines and forfeitures	624,649	699,022	801,939	909,071
Miscellaneous (d) (f) (m)	642,888	1,754,346	2,771,566	1,487,483
Total revenues	<u>19,101,099</u>	<u>20,738,070</u>	<u>22,278,737</u>	<u>21,866,416</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government (e)	2,815,773	5,597,739	4,147,566	2,163,364
Community development (g)	-	-	-	1,720,377
Public safety	5,987,485	6,741,156	7,605,719	7,695,976
Highways and streets	1,015,867	1,003,627	1,200,855	1,171,346
Culture and recreation (o)	3,290,313	3,774,741	4,057,945	4,207,624
Airport (a) (l)	536,675	86,563	175,110	337,342
<b>Capital outlay:</b>				
General government (i)	-	-	-	218,256
Public safety (j)	-	-	685,091	9,444,023
Highways and streets	739,857	337,223	432,815	170,828
Culture and recreation (c)	3,958,449	239,088	40,410	917,603
<b>Debt service:</b>				
Principal (b) (h)	3,023,028	1,624,079	1,693,888	906,976
Interest (h)	598,249	518,454	443,925	1,045,195
Bond refunding (p)	-	-	-	-
Total expenditures	<u>21,965,696</u>	<u>19,922,670</u>	<u>20,483,324</u>	<u>29,998,910</u>
<b>Other financing sources (uses):</b>				
Bond proceeds - par/premium	-	-	13,315,502	-
Refunding bonds issued (p)	-	-	-	-
Premium on refunding bonds issued	-	-	-	-
Proceeds from full faith and credit obligation	-	-	-	-
Transfers from other funds (n)	3,300,131	2,621,824	3,248,827	3,012,242
Police vehicles - lease purchase	-	-	28,177	-
Transfers to other funds (n)	(3,313,423)	(2,572,659)	(3,561,142)	(3,590,823)
Total other financing sources (uses)	<u>(13,292)</u>	<u>49,165</u>	<u>13,031,364</u>	<u>(578,581)</u>
<b>Net change in fund balances</b>	<u>\$ (2,877,889)</u>	<u>\$ 864,565</u>	<u>\$ 14,826,777</u>	<u>\$ (8,711,075)</u>
<b>Non-capital expenditures:</b>				
Total expenditures	\$ 21,965,696	\$ 19,922,670	\$ 20,483,324	\$ 29,998,910
Less: capital asset expenditures	(5,071,312)	(2,087,894)	(1,703,810)	(11,151,569)
Non-capital expenditures	<u>\$ 16,894,384</u>	<u>\$ 17,834,776</u>	<u>\$ 18,779,514</u>	<u>\$ 18,847,341</u>
<b>Debt service as a percentage of non-capital expenditures (p)</b>	21.4%	12.0%	11.4%	10.4%



<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 10,876,161	\$ 11,280,695	\$ 11,841,678	\$ 11,944,449	\$ 12,041,594	\$ 12,435,395
55,139	49,479	54,810	51,121	53,608	59,515
2,252,979	2,297,980	2,305,008	2,551,413	2,591,208	2,872,975
5,760,900	3,783,213	4,859,494	3,658,577	3,626,937	3,683,458
2,319,771	2,370,147	2,565,362	2,615,582	2,729,936	2,854,528
862,073	858,474	761,389	761,046	748,677	608,740
557,474	299,817	439,118	243,314	334,355	358,783
<u>22,684,497</u>	<u>20,939,805</u>	<u>22,826,859</u>	<u>21,825,502</u>	<u>22,126,315</u>	<u>22,873,394</u>
1,943,082	1,853,247	1,803,989	1,703,755	1,664,094	1,804,140
1,254,944	1,248,671	1,249,944	1,236,352	1,226,600	1,165,511
9,072,067	9,291,156	9,262,859	9,658,834	9,670,602	10,223,535
1,460,403	1,398,891	1,331,764	1,471,788	1,431,792	1,485,187
4,678,701	5,352,686	4,456,751	4,737,874	4,419,442	4,427,361
3,004,101	161,128	1,597,357	136,289	242,727	201,804
3,231,395	211,037	-	-	-	-
159,798	79,561	-	-	-	-
391,442	232,857	510,243	503,781	479,459	527,054
446,908	2,280,916	991,098	-	1,621	40,751
1,073,748	907,046	910,000	950,000	1,075,000	1,070,000
887,418	840,332	802,340	716,608	575,375	535,025
-	-	-	5,835,000	-	-
<u>27,604,007</u>	<u>23,857,528</u>	<u>22,916,345</u>	<u>26,950,281</u>	<u>20,786,712</u>	<u>21,480,368</u>
-	-	-	-	-	-
-	-	-	5,590,000	-	-
-	-	-	336,316	-	-
-	-	-	-	-	1,370,000
5,922,648	987,133	1,075,400	1,469,044	1,111,637	874,500
-	-	-	-	-	-
(6,774,724)	(1,395,760)	(1,164,400)	(1,748,244)	(1,613,737)	(1,411,900)
(852,076)	(408,627)	(89,000)	5,647,116	(502,100)	832,600
<u>\$ (5,771,586)</u>	<u>\$ (3,326,350)</u>	<u>\$ (178,486)</u>	<u>\$ 522,337</u>	<u>\$ 837,503</u>	<u>\$ 2,225,626</u>
\$ 27,604,007	\$ 23,857,528	\$ 22,916,345	\$ 26,950,281	\$ 20,786,712	\$ 21,480,368
(7,070,726)	(3,969,444)	(2,896,576)	(929,903)	(781,819)	(790,400)
<u>\$ 20,533,281</u>	<u>\$ 19,888,084</u>	<u>\$ 20,019,769</u>	<u>\$ 26,020,378</u>	<u>\$ 20,004,893</u>	<u>\$ 20,689,968</u>

9.6%

8.8%

8.6%

28.8%

8.2%

7.8%

(Continued)

