

**CITY OF MCMINNVILLE, OREGON**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2013**

Prepared by:

**Finance Department**

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Finance Director

**Rachael F Lembo, CPA**  
Technical Services Accountant

**Julie M. Orth**  
Accountant



**City of McMinnville, Oregon**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2013**

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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 4, 2013

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, 2013. The *Comprehensive Annual Financial Report (CAFR)* presents the financial position of the City of McMinnville (City) as of June 30, 2013 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 fifteenth 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 several larger companies are also based in McMinnville.

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. According to the Oregon Employment Department's data, most 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.

In the past year, unemployment rates for Yamhill County have slowly but steadily trended downward from 2012 seasonally adjusted rates of 8.5 percent to 7.8 percent in 2013. This rate is lower than the national average of 8.4 percent and the State of Oregon unemployment rate of 8.8 percent. In a report released by the Oregon Office of Economic Analysis in November 2013, it was noted that employment in Oregon continues to improve. Recent job growth in Oregon's private sector has been faster than national private sector job growth. Job growth is expected to accelerate over the next two years, with the State expected to fully regain the jobs lost during the Great Recession by early 2015.

While the recent closure of Evergreen International Airlines will result in a layoff of 130 employees, the Evergreen Aviation and Space Museum and the Wings and Waves Waterpark will remain open. 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.

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 throughout the recent recession and will continue to play a significant role in the economic growth of the area.

**Population Growth:** Over the last ten years, McMinnville's population has grown by 11 percent. Both new employers and residents are attracted to McMinnville because of its "livability" and its close proximity to the Portland metropolitan area, 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 14 percent, while the State of Oregon's population grew by 9 percent.

<b>Population Estimates</b>						
<b>McMinnville</b>			<b>Yamhill County</b>		<b>State of Oregon</b>	
<b>Year</b>	<b>Population</b>	<b>Percent Change</b>	<b>Population</b>	<b>Percent Change</b>	<b>Population</b>	<b>Percent Change</b>
2004	29,200	1.1%	89,200	1.5%	3,582,600	1.2%
2009	32,760	1.1	95,255	1.0	3,823,465	0.9
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

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 forecast by Portland State University, McMinnville's population is expected to increase over the next 20 years at an average annual increase of two percent. At this rate, McMinnville's population is expected to reach 42,000 by 2025; an increase of 9,490 residents from its 2013 population estimate of 32,510.

**Residential, Commercial, and Industrial Development:** Similar to other cities in Oregon and much of the United States, McMinnville's residential, industrial, and commercial sectors continued to show weak activity, consistent with the preceding three years. However, during fiscal year 2012-13, several projects of note were initiated or completed, including the following: tenant improvements to a former furniture store to accommodate medical office use (\$2.4 million); improvements to the Willamette Valley Medical Center complex (\$0.4 million); addition to the Betty Lou's manufacturing facility (\$0.6 million); new chapel on the Evergreen Aviation campus (\$2.1 million); and interior remodels of buildings located on the Linfield Campus (\$0.7 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 medical office building; significant expansion of a memory care facility and construction of two new facilities; and a new transit facility in downtown McMinnville. In addition, McMinnville saw the platting and groundbreaking of two residential subdivisions. These subdivisions include the McMinnville Area Habitat for Humanity's 36 lot residential subdivision, and a 21 lot residential development. For comparison, two residential subdivisions were approved in 2012. There were no subdivisions approved in 2010 and 2011.

This year's residential permit numbers reflect a slight increase compared to the three prior years. In 2013, the value of new residential construction totaled \$12.7 million, compared to \$11.6 million in both 2012 and 2011. For commercial, public sector, and industrial development, 2013 values were down considerably from the prior two years. In 2013, the value of commercial, public sector, and industrial new construction totaled \$12.0 million compared to \$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.

**Property Values:** Maximum assessed value and real market value are factors that are useful in measuring the economic health of a community. As illustrated below, the maximum assessed value for McMinnville grew by 59 percent over the last ten years. Maximum assessed value increases in the last three years are primarily related to new construction and major commercial building improvements. From 2004 to 2013, real market value for McMinnville increased by 57 percent. The table below illustrates that the City is located in a growing economic region. Yamhill County's real market value grew by 53 percent in the last ten years.

Although the City's real market value declined in the last four years, the decrease in 2013 was 1.4 percent compared to a decrease of 12.1 percent in 2012. Maximum assessed value as a percentage of real market value was 79 percent for 2013 compared to 76 percent for 2012.

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

<u>Fiscal Year</u> <u>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>
2004	\$ 1,381,286	4.4%	\$ 1,760,704	2.6%	\$ 5,814,566	32.1%
2009	1,938,724	7.8	3,281,261	5.2	10,321,298	4.2
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)

Source: Yamhill County Assessor's Office

**Property Tax Rates:** Since fiscal year 2000-01, the City has levied the entire permanent property tax rate for operations, established by the 1996 Oregon tax limitation measure. The City's debt service levy has continued to decrease from 2009 through 2013, primarily due to the refunding of general obligation bonds in 2012 and increasing maximum assessed values.

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

<u>Fiscal Year</u> <u>Ended</u>	<u>City of McMinnville - Only</u>			<u>McMinnville</u> <u>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>
2004	\$ 5.02	\$ 1.25	\$ 6.27	\$ 17.50
2009	5.02	0.83	5.85	16.50
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

Source: Yamhill County Assessor's Office

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

Fiscal year 2012-13 presented many challenges for the City of McMinnville, similar to those faced by most other cities in Oregon. Given the pressures of increasing operating costs, most notably police and fire union salaries, increasing medical insurance premiums, and the volatility of Oregon Public Employee Retirement System (OPERS) employer contribution rates, the City will continue to be challenged with providing services that meet the demands of a growing population.

To facilitate decision-making during the budget process, City management utilizes a long-term financial forecast model to evaluate the current fiscal year within the framework of the longer-term financial picture. The forecast model projects revenues and expenditures based on a set of assumptions, including assessed property values, cost of living adjustments, pension benefit rates, etc. In addition, the City has contracted with a financial consultant, who has extensive budgeting and local government expertise, to advise management on forecast development and fiscal policy. The forecast model previously indicated that, unless the City increased revenues, reduced expenditures, or some combination of both, the General Fund reserve would be reduced to unacceptable levels. Due to Oregon's limitations on assessed property value increases and historically low levels of construction activity, opportunities to increase revenues are limited. Therefore, City management took action to control General Fund expenditures and minimize the spending down of the General Fund reserve. Reducing staff levels; limiting cost of living increases for general services employees; increasing employees' share of health insurance premiums; and limiting capital outlay have all significantly contributed to controlling General Fund expenditures.

As a result of these measures, the City's General Fund ending fund balance for 2012-13 is approximately 47 percent of total General Fund expenditures, 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 General Fund 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.9.

For 2012-13, the City's conservative approach to budgeting resulted in General Fund revenues exceeding expenditures by \$0.6 million on a modified accrual basis (including transfers to other funds). Factors contributing to the favorable change in the fund balance included higher property tax revenues, due to increases in assessed property values and new construction, and higher franchise fees and state shared liquor tax revenues. Also, total General Fund expenditures were held flat compared to the prior year. Increases in public safety expenditures were offset by budgeted reductions in general government, community development, and culture and recreation expenditures.

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, 2012-13 assessed values increased by nearly three percent compared to the prior year. In comparison, 2011-12 assessed values increased by less than two percent compared to the prior year.

**Transmittal Letter**  
**Year Ended June 30, 2013**

- Rising medical insurance premiums in recent years have caused the City to consider alternatives to health care plans provided to employees. Members of the firefighters' association now participate in a high deductible copay plan with a Voluntary Employee Beneficiary Association (VEBA). The VEBA, a health reimbursement plan funded by the City, helps offset the employees' higher deductible. This change has reduced costs for the City and for most employees. General services employees have also migrated to a copay plan.
- Oregon Public Employee Retirement System (OPERS) employer contribution rates for 2013 through 2015 will increase to approximately 17 percent of subject salary (not including the six percent employee pick up). This is a slight increase from the 16 percent employer contribution rates in effect from 2011 through 2013. In early 2013, legislative changes were adopted which significantly lowered employer contribution rates, compared to what rates would have been without the changes. Legislative changes included adopting a different actuarial valuation method and reducing benefits for some retirees. With annual General Fund salaries and wages at approximately \$7.5 million, fluctuations in the employer contribution rate have a significant impact on the City's ability to provide services to the public.
- In 2012-13, ambulance services operating expenses exceeded operating revenues by \$0.6 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".