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

- (a) During fiscal year 2004-05, the City improved and expanded apron and safety areas at McMinnville Municipal Airport financed by capital grants from the Federal Aviation Administration.
- (b) During fiscal 2004-05, the City paid off a \$1,250,000 note payable used to finance the property purchase of Discovery Meadows Community Park.
- (c) During fiscal years 2004-05, 2007-08, 2009-10 and 2010-11 significant park construction, improvements, and land purchases occurred funded by the proceeds of the 2001 Park Improvement Bonds and park system development charges.
- (d) During fiscal years 2005-06 and 2006-07, the City received \$884,000 and \$715,000, respectively, from Virginia Garcia Memorial Health Care Center to supplement the capital grant to build the Virginia Garcia Memorial Health Care Center, a primary care clinic.
- (e) During fiscal years 2005-06 and 2006-07, the City expended approximately \$1,817,000 and \$715,000, respectively, to build the Virginia Garcia Memorial Health Center, a primary care clinic.
- (f) During fiscal year 2006-07, the City received \$325,000 from Evergreen International Aviation to provide seed money for a new federal aviation administration grant for runway and taxiway improvements. Another element of this account was \$424,000 of interest earned on the public safety and civic buildings bond proceeds.
- (g) Community development was included in general government through fiscal year 2006-07. Community development included Building through fiscal year 2007-08. As of fiscal year 2008-09, Building became an enterprise fund.
- (h) During fiscal year 2006-07, the Transportation and 1997 Refunding Bonds were paid off. During fiscal year 2007-08, the City started making debt service payments on the Public Safety and Civic Buildings Bonds.
- (i) During fiscal year 2007-08, construction began on the new Civic Hall and continued into fiscal year 2009-10.
- (j) During fiscal years 2006-07 and 2007-08, the new Public Safety building was constructed.
- (k) Beginning fiscal year 2008-09, Building, which was previously in the General Fund, became an enterprise fund.
- (l) During fiscal year 2008-09 and 2010-11, the City improved runways and taxiways at McMinnville Municipal Airport financed by capital grants of \$2,570,000 and \$1,250,000, respectively, from the Federal Aviation Administration.
- (m) From fiscal year 2008-09 through 2013-14, interest revenue decreased due to significantly lower interest rates.

(n) 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.

(o) During fiscal year 2009-10, Culture and Recreation received intergovernmental energy efficiency incentives of \$640,000 for a project at the Aquatic Center.

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

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

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

<u>Functions/Programs</u>	<u>Fiscal Year Ended June 30,</u>			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Primary government:</b>				
Governmental activities:				
General government (e)	\$ 776,017	\$ 2,782,125	\$ 1,268,607	\$ 497,521
Community development (h)	951,386	960,725	1,046,050	1,005,640
Public safety:				
Police (f)	820,955	932,483	1,613,682	1,648,392
Fire	386,462	290,173	290,436	287,018
Emergency communications (a)	229,980	236,218	181,058	160,995
Highways and streets (b) (i) (l) (m) (n)	4,475,629	4,347,662	6,481,738	5,029,028
Culture and recreation:				
Parks and recreation (c) (i) (k)	2,113,913	1,670,625	1,780,725	1,670,571
Library	189,440	186,731	162,959	161,640
Airport (d) (g) (j)	624,951	334,281	628,842	459,794
Total governmental activities	<u>10,568,733</u>	<u>11,741,023</u>	<u>13,454,097</u>	<u>10,920,599</u>
Business-type activities:				
Wastewater (i)	8,740,042	9,242,388	9,681,571	9,672,427
Ambulance	1,737,964	1,727,505	1,762,499	2,120,051
Building (h)	-	-	-	-
Total business-type activities	<u>10,478,006</u>	<u>10,969,893</u>	<u>11,444,070</u>	<u>11,792,478</u>
Total primary government	<u>\$ 21,046,739</u>	<u>\$ 22,710,916</u>	<u>\$ 24,898,167</u>	<u>\$ 22,713,077</u>
<b>Component unit:</b>				
Water and light	<u>\$ 38,408,072</u>	<u>\$ 40,201,155</u>	<u>\$ 42,699,716</u>	<u>\$ 43,232,496</u>

(a) During fiscal years 2004-05, and 2005-06, the City received a proportional share of the proceeds of the Yamhill County Emergency Communication District three-year local option levy.

(b) 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.

(c) During fiscal year 2004-05, the City received capital grants and contributions totaling approximately \$483,000 to assist in building two new parks, Discovery Meadows Community Park and Rotary Nature Reserve at Tice Woods.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 625,093	\$ 617,801	\$ 626,400	\$ 639,086	\$ 635,997	\$ 668,316
564,006	539,378	583,847	576,426	638,007	666,128
1,084,767	1,008,654	891,671	853,089	909,347	745,609
280,264	386,813	333,420	313,471	340,253	351,282
171,242	166,906	161,453	158,728	140,829	13,130
1,807,909	2,264,864	2,417,477	2,463,150	2,504,676	2,573,312
1,325,613	1,946,469	1,385,067	1,349,716	1,420,302	1,522,760
173,587	199,667	196,990	203,170	209,286	203,039
<u>2,760,843</u>	<u>271,032</u>	<u>1,487,222</u>	<u>237,082</u>	<u>239,436</u>	<u>244,969</u>
<u>8,793,324</u>	<u>7,401,584</u>	<u>8,083,547</u>	<u>6,793,918</u>	<u>7,038,133</u>	<u>6,988,545</u>
8,352,547	8,303,950	8,292,062	8,478,806	8,660,788	9,113,527
2,392,251	2,328,956	2,275,122	2,740,006	2,847,104	2,646,881
<u>201,002</u>	<u>334,380</u>	<u>295,934</u>	<u>297,204</u>	<u>290,537</u>	<u>390,852</u>
<u>10,945,800</u>	<u>10,967,286</u>	<u>10,863,118</u>	<u>11,516,016</u>	<u>11,798,429</u>	<u>12,151,260</u>
<u>\$ 19,739,124</u>	<u>\$ 18,368,870</u>	<u>\$ 18,946,665</u>	<u>\$ 18,309,934</u>	<u>\$ 18,836,562</u>	<u>\$ 19,139,805</u>
<u>\$ 35,172,734</u>	<u>\$ 36,067,874</u>	<u>\$ 37,056,031</u>	<u>\$ 41,765,091</u>	<u>\$ 43,505,161</u>	<u>\$ 45,571,816</u>

(Continued)

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

- (d) During fiscal year 2004-05, the City received capital grants and contributions from the Federal Aviation Administration totaling approximately \$441,000 to improve and expand apron and safety areas at the McMinnville Municipal Airport.
- (e) During fiscal years 2005-06 and 2006-07, the City received capital grants and contributions totaling approximately \$1,817,000 and \$715,000, respectively, to build the Virginia Garcia Memorial Health Center, a primary care clinic.
- (f) During fiscal year 2006-07, the City earned interest of approximately \$424,000 on the 2006 public safety and civic buildings bond proceeds. Also, Municipal Court collections increased approximately \$100,000.
- (g) During fiscal year 2006-07, the City received \$325,000 from Evergreen International Aviation to provide seed money for a new federal aviation administration grant for runway and taxiway improvements.
- (h) 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.
- (i) System development charges and subdivision capital contributions were significantly less from fiscal year 2008-09 through fiscal year 2013-14 due to a sharp down-turn in the construction industry. There was a slight increase in system development charges in fiscal year 2010-11.
- (j) During fiscal year 2008-09 and 2010-11, the City improved runways and taxiways at McMinnville Municipal Airport financed by \$2,570,000 and \$1,250,000, respectively, in capital grants from the Federal Aviation Administration.
- (k) During fiscal year 2009-10, Culture and Recreation received intergovernmental energy efficiency incentives of \$640,000 for a project at the Aquatic Center.
- (l) During fiscal year 2009-10, Highways and Streets included \$460,000 in Federal Stimulus Funds received and administered by Oregon Department of Revenue for street overlays.
- (m) During fiscal year 2010-11, the Oregon state gas tax rate increased.
- (n) Highways and streets Oregon federal exchange funds fluctuate significantly from year-to-year depending on the federal funds available and the timing of the reimbursement.



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

Fiscal Year Ended June 30,	Real Property			Mobile Home Property		
	Maximum Assessed Value	Veteran's Exemptions	Net	Maximum Assessed Value	Veteran's Exemptions	Net
2005	\$ 1,363,860,689	\$ 3,048,810	\$ 1,360,811,879	\$ 26,102,584	\$ 781,259	\$ 25,321,325
2006	1,452,819,147	3,039,290	1,449,779,857	27,474,607	739,832	26,734,775
2007	1,551,355,163	4,318,800	1,547,036,363	32,926,265	1,046,687	31,879,578
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

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) Excludes tax-exempt property.

(b) During fiscal year 2009-10, Oregon Department of Revenue revalued Comcast Corporation's assessed value due to expansion of services provided.



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 (b)	Maximum Assessed Value (a)	Estimated Real Market Value		
\$ 61,737,692	\$ 25,470,516	\$ 1,473,341,412	\$ 2,020,287,465	72.9 %	\$ 5.98
67,198,136	26,361,253	1,570,074,021	2,215,609,959	70.9	5.92
69,685,330	27,305,600	1,675,906,871	2,822,850,527	59.4	5.93
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

**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 (b)	Debt Service	Total Direct	Operating	Debt Service	Total
2005	\$ 5.02	\$ 0.96	\$ 5.98	\$ 2.57	\$ -	\$ 2.57
2006	5.02	0.90	5.92	2.57	-	2.57
2007	5.02	0.91	5.93	2.57	-	2.57
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

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

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

Overlapping Rates						Total Direct and Overlapping Rates
McMinnville School District No. 40			Other Taxing Districts (a)			
Operating	Debt Service	Total	Operating & Local Option	Debt Service	Total	
\$ 4.15	\$ 1.65	\$ 5.80	\$ 1.24	\$ 0.34	\$ 1.58	\$ 15.93
4.15	2.10	6.25	1.23	0.34	1.57	16.31
4.15	1.38	5.53	1.08	0.32	1.40	15.43
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

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

Taxpayer	Type of Business	Fiscal Year Ended June 30, 2014		
		Assessed Value	Percentage	Rank
Cascade Steel Rolling Mills, Inc.	Steel production	\$ 66,738,076	3.03 %	1
Willamette Valley Medical Center, LLC	Health care	60,829,802	2.77	2
Evergreen International Airlines Inc	Aviation	24,946,542	1.13	3
HCP SH ELP1 Properties LLC (d)	Retirement community	17,978,846	0.82	4
Comcast Corporation	Cable television	15,697,600	0.71	5
Lowes Home Improvement Warehouse, Inc.	Home improvement retail store	15,689,504	0.71	6
Frontier Communications (a)	Telephone communication	12,709,000	0.58	7
Reef McMinnville Plaza OPCO LLC (c)	Commercial real estate management	11,169,698	0.51	8
Lassen Doran Properties	Auto sales	8,703,300	0.40	9
Air Liquide Industrial U S, LP (b)	Liquid oxygen, nitrogen, argon	8,277,788	0.38	10
Hillside Senior Living Community LLC (d)	Retirement community	-	-	-
Verizon, Inc. (a)	Telephone communication	-	-	-
LAI Properties, Inc (b)	Liquid oxygen, nitrogen, argon	-	-	-
Homette Corporation	Mobile home and RV manufacturing	-	-	-
Cypress/McMinnville ii LP	Commercial real estate management	-	-	-
Northwest Natural Gas Co.	Natural gas distributor	-	-	-
Leslie A. Toth, Inc.	Mobile home parks	-	-	-
Total principal property tax payers		242,740,156	11.04	
All other property tax payers		1,956,404,932	88.96	
Total		\$ 2,199,145,088	100.00 %	

Source: Yamhill County Assessor's Office

The 10th ranked principal property tax payer for the fiscal year ended June 30, 2013 was not available.