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.

Also in 2013, City Council adopted an ordinance which assesses 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. The fiscal year 2013-14 City of McMinnville Budget transfers the discretionary monies to the General Fund. Total annual tax revenues are estimated to be \$0.4 million.

During fiscal year 2012-13, Wastewater completed a \$2.5 million capital project, designed to reduce infiltration and inflow (I&I) in the downtown area. Based on findings in the master plant, I&I related rehabilitation projects are a vital component in controlling wastewater system overflows and reducing demands on the Wastewater Reclamation Facility.

### 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, 2012. The City has received this recognition for 24 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 and to Technical Services Accountant Rachael F. Lembo, CPA, who provided valuable assistance in the drafting of the City's *CAFR*.

Furthermore, we would like to acknowledge the efforts of all City department personnel who conscientiously adhere to internal controls throughout the year and who 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, 2012**

Executive Director/CEO



# CITY OF McMinnville, Oregon

## ELECTED OFFICIALS AND PRINCIPAL APPOINTED OFFICERS OF THE CITY

JUNE 30, 2013

	<u>CITY COUNCIL</u>	<u>TERM EXPIRES</u>
<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**

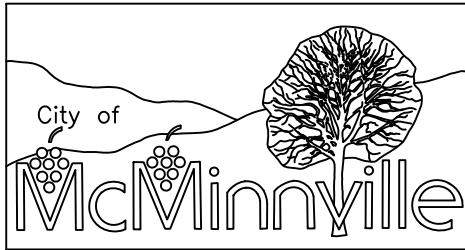
**City Manager**

**Candace A. Haines**

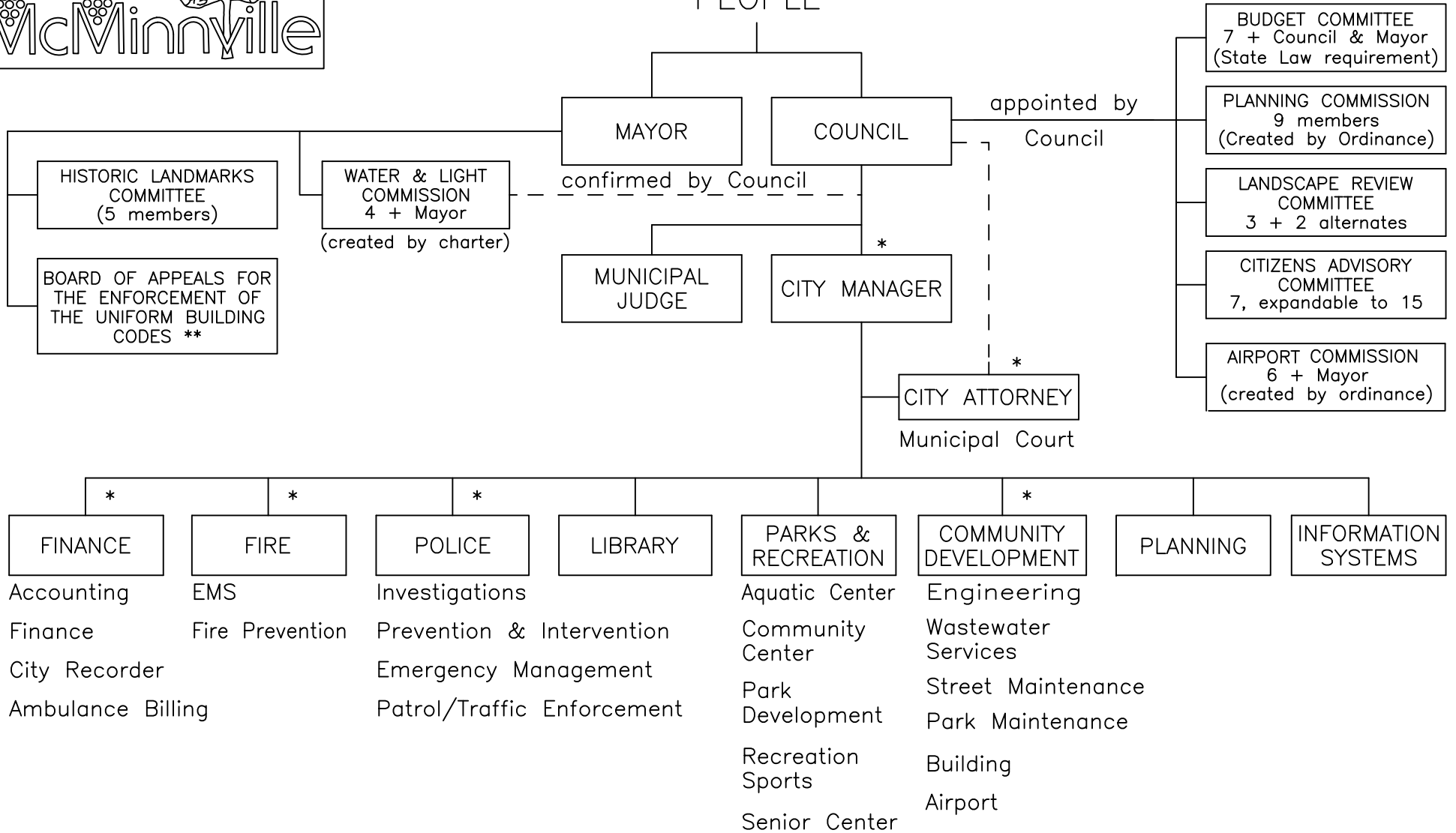
**City Attorney**

**Marcia T. Baragary, CPA**

**Finance Director**



# PEOPLE



\* 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.

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## **FINANCIAL SECTION**

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





**Talbot, Korvola  
& Warwick, LLP**

Certified Public Accountants  
& Consultants

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## **INDEPENDENT AUDITOR'S REPORT**

December 4, 2013

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, 2013, 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

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

Honorable Mayor and City Council  
City of McMinnville, Oregon  
December 4, 2013

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

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **OPINIONS**

In our opinion, 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, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, 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.

### **OTHER MATTERS**

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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 this 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, schedules and other financial schedules, collectively presented as 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 Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial

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

Honorable Mayor and City Council  
City of McMinnville, Oregon  
December 4, 2013

### **OTHER MATTERS (Continued)**

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

statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

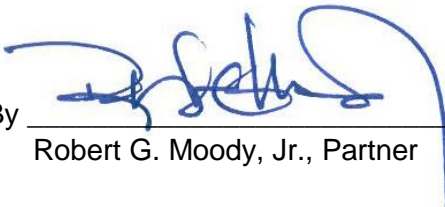
### **REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated November 4, 2013, 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**

Certified Public Accountants

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





## **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, 2013. 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:**

- The assets of the City exceeded liabilities by \$137.8 million at June 30, 2013. This compares to \$136.7 million for the prior year.
- The net position balance of \$137.8 million is comprised of the following:
  - 1) Net investment in capital assets, such as buildings, parks and roads (\$103.1 million compared to \$103.8 million in the prior year);
  - 2) Restricted amounts for future capital projects and debt service (\$4.2 million compared to \$4.1 million in the prior year);and
  - 3) An unrestricted balance, which may be used to meet the City's ongoing obligations to citizens and creditors (\$30.5 million compared to \$28.8 million in the prior year).

#### **Fund Level:**

- The City's governmental funds report a combined fund balance of \$14.8 million, an increase of \$0.8 million from last fiscal year. Approximately \$6.9 million of that total is unassigned compared to \$6.5 million the prior year. Additional information regarding governmental funds ending fund balances is included in the Fund Financial Analysis section of Management's Discussion and Analysis.
- Total property taxes increased by approximately \$0.2 million compared to the prior year. Property taxes are used to fund general government, public safety, cultural and recreational operations, and to pay debt service. The increase in property tax revenue resulted from increases in assessed values of existing property and new construction.
- The City's proprietary funds report a total net position balance of \$67.6 million, an increase of \$2.5 million over the prior year. The increase was primarily due to a \$2.8 million decrease in non-current liabilities due to 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 for 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:** These 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.

The City maintains ten governmental funds, three of which are considered major funds. All 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, four special revenue and three capital projects, are classified as non-major funds and are aggregated for reporting in the fund

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

financial statements. Non-major governmental funds data is provided in combining and individual fund statements and schedules.