(a), (b), (c), (d) Since fiscal year 1999-2000, 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, 2005

	<u>Assessed</u> <u>Value</u>	<u>Percentage</u>	<u>Rank</u>
\$	39,090,217	2.65 %	1
	34,147,803	2.32	2
	-	-	-
	-	-	-
	-	-	-
	12,024,703	0.82	5
	-	-	-
	-	-	-
	-	-	-
	16,860,712	1.14	3
	15,714,200	1.07	4
	11,886,971	0.81	6
	8,316,732	0.56	7
	8,250,814	0.56	8
	7,400,900	0.50	9
	<u>5,685,854</u>	<u>0.39</u>	<u>10</u>
	159,378,906	10.82	
	<u>1,313,962,506</u>	<u>89.18</u>	
\$	<u>1,473,341,412</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
2005	\$ 8,845,913	\$ (219,423)	\$ 8,626,490	\$ 8,259,966	93.4 %
2006	9,316,566	(545,207)	8,771,359	8,489,244	91.1
2007	9,978,850	(384,456)	9,594,395	9,258,334	92.8
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	(251,429)	11,622,178	10,896,434	91.8
2011	12,105,863	(301,511)	11,804,352	11,193,766	92.5
2012	12,215,194	(326,080)	11,889,114	11,323,050	92.7
2013	12,457,781	(380,415)	12,077,366	11,507,271	92.4
2014	12,783,321	(355,508)	12,427,813	11,893,500	93.0

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
\$ 364,528	\$ 8,624,494	99.98 %
279,248	8,768,492	99.97
330,362	9,588,696	99.94
459,320	10,348,458	99.92
586,080	11,069,003	99.87
667,059	11,563,493	99.50
518,395	11,712,161	99.22
397,306	11,720,356	98.58
266,810	11,774,081	97.49
-	11,893,500	95.70

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

<u>Customer Type</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Water consumption (e) (f):				
Residential	77,071,650	77,646,131	77,388,017	77,053,217
Commercial - no average (b)	57,720,582	57,666,869	64,372,500	67,676,406
Commercial - with average (c)	10,943,621	10,567,004	10,909,218	10,798,667
<b>Total</b>	<b><u>145,735,853</u></b>	<b><u>145,880,004</u></b>	<b><u>152,669,735</u></b>	<b><u>155,528,290</u></b>
 Residential sewer rates: (a)				
Service charge per residential unit	\$ 17.60	\$ 17.40	\$ 16.59	\$ 17.05
Volume charge per 100 cubic feet of water used (d)	3.83	3.98	4.35	4.47
Commercial and industrial sewer rates:				
Service charge per account	17.60	17.40	16.59	17.05
Volume charge per 100 cubic feet of water used	4.40	4.68	5.31	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 fluctuates due to various factors including conservation measures and rate increases.

(f) Water consumption for fiscal year 2009-10 has been restated to correct an error in the calculation.



<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
77,035,569	76,504,331	74,859,499	75,685,450	75,773,900	75,498,100
57,137,000	50,828,300	53,747,000	50,717,903	56,242,500	53,151,400
10,111,714	9,585,906	9,363,800	8,999,000	7,882,400	5,879,700
<u>144,284,283</u>	<u>136,918,537</u>	<u>137,970,299</u>	<u>135,402,353</u>	<u>139,898,800</u>	<u>134,529,200</u>

\$	17.05	\$	17.05	\$	17.05	\$	17.05	\$	17.05	\$	17.25
	4.47		4.47		4.47		4.59		4.77		4.94
	17.05		17.05		17.05		17.05		17.05		17.25
	5.46		5.46		5.46		5.62		5.89		6.13

**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		
2005 (a)	\$ 17.60	\$ 3.83	\$ 17.60	\$ 4.40	\$ 6,936,288	3.97 %
2006	17.40	3.98	17.40	4.68	7,236,461	4.33
2007	16.59	4.35	16.59	5.31	7,613,506	5.21
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

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.

(a) In 2005, the *City of McMinnville 2004 Sewer Rate Equity Review* was implemented. The *Review* recommended a three-year gradual shift of sewer costs to non-residential and high water usage residential customers. The *Review* also recommended a 2.75 percent rate increase per year through 2011-12 to fund a \$7.5 million reserve for future Water Reclamation Facility expansion. However, due to the challenging economic environment, City Council opted to not raise sewer rates from 2007-08 through 2010-11.

(b) In 2010, City Council adopted the updated Wastewater System Financial Plan which recommended moderate annual rate increases beginning in fiscal year 2011-12.

**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
2005	10,742	1,182	11,924
2006	11,380	1,452	12,832
2007	11,520	1,500	13,020
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

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
2005	\$ 10,690,000	\$ 340,000	\$ 10,350,000	0.51 %	\$ 345	\$ -
2006	9,320,000	355,000	8,965,000	0.40	290	-
2007	21,199,393	375,000	20,824,393	0.74	658	-
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

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 net general bonded debt, other governmental activities debt, and business-type activities debt.

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

n/a - not available

<u>Governmental Activities Debt</u>			<u>Business-Type Activities</u>		<u>Total Primary Government (d)</u>	<u>Percentage of Personal Income (e)</u>		<u>Per Capita (c)</u>
<u>Certificates of Participation</u>	<u>Notes Payable</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Notes Payable</u>				
\$ 850,000	\$ 126,461	\$ 9,671	\$ 22,540,036	\$ 2,023,167	\$ 35,899,335	4.16 %	\$ 1,196	
625,000	103,628	3,425	20,465,249	1,657,272	31,819,574	3.31	1,028	
395,000	79,627	21,717	18,290,462	1,273,181	40,884,380	4.00	1,291	
205,000	54,397	14,970	16,010,675	870,725	37,005,384	3.49	1,142	
-	27,877	7,743	13,620,889	444,727	32,911,078	3.05	1,005	
-	-	-	11,116,102	-	28,986,169	2.74	899	
-	-	-	8,486,315	-	25,396,607	2.32	787	
-	-	-	5,731,528	-	21,623,138	1.88	667	
-	-	-	2,891,742	-	17,669,945	n/a	544	
-	-	-	-	-	14,999,796	n/a	459	