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

**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.

## 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. Certain prior year amounts have been reclassified to conform to the current year's presentation.

#### Government-Wide --- Comparative Summary Statement of Net Position June 30, 2013 and 2012 (in millions)

	Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total City		Water and Light	
	2013	2012	2013	2012	2013	2012	2013	2012
Cash and investments	\$ 16.4	\$ 15.4	\$ 19.6	\$ 18.6	\$ 36.0	\$ 34.0	\$ 29.3	\$ 21.2
Other assets	2.3	2.4	1.4	1.5	3.7	3.9	9.0	8.9
Capital assets	72.2	75.5	48.5	49.8	120.7	125.3	115.1	116.0
<b>Total assets</b>	<b>90.9</b>	<b>93.3</b>	<b>69.5</b>	<b>69.9</b>	<b>160.4</b>	<b>163.2</b>	<b>153.4</b>	<b>146.1</b>
Other liabilities	3.4	2.2	3.5	0.8	6.9	3.0	4.9	4.4
Non-current liabilities	15.5	17.6	0.2	5.9	15.7	23.5	1.4	1.4
<b>Total liabilities</b>	<b>18.9</b>	<b>19.8</b>	<b>3.7</b>	<b>6.7</b>	<b>22.6</b>	<b>26.5</b>	<b>6.3</b>	<b>5.8</b>
Invested in capital assets	57.5	59.8	45.6	44.0	103.1	103.8	107.6	106.6
Restricted	4.0	4.0	0.2	0.1	4.2	4.1	-	-
Unrestricted	10.5	9.7	20.0	19.1	30.5	28.8	39.5	33.7
<b>Total net position</b>	<b>\$ 72.0</b>	<b>\$ 73.5</b>	<b>\$ 65.8</b>	<b>\$ 63.2</b>	<b>\$ 137.8</b>	<b>\$ 136.7</b>	<b>\$ 147.1</b>	<b>\$ 140.3</b>

For the City, assets exceeded liabilities by \$137.8 million at the end of the current fiscal year. The largest portion of the City's net position, or \$103.1 million, is invested in capital assets, which are reported net of related outstanding debt. 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 \$4.2 million and represents amounts that are legally restricted for capital expansion, debt service, or other purposes. Finally, the remaining \$30.5 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 \$1.5 million or two percent. Capital assets decreased by \$3.3 million, primarily due to annual depreciation. This change was partially offset by a \$0.9 million reduction in total liabilities, primarily resulting from principal payments on general obligation bonds made during the fiscal year.
- **City --- Comparative Summary Statement of Net Position – Business-Type Activities:** Total net position increased by \$2.6 million or four percent. The increase is primarily due to a reduction in total liabilities. During fiscal year 2013, sewer revenue bonds payable were reduced by \$2.8 in principal payments.

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

- **Component Unit - Department --- Comparative Summary Statement of Net Position:** Total net position for the Department increased by \$6.8 million or five percent, primarily due to increased cash from operations, resulting from higher net timber revenue and receipts from customers. Receipts from customers increased due to rate increases and higher consumption for both electric and water customers.

### Statement of Activities:

Total net position of the City increased by \$1.1 million compared to the prior fiscal year. Governmental activities net position declined by \$1.5 million and business-type activities grew by \$2.6 million.

### Government-Wide --- Comparative Summary Statement of Activities For the Years Ended June 30, 2013 and 2012

(in millions)

	City of McMinnville - Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total City		Water & Light	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>								
Program revenues								
Charges for services	\$ 4.0	\$ 3.8	\$ 11.7	\$ 11.5	\$ 15.7	\$ 15.3	\$ 43.0	\$ 41.1
Operating grants & contributions	2.2	2.3	-	-	2.2	2.3	-	0.4
Capital grants & contributions	0.8	0.7	0.1	-	0.9	0.7	0.5	0.2
General revenues								
Property taxes	12.1	11.9	-	-	12.1	11.9	-	-
Franchise taxes	2.5	2.4	-	-	2.5	2.4	-	-
Other	0.9	0.8	0.1	0.1	1.0	0.9	4.8	3.7
<b>Total revenues</b>	<b>22.5</b>	<b>21.9</b>	<b>11.9</b>	<b>11.6</b>	<b>34.4</b>	<b>33.5</b>	<b>48.3</b>	<b>45.4</b>
<b>Expenses:</b>								
Governmental activities								
General government	1.9	1.9	-	-	1.9	1.9	-	-
Community development	1.3	1.3	-	-	1.3	1.3	-	-
Public safety								
Police	7.1	6.7	-	-	7.1	6.7	-	-
Fire	2.5	2.5	-	-	2.5	2.5	-	-
Emergency communications	0.6	1.1	-	-	0.6	1.1	-	-
Highways and streets	3.8	3.3	-	-	3.8	3.3	-	-
Culture and recreation								
Parks and recreation	4.1	4.2	-	-	4.1	4.2	-	-
Library	1.4	1.5	-	-	1.4	1.5	-	-
Airport	0.6	0.6	-	-	0.6	0.6	-	-
Interest on long-term debt	0.5	0.6	-	-	0.5	0.6	-	-
Business-type activities								
Wastewater	-	-	5.8	5.9	5.8	5.9	-	-
Ambulance	-	-	3.4	3.0	3.4	3.0	-	-
Building	-	-	0.3	0.4	0.3	0.4	-	-
Component unit	-	-	-	-	-	-	41.7	40.6
<b>Total expenses</b>	<b>23.8</b>	<b>23.7</b>	<b>9.5</b>	<b>9.3</b>	<b>33.3</b>	<b>33.0</b>	<b>41.7</b>	<b>40.6</b>
<b>Change in net position before transfers</b>	<b>(1.3)</b>	<b>(1.8)</b>	<b>2.4</b>	<b>2.3</b>	<b>1.1</b>	<b>0.5</b>	<b>6.6</b>	<b>4.8</b>
Transfers	(0.2)	(0.3)	0.2	0.3	-	-	-	-
<b>Change in net position</b>	<b>(1.5)</b>	<b>(2.1)</b>	<b>2.6</b>	<b>2.6</b>	<b>1.1</b>	<b>0.5</b>	<b>6.6</b>	<b>4.8</b>
Beginning net position	73.5	75.6	63.2	60.6	136.7	136.2	140.3	135.5
<b>Ending net position</b>	<b>\$ 72.0</b>	<b>\$ 73.5</b>	<b>\$ 65.8</b>	<b>\$ 63.2</b>	<b>\$ 137.8</b>	<b>\$ 136.7</b>	<b>\$ 146.9</b>	<b>\$ 140.3</b>

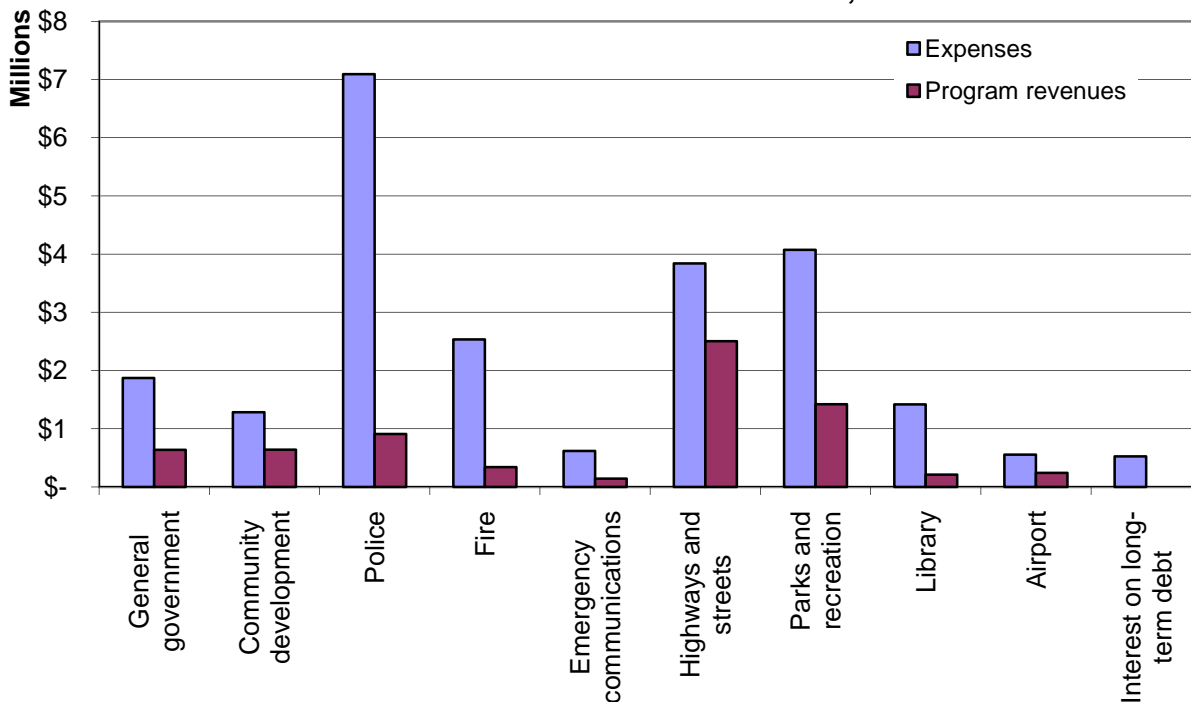
## City of McMinnville - Management's Discussion and Analysis

- **City --- Comparative Summary Statement of Activities – Governmental Activities:** Program revenues increased by \$0.2 million or three percent compared to the prior year, primarily due to increases in charges for services. General revenues increased by \$0.4 million or three percent compared to the prior year, primarily due to increased property tax revenue.

Total expenses for governmental activities increased approximately \$0.1 million compared to the prior year. Public Safety increased by \$0.4 million, primarily due to cost of living salary adjustments and medical insurance premium increases. Emergency Communications decreased \$0.5 million due to an emergency radio equipment project that was substantially completed in the prior fiscal year. Highways and streets increased by \$0.5 due to completion of street improvement and storm drain projects.

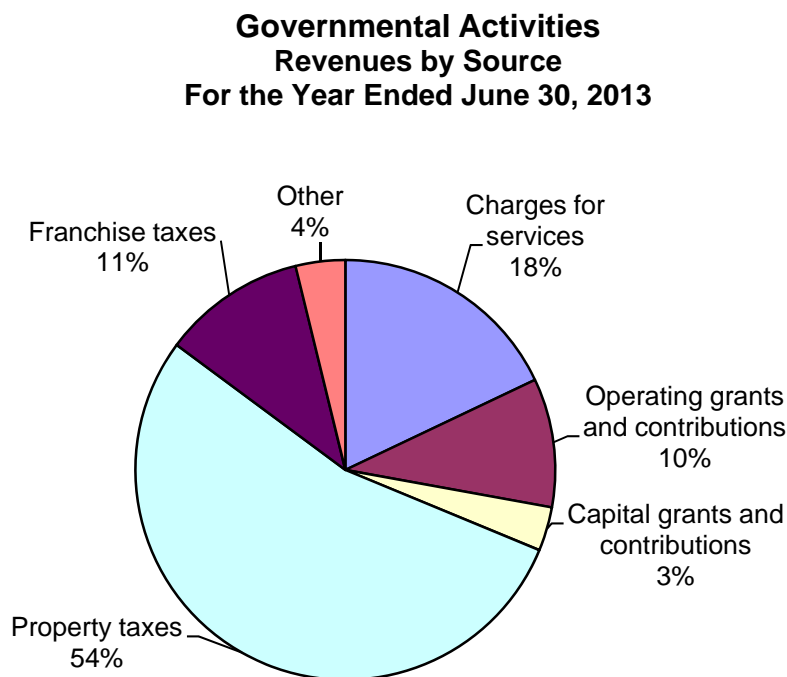
The following bar chart compares each governmental activity expense with the revenue stream for each activity and illustrates the extent to which different programs are subsidized with general revenues.

**Governmental Activities  
Expenses and Program Revenues by Function  
For the Year Ended June 30, 2013**



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

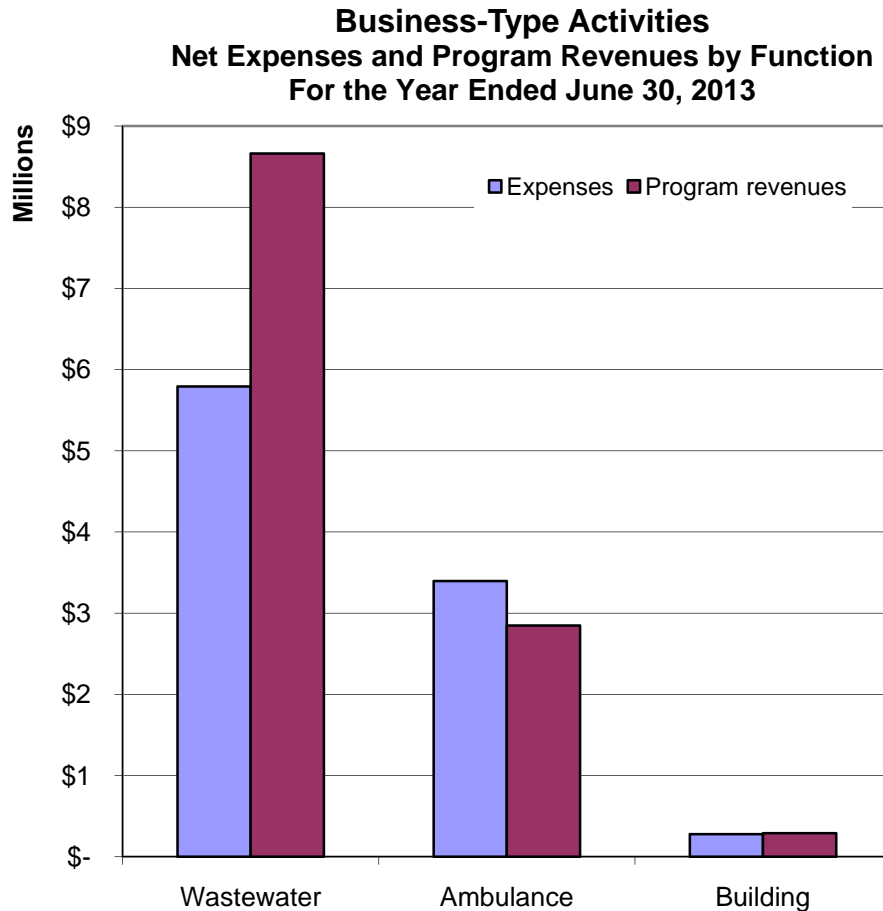
The following pie chart illustrates the relative size of revenue sources for governmental activities.



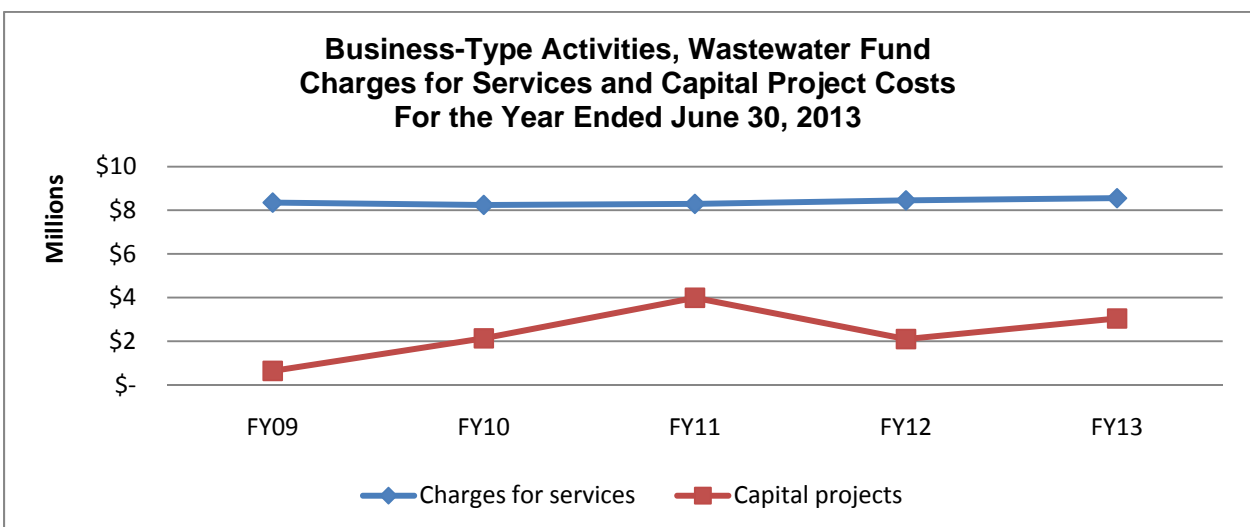
**City --- Comparative Summary Statement of Activities – Business-Type Activities:** Revenues for business-type activities, primarily consisting of charges for services, rose by \$0.3 million or three percent compared to the prior year. For Wastewater, sewer user fee rates were increased in March 2013, contributing to a \$0.2 million increase in charges for services revenue compared to the prior year.