**City of McMinnville, Oregon**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2014**

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
<b>Direct:</b>			
General obligation bonded debt - City	\$ 14,734,796	100.00 %	\$ 14,734,796
Other governmental activities debt - City	1,370,000	100.00 %	<u>1,370,000</u>
Total direct debt			<u>16,104,796</u>
<b>Overlapping:</b>			
General obligation bonded debt:			
Chemeketa Community College	89,630,000	7.06	6,327,878
McMinnville School District No. 40	54,785,000	78.09	42,781,607
Other governmental activities debt:			
Chemeketa Community College	49,357,462	7.06	3,484,637
Willamette Education Service District	19,724,968	6.43	1,268,315
Yamhill County	695,000	28.47	197,867
McMinnville School District No. 40	26,862,684	78.09	<u>20,977,070</u>
Total overlapping debt			<u>75,037,373</u>
Total direct and overlapping debt			<u>\$ 91,142,169</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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total estimated real market value	\$ 2,020,287,465	\$ 2,215,609,959	\$ 2,822,850,527	\$ 3,117,670,189
Debt limitation:				
3% of estimated real market value	60,608,624	66,468,299	84,685,516	93,530,106
Debt applicable to limitation:				
Total general obligation bonded debt	10,690,000	9,320,000	21,010,000	20,325,000
Less amount available for payment of general obligation principal	<u>(340,000)</u>	<u>(355,000)</u>	<u>(375,000)</u>	<u>(655,000)</u>
Net debt applicable to limitation	<u>10,350,000</u>	<u>8,965,000</u>	<u>20,635,000</u>	<u>19,670,000</u>
Total remaining debt limit	<u>\$ 50,258,624</u>	<u>\$ 57,503,299</u>	<u>\$ 64,050,516</u>	<u>\$ 73,860,106</u>
Total net debt applicable to limitation as a percentage of debt limit	17.08%	13.49%	24.37%	21.03%



<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 3,281,260,714	\$ 3,267,741,423	\$ 3,193,379,293	\$ 2,806,089,205	\$ 2,767,634,640	\$ 2,748,715,501
98,437,821	98,032,243	95,801,379	84,182,676	83,029,039	82,461,465
19,490,000	18,620,000	17,710,000	16,515,000	15,440,000	14,370,000
(850,000)	(910,000)	(950,000)	(1,075,000)	(1,070,000)	(1,105,000)
<u>18,640,000</u>	<u>17,710,000</u>	<u>16,760,000</u>	<u>15,440,000</u>	<u>14,370,000</u>	<u>13,265,000</u>
<u>\$ 79,797,821</u>	<u>\$ 80,322,243</u>	<u>\$ 79,041,379</u>	<u>\$ 68,742,676</u>	<u>\$ 68,659,039</u>	<u>\$ 69,196,465</u>
18.94%	18.07%	17.49%	18.34%	17.31%	16.09%

**City of McMinnville, Oregon**  
**Sewer Debt Coverage**  
**Revenue Bond and Note Payable**  
**Last Ten Fiscal Years**  
(full accrual basis of accounting)

Fiscal Year Ended June 30,	Operating Net Income	Depreciation	Development Charges and Fees	Net Sewer Revenue	Debt Service			Coverage
					Principal	Interest	Total	
2005	\$ 2,460,507	\$ 2,195,391	\$ 891,178	\$ 5,547,076	\$ 2,142,858	\$ 1,116,098	\$ 3,258,956	1.70
2006	2,475,387	2,257,843	1,106,547	5,839,777	2,365,895	1,042,278	3,408,173	1.71
2007	2,606,830	2,290,914	923,370	5,821,114	2,484,091	923,069	3,407,160	1.71
2008	2,414,462	2,331,854	1,194,274	5,940,590	2,607,456	797,905	3,405,361	1.74
2009	2,575,678	2,355,078	405,364	5,336,120	2,740,998	666,526	3,407,524	1.57
2010	2,419,116	2,355,675	374,218	5,149,009	2,874,727	528,411	3,403,138	1.51
2011	2,419,700	2,389,249	328,615	5,137,564	2,555,000	383,563	2,938,563	1.75
2012	2,293,980	2,460,194	429,252	5,183,426	2,680,000	255,812	2,935,812	1.77
2013	2,509,616	2,489,357	284,090	5,283,063	2,765,000	175,413	2,940,413	1.80
2014	2,761,059	2,572,126	428,778	5,761,963	2,845,000	92,462	2,937,462	1.96

Note: The 2004 Master Sewer Revenue Refunding Bond Declaration includes two rate covenants:

- The first bond covenant test provides that the City's net sewer revenue (operating net income, plus depreciation, and development charges and fees) must be at least equal to 100% of the fiscal year's annual debt service on the 2004 sewer system revenue refunding bonds plus 100% of the fiscal year's annual debt service on all outstanding subordinated debt which is the OECDD W/WWF 2000 note payable which was paid off in fiscal year 2009-10.
- The second bond covenant test provides that the City's net sewer revenue must be at least equal to 120% of the fiscal year's annual debt service on the 2004 sewer system revenue refunding bonds.
- The City met and exceeded each of these bond covenant tests.

**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	PMSA Unemployment Rate (c)
2005	30,020	\$ 861,964,260	\$ 28,713	5,998	5.4 %
2006	30,950	960,811,800	31,044	6,363	5.1
2007	31,665	1,022,462,850	32,290	6,167	4.8
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	6,434	10.0
2011	32,270	1,096,534,600	33,980	6,126	8.8
2012	32,435	1,147,744,910	35,386	6,492	8.5
2013	32,510	n/a	n/a	6,635	8.1
2014	32,705	n/a	n/a	n/a	6.6

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. Unemployment rate is provided by State of Oregon Employment Department.