Total expenses for all business-type activities increased a total of \$0.2 million or two percent compared to the prior year, primarily due to higher Ambulance personnel services expenses. Cost of living salary adjustments and higher medical insurance premiums contributed to the increase.

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 revenue was sufficient to cover operating expenses.



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.





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

**Component Unit - Department --- Comparative Summary Statement of Activities:** Total revenues for the Department overall increased by \$2.9 million compared to the prior year. Revenues from sales of electricity and water increased by four percent and eleven percent, respectively, largely due to rate increases. Consumption of electricity and water increased by one percent and seven percent, respectively. The economy, weather conditions, and conservation efforts continue to be factors in flat or slight growth in consumption.

### Fund Financial Analysis

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

#### Governmental Funds – Comparative Ending Fund Balances June 30, 2013 and 2012 (in thousands)

	Major Funds								Total		Net Change
	General		Airport Maintenance		Debt Service		Non-major Funds		2013	2012	2013
	2013	2012	2013	2012	2013	2012	2013	2012			
Nonspendable	\$ 22	\$ 44	\$ -	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ 22	\$ 50	\$ (28)
Restricted	-	-	-	-	1,443	1,591	3,496	3,050	4,939	4,641	298
Committed	-	-	670	663	-	-	-	-	670	663	7
Assigned	1,163	968	-	-	-	-	1,149	1,226	2,312	2,194	118
Unassigned	<u>6,909</u>	<u>6,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,909</u>	<u>6,466</u>	<u>443</u>
<b>Total ending fund balance</b>	<b><u>\$ 8,094</u></b>	<b><u>\$ 7,478</u></b>	<b><u>\$ 670</u></b>	<b><u>\$ 669</u></b>	<b><u>\$ 1,443</u></b>	<b><u>\$ 1,591</u></b>	<b><u>\$ 4,645</u></b>	<b><u>\$ 4,276</u></b>	<b><u>\$ 14,852</u></b>	<b><u>\$ 14,014</u></b>	<b><u>\$ 838</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, Finance, Engineering, Planning, Police, Municipal Court, Fire, Parks and Recreation, and Library. At fiscal year end, the unassigned fund balance increased by seven percent compared to the prior year end. This increase is primarily attributable to higher General Fund revenues and controlled spending.

Total General Fund revenues increased by \$0.5 million or three percent compared to the prior year. Current year property tax revenue increased by \$0.2 million due to growth in assessed property values and new construction. Excluding property taxes, other General Fund revenues increased by \$0.3 million compared to the prior fiscal year. Intergovernmental revenues increased by \$0.1 million substantially due to higher liquor tax collections. Charges for services increased by \$0.2 million primarily due to greater participation in Parks and Recreation programs.

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

Total General Fund expenditures decreased by \$0.1 million or one percent compared to the prior year. Expenditures for general government, community development, and culture and recreation were reduced by a total of \$0.2 million, due to budget cuts in personnel services and other operating expenditures. 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 \$0.2 million increase, which partially offset the reductions in other programs.

In the General Fund, current fiscal year total revenues exceeded total expenditures by \$1.8 million, less \$1.2 million in transfers to other funds, resulting in a net change in fund balance of \$0.6 million. The assigned fund balance includes \$0.6 million of Length of Service Award Program (LOSAP) plan assets, an increase of nearly \$0.1 million over the prior year 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. The General Fund assigned fund balance also includes \$0.6 million for a fire equipment reserve, an increase of \$0.1 million over the prior year.

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. No FAA grant funds were received in the current fiscal year.

The Debt Service Fund balance decreased by \$0.1 million compared to the prior year. Generally, the City levies property taxes sufficient to pay general obligation bond debt service. In the current fiscal year, the City levied property tax amounts that were less than actual principal and interest payments. A portion of the Debt Service Fund reserve, accumulated from higher than anticipated tax collections in previous years, was used to make up the deficit. This allowed the City to levy a lower tax rate for debt service payments. 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.

### Proprietary Funds – Comparative Ending Net Position June 30, 2013 and 2012 (in thousands)

	Unrestricted		Restricted		Invested in Capital Assets		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Fund:								
Wastewater	\$ 19,512	\$ 18,417	\$ -	\$ -	\$ 44,625	\$ 42,997	\$ 64,137	61,414
Ambulance	900	837	-	-	650	727	1,550	1,564
Building	-	-	179	148	293	308	472	456
Internal Service	735	988	-	-	655	655	1,390	1,643
<b>Total ending net position</b>	<b>\$ 21,147</b>	<b>\$ 20,242</b>	<b>\$ 179</b>	<b>\$ 148</b>	<b>\$ 46,223</b>	<b>\$ 44,687</b>	<b>\$ 67,549</b>	<b>\$ 65,077</b>

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

**City --- Proprietary Funds:** Total ending net position for proprietary funds increased by \$2.5 million or four 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 resulted from two factors. Capital assets (adjusted for accumulated depreciation) decreased by \$1.2 million compared to the prior year. However, the outstanding principal for the sewer revenue bonds was reduced by \$2.8 million due to debt service payments in the current fiscal year. These two changes resulted in a net increase in Net Investment in Capital Assets of \$1.6 million.

Ambulance charges for services revenue increased slightly, by \$0.1 million, primarily due to higher levels of transports compared to the prior year. However, because reimbursements from Medicare and Medicaid have not kept pace with increasing costs of ambulance service operations, there was an operating loss of \$0.6 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 slightly. Reductions in staffing levels and operating costs were implemented to bring expenses in line with revenues.

Internal service funds include Information Systems & Services and Insurance Services Funds. The Insurance Services Fund net position decreased by \$0.3 million due to a distribution of surplus fund balance to operating departments and higher than anticipated workers compensation claims.

### **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 additional costs in the Planning Department related to the preparation of the Urban Renewal Plan and Report. The second resolution authorized a contingency transfer to allow disbursement of the Lanouette Endowment principal to the McMinnville Library Foundation.

The 2012-13 General Fund budget adopted by the City Council provided for a \$1.3 million decrease in ending fund balance. However, actual ending fund balance increased by \$0.6 million, due to several factors. Actual General Fund revenues exceeded budgeted revenues by \$0.6 million, primarily due to higher than anticipated property tax collections. In addition, actual expenditures were approximately \$1.3 million less than budgeted. This was due to management's conservative fiscal policies and savings achieved in all General Fund departments.

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

### Capital Assets

#### Government-Wide Capital Assets June 30, 2013 and 2012 (in millions)

	Governmental Activities		Business-Type Activities		Total City	
	2013	2012	2013	2012	2013	2012
Land	\$ 27.7	\$ 27.6	\$ 0.8	\$ 0.8	\$ 28.5	\$ 28.4
Easements	1.5	1.4	0.2	0.2	1.7	1.6
Public art	0.2	0.1	-	-	0.2	0.1
Land improvements	18.5	18.5	0.1	0.1	18.6	18.6
Buildings	32.7	32.6	41.9	41.9	74.6	74.5
Machinery and equipment	6.0	5.8	1.8	1.8	7.8	7.6
Vehicles	3.4	3.5	1.8	1.7	5.2	5.2
Infrastructure	50.0	49.2	39.7	37.7	89.7	86.9
Construction in progress	-	0.2	0.2	1.5	0.2	1.7
<b>Total capital assets</b>	<b>140.0</b>	<b>138.9</b>	<b>86.5</b>	<b>85.7</b>	<b>226.5</b>	<b>224.6</b>
Accumulated depreciation	(67.8)	(63.4)	(38.0)	(35.9)	(105.8)	(99.3)
<b>Net capital assets</b>	<b>\$ 72.2</b>	<b>\$ 75.5</b>	<b>\$ 48.5</b>	<b>\$ 49.8</b>	<b>\$ 120.7</b>	<b>\$ 125.3</b>

- **City --- Capital Assets:** The City's total net capital assets decreased \$4.6 million from the prior fiscal year. An increase of \$1.9 million in total capital assets was offset by \$6.5 million in depreciation.
- Governmental activities total capital assets increased \$1.1 million, primarily due to an increase in infrastructure of \$0.8 million in street improvement projects. However, net capital assets decreased \$3.3 million due to \$4.4 million in depreciation.
- For business-type activities, total capital assets increased \$0.8 million. A major inflow and infiltration reduction project in Wastewater Services was completed and \$1.3 million was transferred from construction in progress to infrastructure. Additional Wastewater Services projects increased infrastructure by another \$0.7 million. The increase in total capital assets was offset by \$2.1 million in depreciation, resulting in a decrease of \$1.3 million in net capital assets.