(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) Portland Metropolitan Statistical Area (PMSA)

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, 2014		
		Number of Employees	Percentage	Rank
McMinnville School District #40	Education	642	4.71 %	1
Cascade Steel Rolling Mills, Inc.	Steel production	435	3.19	2
Willamette Valley Medical Center, LLC	Health care	432	3.17	3
Yamhill County	County government	425	3.11	4
Express Professionals	Temp agency	350	2.57	5
Betty Lou's Inc	Snack manufacturer	236	1.73	6
Linfield College	Higher education - liberal arts	363	2.66	7
Meggitt Polymer	Sealing solutions manufacturing	230	1.69	8
Oregon Mutual Insurance Company	Insurance products and services	200	1.47	9
City of McMinnville	City government	196	1.44	10
Evergreen Enterprises, Inc.	Air freight, helicopters, agriculture	-	-	-
Wal-Mart Stores, Inc.	Retail merchandise	-	-	-
Skyline Corporation (Homette and Nomad)	Mobile home and RV manufacturing	-	-	-
Total principal employers		3,509	25.72	
All other employers (estimated)		<u>10,136</u>	<u>74.28</u>	
Total		<u>13,645</u>	<u>100.00</u> %	

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

Fiscal Year Ended June 30, 2005

<u>Number of</u> <u>Employees</u>	<u>Percentage</u>	<u>Rank</u>
582	3.86 %	1
451	2.99	4
535	3.55	2
343	2.27	5
-	-	-
-	-	-
325	2.16	6
-	-	-
184	1.22	9
175	1.16	10
458	3.04	3
270	1.79	7
<u>242</u>	<u>1.61</u>	<u>8</u>
3,565	23.65	
<u>11,512</u>	<u>76.35</u>	
<u><u>15,077</u></u>	<u><u>100.00</u></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
2005	155	\$ 22,601,019	363	\$ 40,380,378
2006	173	33,297,574	348	47,579,970
2007	147	65,033,583	406	48,635,973
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

Source: City of McMinnville Building Division

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

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

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

<b>Functions/Programs</b>	<b>Fiscal Year Ended June 30,</b>					
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Primary government:</b>						
Governmental activities:						
General government	13.59	14.31	13.20	19.84	15.48	15.32
Community development (a)	14.80	16.00	16.90	17.12	11.20	11.35
Public safety:						
Police:						
Sworn	32.00	35.00	35.00	35.00	36.00	35.00
Non-sworn	12.29	11.14	14.41	14.84	14.92	14.92
Fire (b) (c)	6.64	6.79	10.38	11.00	16.75	16.99
Highways and streets	8.35	8.85	9.60	9.69	9.15	8.84
Culture and recreation:						
Parks and recreation:						
Full-time	13.00	14.00	14.00	14.00	15.00	15.00
Part-time	22.29	23.08	25.21	23.60	27.89	29.61
Library	14.59	15.65	16.42	16.51	17.93	17.93
Total governmental activities	<u>137.55</u>	<u>144.82</u>	<u>155.12</u>	<u>161.60</u>	<u>164.32</u>	<u>164.96</u>
Business-type activities:						
Wastewater	19.68	19.41	18.76	18.91	19.04	19.22
Ambulance (b) (c)	17.45	17.66	21.07	21.16	16.04	15.72
Building (a)	-	-	-	-	5.90	3.75
Total business-type activities	<u>37.13</u>	<u>37.07</u>	<u>39.83</u>	<u>40.07</u>	<u>40.98</u>	<u>38.69</u>
<b>Total primary government</b>	<u>174.68</u>	<u>181.89</u>	<u>194.95</u>	<u>201.67</u>	<u>205.30</u>	<u>203.65</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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
14.84	14.49	13.38	13.31
11.35	10.35	9.60	9.39
34.00	35.00	34.00	37.00
13.45	13.57	14.77	11.18
16.40	14.95	14.03	14.48
8.83	8.90	8.90	8.66
15.00	15.00	14.00	14.00
29.26	29.18	28.67	27.94
<u>17.31</u>	<u>17.01</u>	<u>15.55</u>	<u>15.38</u>
<u>160.44</u>	<u>158.45</u>	<u>152.90</u>	<u>151.34</u>
19.46	20.46	22.40	20.46
16.32	20.72	20.46	22.65
<u>3.65</u>	<u>3.65</u>	<u>2.00</u>	<u>1.90</u>
<u>39.43</u>	<u>44.83</u>	<u>44.86</u>	<u>45.01</u>
<u>199.87</u>	<u>203.28</u>	<u>197.76</u>	<u>196.35</u>

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

Functions/Programs	Fiscal Year Ended June 30,				
	2005	2006	2007	2008	2009
<b>Primary government:</b>					
Community development:					
Building division: (b)					
Building permits issued	453	517	463	332	-
Plumbing permits issued	272	374	261	247	-
Mechanical permits issued	106	189	188	180	-
Demolition permits issued	14	25	25	11	-
Fire life safety permits issued	22	53	22	40	-
Miscellaneous permits issued	45	69	57	48	-
Manufactured home permits issued	21	35	34	32	-
Total permits issued	<u>933</u>	<u>1,262</u>	<u>1,050</u>	<u>890</u>	<u>-</u>
Police:					
Calls for service (a) (h)	27,801	26,349	30,609	29,128	28,401
Crimes: (a)					
Part I (incidents & arrests reported to FBI)	1,240	958	1,006	1,143	1,093
Part II (arrests reported to FBI)	2,915	2,541	2,452	2,846	2,975
Part III (not reported to FBI)	1,077	1,075	1,218	1,100	1,138
Total crimes	<u>5,232</u>	<u>4,574</u>	<u>4,676</u>	<u>5,089</u>	<u>5,206</u>
Traffic crashes	302	336	250	245	228
Traffic citations/warnings	10,549	7,391	12,636	11,569	9,559
Fire:					
Self fire inspections conducted	1,329	1,330	1,390	-	-
On-site fire inspections conducted	671	560	610	120	230
Fire responses	788	1,070	1,063	838	869
Fire/rescue responses	1,682	2,603	2,839	2,933	3,120
Level of insurance service	Class 3	Class 3	Class 3	Class 3	Class 3
Parks and recreation:					
Aquatic center attendance:					
General recreation programs (d)	54,388	53,420	60,586	71,575	71,877
Fitness classes	17,485	17,535	17,190	18,303	16,830
Swim instruction	12,911	15,073	15,274	15,227	14,790
School district #40 programs	11,114	10,744	9,504	8,593	8,759
Rental attendance (d)	15,557	16,298	15,308	16,452	14,651
Total attendance	<u>111,455</u>	<u>113,070</u>	<u>117,862</u>	<u>130,150</u>	<u>126,907</u>

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
29,133	27,848	32,153	29,419	n/a
1,302	1,404	1,206	1,251	n/a
2,784	2,949	2,873	2,677	n/a
<u>1,070</u>	<u>1,032</u>	<u>1,107</u>	<u>1,133</u>	n/a
<u>5,156</u>	<u>5,385</u>	<u>5,186</u>	<u>5,061</u>	
297	265	276	235	n/a
7,090	5,754	10,581	8,522	n/a
-	-	-	-	-
320	375	450	512	562
815	800	923	650	786
3,212	3,303	2,823	2,912	2,932
Class 3	Class 3	Class 3	Class 3	Class 3
79,998	84,094	70,629	70,500	73,729
19,801	19,852	19,487	18,586	18,229
14,381	15,318	15,312	16,016	16,862
5,949	6,179	5,323	4,953	6,454
<u>13,747</u>	<u>13,857</u>	<u>24,245</u>	<u>24,730</u>	<u>18,789</u>
<u>133,876</u>	<u>139,300</u>	<u>134,996</u>	<u>134,785</u>	<u>134,063</u>

(Continued)

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

<b>Functions/Programs</b>	<b>Fiscal Year Ended June 30,</b>				
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Community center and recreation programs:					
Facility reservations	n/a	1,002	1,144	1,200	1,373
Children's programs (children per session):					
Kids on the block (after school) (e)	n/a	530	434	500	648
STARS (summer)	n/a	98	120	130	114
Recreational sports:					
Soccer:					
Participants	n/a	1,500	1,720	1,750	2,443
Teams	n/a	107	118	120	201
Matches	n/a	1,190	1,220	1,250	1,279
Baseball/softball:					
Participants	n/a	1,170	1,380	1,400	1,230
Teams	n/a	92	106	110	96
Games	n/a	645	720	740	643
Other sports:					
Participants	n/a	570	600	550	443
Games/matches	n/a	340	375	360	354
Senior center:					
Attendance (g)	n/a	3,920	10,000	9,750	16,950
Facility rentals	n/a	52	62	55	123
Senior meals served	n/a	31,827	27,388	27,000	22,890
Day trips taken	n/a	27	10	8	12
Day trip attendance	n/a	568	191	240	212
Overnight trips taken	n/a	8	9	2	5
Overnight trip attendance	n/a	102	93	100	77
Park maintenance:					
Picnic reservations (a)	n/a	107	129	130	135
Library:					
Items circulated (c)	298,822	306,808	325,197	334,960	363,204
Resources	86,916	82,308	83,446	93,398	104,059
Uses of online databases, library website, and internet computers at the library	116,971	143,721	169,596	191,897	195,105
Service hours per week	47	47	47	47	51
Number of holds placed on library items	n/a	n/a	n/a	n/a	n/a
Number of visitors	n/a	n/a	n/a	n/a	n/a

<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
1,932	1,944	1,960	2,559	2,698
781	950	594	682	694
57	60	60	55	62
2,039	1,907	2,054	1,837	1,694
187	169	173	147	140
1,190	910	857	787	730
920	1,188	1,067	1,162	1,042
87	105	89	91	83
590	588	577	600	506
472	560	486	492	554
377	394	378	331	346
17,800	16,838	27,782	29,001	27,779
130	208	327	269	194
22,000	19,500	19,250	24,574	27,997
12	24	16	19	19
220	276	163	207	265
8	9	16	11	12
120	70	50	69	37
116	145	160	155	154
378,061	381,814	382,344	352,211	351,672
112,461	117,016	192,766	136,629	87,995
197,451	234,403	245,640	302,127	308,493
51	51	51	45	45
73,699	81,798	83,376	77,891	75,240
187,920	209,564	212,187	175,178	179,502

(Continued)

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

<b>Functions/Programs</b>	<b>Fiscal Year Ended June 30,</b>				
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Community development:</b>					
Building division: (b)					
Building permits issued	-	-	-	-	222
Plumbing permits issued	-	-	-	-	224
Mechanical permits issued	-	-	-	-	241
Demolition permits issued	-	-	-	-	11
Fire life safety permits issued	-	-	-	-	41
Miscellaneous permits issued	-	-	-	-	48
Manufactured home permits issued	-	-	-	-	7
Total permits issued	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>794</u>
<b>Wastewater Services:</b>					
Daily average treatment in gallons (f)	3,072,000	3,217,000	2,951,000	3,287,000	2,948,000
Service connections:					
Residential	10,742	11,380	12,431	11,319	11,398
General services/commercial	1,182	1,452	1,284	1,316	1,326
<b>Ambulance:</b>					
Emergency Medical Service (EMS) calls	3,239	4,268	4,330	4,806	5,185
EMS patients transported	2,874	3,225	3,193	3,528	4,163
<b>Component unit:</b>					
<b>Water and light:</b>					
Water system:					
Daily average consumption in gallons	5,200,000	5,200,000	4,900,000	5,000,000	5,000,000
Service connections:					
Residential	11,102	11,276	11,520	11,674	11,718
General services/commercial	1,379	1,447	1,500	1,562	1,573
Electric system:					
Type	public power	public power	public power	public power	public power
Service connections:					
Residential	12,209	12,350	12,748	12,917	13,027
General services/small industrial	2,543	3,332	2,603	2,691	2,689
Large industrial	2	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) Library items circulated for fiscal year 2009-10 was restated from 383,963 to 378,061 in fiscal year 2010-11 due to an error in the circulation amount.