City and Department capital assets are described in more detail in the notes to the financial statements, Note III. C.

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

### Debt Administration

#### Government-Wide Outstanding Debt June 30, 2013 and 2012 (in millions)

	Governmental Activities		Business-Type Activities		Total City	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 15.8	\$ 17.0	\$ -	\$ -	\$ 15.8	\$ 17.0
Revenue bonds	-	-	2.9	5.7	2.9	5.7
<b>Total outstanding debt</b>	<b>\$ 15.8</b>	<b>\$ 17.0</b>	<b>\$ 2.9</b>	<b>\$ 5.7</b>	<b>\$ 18.7</b>	<b>\$ 22.7</b>

**City --- Outstanding Debt:** At June 30, 2013, the City had \$18.7 million in outstanding debt compared to \$22.7 million in the prior year. Of that total, \$1.1 million of the debt related to governmental activities is due within one year. For business-type activities, the total debt outstanding of \$2.9 million is due within one year. Outstanding debt for governmental and business-type activities decreased as debt service payments reduced principal balances.

The \$15.8 million governmental activities general obligation debt is entirely payable from property taxes levied specifically for that purpose. The \$2.9 million business-type activity debt is payable exclusively from Wastewater revenues. 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 values increased by approximately three percent compared to the prior year.
- Real market value decreased by one percent in 2013, compared to a 12 percent decrease in 2012.
- Unemployment rates are slowly trending downward and are consistent with unemployment rate trends for the State of Oregon.
- The recent closure of Evergreen International Airlines may have a negative impact on taxable assessed values and unemployment rates. Evergreen recently announced that 130 employees will be laid off prior to closing the company in November 2013.
- A transient lodging tax was enacted in the 2013-2014 budget year. An eight percent tax will be 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 will be used to promote tourism. The remaining 30 percent will be used to support General Fund programs.
- In 2013, the City Council created an Urban Renewal Agency and adopted an Urban Renewal Plan. The Agency will begin collecting incremental taxes in 2014-2015.
- The cost of personnel services, especially employee benefits, continues to rise. However, general services and fire employees have agreed to changes in health insurance plans that will result in savings for both the City and the employee.

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

- 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. The lower rate will save the General Fund approximately \$0.3 million in 2013-2014.

### 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 recommended moderate rate increases in fiscal year 2012-13 and subsequent years to provide adequate revenue to fund operational and debt service requirements. 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 six years.
- **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 operations revenue slightly exceeded expenses, due to reductions in staffing levels and the corresponding decrease in personnel services costs. Charges for services revenue was consistent with the prior year.

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. City management hopes that interested parties will find this document readable and helpful in assessing the City's overall financial health. The City's Finance Director, Marcia Baragary, CPA, will answer any questions interested parties might have about the report or provide additional information as requested. She may be reached by mail at 230 NE Second Street, McMinnville, OR97128, by telephone at 503-434-2350, or by email 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, 2013**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Water and Light
<b>Assets</b>				
Cash and investments	\$ 15,267,458	\$ 19,578,855	\$ 34,846,313	\$ 29,268,552
Receivables, net of allowances for uncollectibles	1,693,920	1,097,620	2,791,540	4,042,935
Due from component unit	96,202	617,901	714,103	-
Internal balances	285,441	(285,441)	-	-
Inventories	-	-	-	759,868
Prepays	22,089	4,185	26,274	284,809
Note receivable	-	-	-	521,260
Renewable energy certificates	-	-	-	887,436
Regulatory asset - conservation charges	-	-	-	2,534,444
Deferred charges	180,311	16,700	197,011	-
Restricted cash and investments	1,147,119	-	1,147,119	-
Capital assets:				
Non-depreciable capital assets	29,328,445	1,252,582	30,581,027	5,482,575
Depreciable capital assets	110,761,632	85,212,170	195,973,802	151,179,125
Accumulated depreciation	(67,825,405)	(38,004,727)	(105,830,132)	(41,526,487)
Total assets	<u>90,957,212</u>	<u>69,489,845</u>	<u>160,447,057</u>	<u>153,434,517</u>
<b>Liabilities</b>				
Accounts payable	556,595	312,714	869,309	2,565,524
Accrued payroll and other payroll liabilities	388,420	-	388,420	240,700
Due to primary government	-	-	-	714,103
Accrued interest payable	231,432	38,527	269,959	-
Retainage payable	-	1,850	1,850	-
Advances and deposits	125,646	-	125,646	628,651
Other liabilities	174,469	-	174,469	405,288
Unearned revenue	132,445	1,351	133,796	-
Compensated absences	733,696	225,274	958,970	408,395
Non-current liabilities:				
Due within one year	1,070,000	2,891,742	3,961,742	-
Due in more than one year	15,505,101	214,081	15,719,182	1,384,174
Total liabilities	<u>18,917,804</u>	<u>3,685,539</u>	<u>22,603,343</u>	<u>6,346,835</u>
<b>Net Position</b>				
Net investment in capital assets	57,563,588	45,568,283	103,131,871	107,627,737
Restricted for:				
Debt service	1,314,231	-	1,314,231	-
System expansion	1,538,111	-	1,538,111	-
Building division	-	178,933	178,933	-
Highways and streets	1,131,795	-	1,131,795	-
Unrestricted	10,491,683	20,057,090	30,548,773	39,459,945
Total net position	<u>\$ 72,039,408</u>	<u>\$ 65,804,306</u>	<u>\$ 137,843,714</u>	<u>\$ 147,087,682</u>

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, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
General government	\$ 1,869,910	\$ 477,936	\$ -	\$ 158,061
Community development	1,283,292	571,421	66,586	-
Public Safety:				
Police	7,092,755	893,005	16,310	32
Fire	2,534,766	340,253	-	-
Emergency Communications	617,610	12,500	78,749	49,580
Highways and streets	3,839,179	190,481	1,766,929	547,266
Culture and recreation:				
Parks and recreation	4,074,988	1,248,255	165,817	6,230
Library	1,416,283	69,482	139,804	-
Airport	553,974	239,436	-	-
Interest on long-term debt	525,129	-	-	-
Total governmental activities	<u>23,807,886</u>	<u>4,042,769</u>	<u>2,234,195</u>	<u>761,169</u>
Business-type activities:				
Wastewater	5,818,847	8,554,156	-	106,632
Ambulance	3,395,105	2,846,540	564	-
Building	277,561	290,537	-	-
Total business-type activities	<u>9,491,513</u>	<u>11,691,233</u>	<u>564</u>	<u>106,632</u>
Total primary government	<u>\$ 33,299,399</u>	<u>\$ 15,734,002</u>	<u>\$ 2,234,759</u>	<u>\$ 867,801</u>
<b>Component Units</b>				
Water and light	<u>\$ 41,583,845</u>	<u>\$ 43,030,261</u>	<u>\$ -</u>	<u>\$ 474,900</u>

General revenues:

Taxes:

    Property taxes

    Franchise 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

Net position - ending

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Water and Light	
\$ (1,233,913)	\$ -	\$ (1,233,913)	\$ -	
(645,285)	-	(645,285)	-	
(6,183,408)	-	(6,183,408)	-	
(2,194,513)	-	(2,194,513)	-	
(476,781)	-	(476,781)	-	
(1,334,503)	-	(1,334,503)	-	
(2,654,686)	-	(2,654,686)	-	
(1,206,997)	-	(1,206,997)	-	
(314,538)	-	(314,538)	-	
(525,129)	-	(525,129)	-	
(16,769,753)	-	(16,769,753)	-	
-	2,841,941	2,841,941	-	
-	(548,001)	(548,001)	-	
-	12,976	12,976	-	
-	2,306,916	2,306,916	-	
(16,769,753)	2,306,916	(14,462,837)	-	
			1,921,316	
12,145,519	-	12,145,519	-	
2,486,923	-	2,486,923	-	
760,551	-	760,551	-	
95,507	101,206	196,713	182,845	
-	-	-	3,962,482	
-	-	-	666,093	
3,300	-	3,300	-	
(239,644)	239,644	-	-	
15,252,156	340,850	15,593,006	4,811,420	
(1,517,597)	2,647,766	1,130,169	6,732,736	
73,557,005	63,156,540	136,713,545	140,354,946	
\$ 72,039,408	\$ 65,804,306	\$ 137,843,714	\$ 147,087,682	



## **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 Fund Net Position
  - Statement of Cash Flows





**City of McMinnville, Oregon**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	<b>General</b>	<b>Airport Maintenance</b>	<b>Debt Service</b>	<b>Total Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and investments	\$ 8,288,606	\$ 775,337	\$ 1,407,002	\$ 3,635,905	\$ 14,106,850
Receivables	1,497,031	13,805	138,661	41,210	1,690,707
Due from component unit	94,048	-	-	-	94,048
Prepays	21,603	-	-	45	21,648
Restricted cash and investments	-	-	-	1,147,119	1,147,119
Total assets	<u>\$ 9,901,288</u>	<u>\$ 789,142</u>	<u>\$ 1,545,663</u>	<u>\$ 4,824,279</u>	<u>\$ 17,060,372</u>
<b>Liabilities</b>					
Accounts payable	201,063	3,944	-	121,365	326,372
Accrued payroll and other payroll liabilities	388,420	-	-	-	388,420
Advances and deposits	125,646	-	-	-	125,646
Advance from other funds	-	70,000	-	-	70,000
Deferred revenue	1,092,532	44,730	103,163	57,676	1,298,101
Total liabilities	<u>1,807,661</u>	<u>118,674</u>	<u>103,163</u>	<u>179,041</u>	<u>2,208,539</u>
<b>Fund Balances</b>					
Nonspendable	21,603	-	-	45	21,648
Restricted	-	-	1,442,500	3,496,200	4,938,700
Committed	-	670,468	-	-	670,468
Assigned	1,162,639	-	-	1,148,993	2,311,632
Unassigned	6,909,385	-	-	-	6,909,385
Total fund balances	<u>8,093,627</u>	<u>670,468</u>	<u>1,442,500</u>	<u>4,645,238</u>	<u>14,851,833</u>
Total liabilities and fund balances	<u>\$ 9,901,288</u>	<u>\$ 789,142</u>	<u>\$ 1,545,663</u>	<u>\$ 4,824,279</u>	<u>\$ 17,060,372</u>

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

**City of McMinnville, Oregon**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2013**

Total fund balances - governmental funds	\$ 14,851,833
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Capital assets	\$ 137,998,033	
Accumulated depreciation	<u>(66,388,360)</u>	71,609,673

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

Property taxes earned but not available	1,122,493	
Other receivables earned but not available	<u>43,163</u>	1,165,656

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

Bonds payable	(15,440,000)	
Bonds premium	(408,203)	
Rebatable arbitrage	(11,476)	
Deferred charges	180,311	
Interest payable	(231,432)	
Other post employment benefits payable	(700,350)	
Compensated absences payable	<u>(722,511)</u>	(17,333,661)

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.

1,745,907

Total net position - governmental activities	<u>\$ 72,039,408</u>
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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, 2013**

	<b>General</b>	<b>Airport Maintenance</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Property taxes	\$ 10,687,582	\$ -	\$ 1,354,012	\$ -	\$ 12,041,594
Special assessments	-	-	-	53,608	53,608
Licenses and permits	2,310,983	-	-	280,225	2,591,208
Intergovernmental	1,397,658	-	-	2,229,279	3,626,937
Charges for services	2,199,807	228,871	-	301,258	2,729,936
Fines and forfeitures	748,677	-	-	-	748,677
Miscellaneous	265,845	15,037	5,827	47,646	334,355
Total revenues	<u>17,610,552</u>	<u>243,908</u>	<u>1,359,839</u>	<u>2,912,016</u>	<u>22,126,315</u>
<b>Expenditures</b>					
Current:					
General government	1,367,006	-	-	297,088	1,664,094
Community development:	1,226,600	-	-	-	1,226,600
Public safety	8,861,770	-	-	808,832	9,670,602
Highways and streets	-	-	-	1,431,792	1,431,792
Culture and recreation	4,367,975	-	-	51,467	4,419,442
Airport	-	242,727	-	-	242,727
Capital outlay:					
Highways and streets	-	-	-	479,459	479,459
Culture and recreation	-	-	-	1,621	1,621
Debt service:					
Principal	-	-	1,075,000	-	1,075,000
Interest	-	-	575,375	-	575,375
Total expenditures	<u>15,823,351</u>	<u>242,727</u>	<u>1,650,375</u>	<u>3,070,259</u>	<u>20,786,712</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,787,201</u>	<u>1,181</u>	<u>(290,536)</u>	<u>(158,243)</u>	<u>1,339,603</u>
<b>Other Financing Sources (Uses)</b>					
Transfers from other funds	-	-	142,337	969,300	1,111,637
Transfers to other funds	(1,171,400)	-	-	(442,337)	(1,613,737)
Total other financing sources (uses)	<u>(1,171,400)</u>	<u>-</u>	<u>142,337</u>	<u>526,963</u>	<u>(502,100)</u>
Net change in fund balances	615,801	1,181	(148,199)	368,720	837,503
Fund balances - beginning	7,477,826	669,287	1,590,699	4,276,518	14,014,330
Fund balances - ending	<u>\$ 8,093,627</u>	<u>\$ 670,468</u>	<u>\$ 1,442,500</u>	<u>\$ 4,645,238</u>	<u>\$ 14,851,833</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, 2013**

Net change in fund balances - governmental funds \$ 837,503

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 those 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	\$ 781,819	
Current year depreciation expense	<u>(4,532,519)</u>	(3,750,700)

Transfers of capital assets are not recorded in the governmental funds as they do not require the use of current financial resources. However, the Statement of Activities reports transfers of capital assets as transfers when made from business type activities.

Capital asset transfers from business type activities	<u>262,456</u>	262,456
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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	293,237	
Change in property taxes earned but not available	103,926	
Change in fire fees earned but not available	1,635	
Change in assessments earned but not available	<u>494</u>	399,292

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	(177,840)	
Accumulated depreciation	<u>143,339</u>	(34,501)

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	1,075,000	
Amortization of premium - general obligation bonds	<u>43,407</u>	1,118,407

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	(15,045)	
Change in other post employment benefits	(136,176)	
Change in accrued interest	16,614	
Amortization of issuance costs	<u>(17,343)</u>	(151,950)

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

Net revenue	(175,327)	
Capital asset transfer	<u>(22,777)</u>	(198,104)

Change in net position - governmental activities \$ (1,517,597)

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 10,236,500	\$ 10,236,500	\$ 10,687,582	\$ 451,082
Licenses and permits	2,244,000	2,244,000	2,310,983	66,983
Intergovernmental	1,319,626	1,319,626	1,397,658	78,032
Charges for services	1,194,598	1,194,598	1,170,184	(24,414)
Fines and forfeitures	752,225	752,225	748,677	(3,548)
Miscellaneous	267,777	267,777	265,845	(1,932)
Total revenues	16,014,726	16,014,726	16,580,929	566,203
<b>Expenditures</b>				
General government:				
Administration	760,690	760,690	715,905	44,785
Finance	643,661	643,661	607,887	35,774
Community development:				
Engineering	671,897	671,897	663,345	8,552
Planning	491,490	556,490	520,043	36,447
Public safety:				
Police	6,273,647	6,273,647	6,101,699	171,948
Municipal court	445,653	445,653	396,461	49,192
Fire	2,375,919	2,377,919	2,298,791	79,128
Culture and recreation:				
Parks and recreation	2,209,122	2,209,122	2,100,006	109,116
Park maintenance	1,030,545	1,030,545	917,480	113,065
Library	1,290,183	1,313,413	1,285,671	27,742
Contingencies	750,000	659,770	-	659,770
Total expenditures	16,942,807	16,942,807	15,607,288	1,335,519
Excess (deficiency) of revenues over (under) expenditures	(928,081)	(928,081)	973,641	1,901,722
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	1,029,623	1,029,623	1,029,623	-
Transfers to other funds	(1,387,463)	(1,387,463)	(1,387,463)	-
Total other financing sources (uses)	(357,840)	(357,840)	(357,840)	-
Net change in fund balances	(1,285,921)	(1,285,921)	615,801	1,901,722
Fund balances - beginning	6,647,830	6,647,830	7,477,826	829,996
Fund balances - ending	\$ 5,361,909	\$ 5,361,909	\$ 8,093,627	\$ 2,731,718
<b>Reconciliation:</b>				
Charges for services, budgetary basis			\$ 1,170,184	
Transfers from other funds - services provided			1,029,623	
Charges for services, modified accrual basis			<u>\$ 2,199,807</u>	
Expenditures, budgetary basis			\$ 15,607,288	
Transfers to other funds - services provided			216,063	
Expenditures, modified accrual basis			<u>\$ 15,823,351</u>	
Other financing sources (uses), budgetary basis			\$ (357,840)	
Transfers from other funds - services provided			(1,029,623)	
Transfers to other funds - services provided			216,063	
Other financing sources (uses), modified accrual basis			<u>\$ (1,171,400)</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, 2013**