(d) Fiscal year 2008-09 and 2009-10 have been restated, moving the Chemeketa program from Rental attendance to General recreation.

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
207	192	119	201	282
269	298	132	243	275
266	197	103	173	232
10	5	5	12	4
21	33	12	29	40
41	40	28	26	44
22	17	4	2	8
<u>836</u>	<u>782</u>	<u>403</u>	<u>686</u>	<u>885</u>
2,937,000	3,461,000	2,960,000	2,740,000	3,240,000
11,319	11,768	11,664	11,784	12,042
1,199	1,246	1,170	1,164	1,097
5,480	5,603	5,713	5,795	5,879
4,001	4,100	4,204	4,388	4,385
4,200,000	4,400,000	4,324,000	5,020,000	4,500,000
11,617	12,063	11,886	12,006	12,192
1,424	1,521	1,479	1,485	1,511
public power	public power	public power	public power	public power
13,000	13,051	13,116	13,160	13,260
2,158	2,182	2,184	2,206	2,189
2	2	2	2	2

(e) 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.

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

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

(h) 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.

n/a - not available

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

<b>Functions/Programs</b>	<b>Fiscal Year Ended June 30,</b>			
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Primary government:</b>				
General government:				
Computers - desktops and laptops	163	163	165	204
Computers - physical servers	16	17	18	20
Police:				
Station	1	1	1	1
Off-site evidence facility	1	1	1	1
Training facility	1	1	1	1
Patrol units	15	15	15	15
Command vehicle	-	-	1	1
Motorcycles	-	-	1	1
Fire:				
Stations	1	1	1	1
Training facility	1	1	1	1
Vehicles	18	18	18	18
Highways and streets:				
Miles of streets	99	100	102	103
Miles of storm drain sewers	71	72	74	75
Number of street lights	n/a	n/a	n/a	n/a
Parks and recreation:				
Aquatic center	1	1	1	1
Community center	1	1	1	1
Senior citizen center	1	1	1	1
Parks:				
Neighborhood parks (a)	1	1	1	2
Community parks	5	5	5	5
Linear park	2	2	2	2
Mini parks and play lots	7	7	7	7
Nature parks	2	2	2	2
Special use park (b)	-	-	-	-
Greenway/greenspaces	15	15	15	15
Park system acreage (a)	335	335	335	343
Tennis courts	4	4	4	4
Baseball/softball fields	10	10	10	11
Soccer fields	11	11	11	11
Outdoor basketball courts	7	7	7	7
Skate parks	2	2	2	2
Library:				
Facility	1	1	1	1
Bookmobile	1	1	1	1



<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
210	251	264	264	267	285
21	33	21	14	17	17
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
15	15	15	16	14	14
1	1	1	2	2	2
2	2	2	2	2	2
1	1	1	1	2	2
1	1	1	1	1	1
16	16	16	16	16	16
103	103	103	103	103	103
75	75	75	75	76	76
n/a	n/a	2,677	2,684	2,684	2,679
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
2	2	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
15	15	15	15	15	15
347	353	353	353	353	353
4	4	4	4	4	4
11	11	11	11	11	11
11	11	11	11	11	11
7	7	8	8	8	8
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1

(Continued)

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

Functions/Programs	Fiscal Year Ended June 30,			
	2005	2006	2007	2008
<b>Primary government (continued):</b>				
Airport:				
Runways	2	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	2
Automated weather station	1	1	1	1
Instrument landing system (ILS)	1	1	1	1
Precision approach path indicator (PAPI)	2	2	2	2
FAA automated flight service station	1	1	1	1
City owned hangars:				
Maintenance	2	2	2	2
Rental	27	27	27	27
Land leased hangars:				
Private	73	83	83	83
Corporate	2	2	2	2
Wastewater Services:				
Treatment plant	1	1	1	1
Maximum daily capacity of treatment plant in gallons	5,600,000	5,600,000	5,600,000	5,600,000
Miles of sanitary sewers	141	144	149	152
Ambulance:				
Vehicles	3	3	3	3
<b>Component unit:</b>				
Water and light:				
Water system:				
Maximum daily capacity of plant in gallons (c)	13,300,000	13,300,000	13,300,000	13,300,000
Watershed storage in billions of gallons	3.5	3.5	3.5	3.5
Miles of water mains	137	140	152	154
Fire hydrants	919	944	1,012	1,014
Electric system:				
Substations	7	7	7	7
Miles of distribution	302	307	315	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 acquired. In fiscal year 2009-10, land for an addition to a linear park was purchased and land was repurposed for a dog park.

(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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</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
83	83	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	5,600,000
152	152	152	152	152	153
3	3	4	5	5	5
13,300,000	13,300,000	22,000,000	22,000,000	22,000,000	22,000,000
3.5	3.5	3.5	3.5	3.5	3.5
154	154	172	172	172	175
1,017	1,023	1,023	1,023	1,024	1,044
7	8	7	7	7	7
318	318	314	320	323	325



## **COMPLIANCE SECTION**

- Independent Auditor's Report Required by Oregon State Regulations





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& Warwick, LLP

Certified Public Accountants  
& Consultants

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## **INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS**

Honorable Mayor and City Council  
City of McMinnville  
McMinnville, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of McMinnville, Oregon (the City) as of and for the year ended June 30, 2014, and have issued our report thereon dated December 17, 2014. We did not audit the financial statements of 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 the other auditors.

### **COMPLIANCE**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- 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, 279C).

**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS (Continued)**

**COMPLIANCE (Continued)**

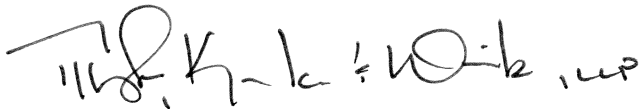
In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

**OAR 162-10-0230 INTERNAL CONTROL**

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

**RESTRICTIONS ON USE**

This report is intended solely for the information and use of the Board of Councilors, Oregon Secretary of State Audits Division, and management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "T. J. K. L. W. B. C. P.", is written over the printed text of the signature block.

Lake Oswego, Oregon  
December 17, 2014