	<b>Budgeted Amounts</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Charges for services	\$ 229,664	\$ 229,664	\$ 228,871	\$ (793)
Miscellaneous	14,300	14,300	15,037	737
Total revenues	<u>243,964</u>	<u>243,964</u>	<u>243,908</u>	<u>(56)</u>
<b>Expenditures</b>				
Airport:				
Materials and services	155,900	155,900	85,049	70,851
Capital outlay	210,000	210,000	106,241	103,759
Contingencies	300,000	300,000	-	300,000
Total expenditures	<u>665,900</u>	<u>665,900</u>	<u>191,290</u>	<u>474,610</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(421,936)</u>	<u>(421,936)</u>	<u>52,618</u>	<u>474,554</u>
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	(121,437)	(121,437)	(121,437)	-
Net change in fund balances	<u>(543,373)</u>	<u>(543,373)</u>	<u>(68,819)</u>	<u>474,554</u>
Fund balances, budgetary basis - beginning	802,000	802,000	809,287	7,287
Fund balances, budgetary basis - ending	<u>\$ 258,627</u>	<u>\$ 258,627</u>	<u>740,468</u>	<u>\$ 481,841</u>
Add (deduct):				
Advance from other funds			(70,000)	
Fund balance, modified accrual - ending			<u>\$ 670,468</u>	
<b>Reconciliation:</b>				
Expenditures, budgetary basis			\$ 191,290	
Transfers to other funds - services provided			51,437	
Expenditures, modified accrual basis			<u>\$ 242,727</u>	
Other financing sources (uses), budgetary basis			\$ (121,437)	
Transfers to other funds - advance from other funds			70,000	
Transfers to other funds - services provided			51,437	
Other financing sources (uses), modified accrual basis			<u>\$ -</u>	

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

**City of McMinnville, Oregon**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

	<b>Business-Type Activities</b>				<b>Governmental Activities</b>
	<b>Enterprise Funds</b>				
	<b>Wastewater Services</b>	<b>Ambulance</b>	<b>Non-Major Building</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 18,768,493	\$ 600,832	\$ 209,530	\$ 19,578,855	\$ 1,160,608
Receivables, net of allowance for uncollectibles	551,172	546,448	-	1,097,620	3,214
Due from component unit	617,901	-	-	617,901	2,154
Prepays	2,749	1,436	-	4,185	442
Total current assets	19,940,315	1,148,716	209,530	21,298,561	1,166,418
Non-current assets:					
Advance to other funds	70,000	-	-	70,000	-
Unamortized issuance costs	16,700	-	-	16,700	-
Capital assets:					
Non-depreciable capital assets	1,251,874	708	-	1,252,582	-
Depreciable capital assets	83,735,375	1,094,908	381,887	85,212,170	2,092,043
Accumulated depreciation	(37,470,610)	(445,778)	(88,339)	(38,004,727)	(1,437,045)
Total non-current assets	47,603,339	649,838	293,548	48,546,725	654,998
Total assets	67,543,654	1,798,554	503,078	69,845,286	1,821,416
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	297,942	13,219	1,553	312,714	230,223
Accrued interest payable	38,527	-	-	38,527	-
Retainage payable	1,850	-	-	1,850	-
Other liabilities	-	-	-	-	174,469
Unearned revenue	1,300	51	-	1,351	-
Compensated absences	92,600	121,566	11,108	225,274	11,185
Revenue bonds payable, net of unamortized premium	2,891,742	-	-	2,891,742	-
Total current liabilities	3,323,961	134,836	12,661	3,471,458	415,877
Non-current liabilities:					
Other post employment benefits	82,692	113,453	17,936	214,081	15,073
Total liabilities	3,406,653	248,289	30,597	3,685,539	430,950
<b>Net Position</b>					
Net investment in capital assets	44,624,897	649,838	293,548	45,568,283	654,998
Restricted for:					
Building	-	-	178,933	178,933	-
Unrestricted	19,512,104	900,427	-	20,412,531	735,468
Total net position	\$ 64,137,001	\$ 1,550,265	\$ 472,481	66,159,747	\$ 1,390,466
Deduct:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(355,441)	
Total net position, business-type activities				\$ 65,804,306	

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

**City of McMinnville, Oregon**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**

	<b>Business-Type Activities</b>				<b>Governmental Activities</b>
	<b>Enterprise Funds</b>				
	<b>Wastewater Services</b>	<b>Ambulance</b>	<b>Non-major Building</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Operating Revenues</b>					
Charges for services	\$ 8,233,885	\$ 2,793,934	\$ 289,271	\$ 11,317,090	\$ 1,479,343
Miscellaneous	-	-	-	-	53,240
Total operating revenues	8,233,885	2,793,934	289,271	11,317,090	1,532,583
<b>Operating Expenses</b>					
Personnel services	1,537,980	2,676,450	199,281	4,413,711	294,163
Materials and services	1,695,015	591,678	61,003	2,347,696	1,399,863
Capital outlay	1,917	1,246	316	3,479	-
Depreciation	2,489,357	97,405	14,414	2,601,176	120,202
Total operating expenses	5,724,269	3,366,779	275,014	9,366,062	1,814,228
Operating income (loss)	2,509,616	(572,845)	14,257	1,951,028	(281,645)
<b>Nonoperating Revenues (Expenses)</b>					
Investment earnings	96,797	3,457	952	101,206	5,821
Interest expense, net of capitalized interest	(181,583)	-	-	(181,583)	-
Amortization of debt premiums and issuance costs	134,392	-	-	134,392	-
Development charges and fees	284,090	-	-	284,090	-
Other revenue	36,180	53,169	1,266	90,615	5
Gain/Loss on disposal of assets	(542)	-	-	(542)	-
Total non-operating revenues (expenses)	369,334	56,626	2,218	428,178	5,826
Income (loss) before contributions and transfers	2,878,950	(516,219)	16,475	2,379,206	(275,819)
<b>Capital Contributions and Transfers</b>					
Capital assets transferred to other funds	(262,456)	-	-	(262,456)	-
Capital contributions	106,632	-	-	106,632	22,777
Transfers from other funds	-	575,000	-	575,000	-
Transfers to other funds	-	(72,900)	-	(72,900)	-
Total capital contributions and transfers	(155,824)	502,100	-	346,276	22,777
Change in net position	2,723,126	(14,119)	16,475	2,725,482	(253,042)
Total net position - beginning	61,413,875	1,564,384	456,006		1,643,508
Total net position - ending	\$ 64,137,001	\$ 1,550,265	\$ 472,481		\$ 1,390,466
<b>Deduct</b>					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(77,716)	
Change in net position, business-type activities				\$ 2,647,766	

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, 2013**

	<b>Business-Type Activities</b>				<b>Governmental Activities</b>
	<b>Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Wastewater</b>	<b>Ambulance</b>	<b>Non-Major Building</b>	<b>Total</b>	
<b>Cash Flows From Operating Activities</b>					
Receipts from customers and users	\$ 8,176,632	\$ 2,778,707	\$ 289,271	\$ 11,244,610	\$ -
Receipts from interfund services provided	-	-	-	-	1,479,343
Other operating receipts	36,180	53,105	1,266	90,551	48,790
Payments to suppliers	(1,535,664)	(544,108)	(45,711)	(2,125,483)	(794,770)
Payments to employees	(1,471,887)	(2,552,786)	(189,868)	(4,214,541)	(289,217)
Payments for interfund services used	(186,933)	(108,715)	(17,567)	(313,215)	(499)
Net cash from operating activities	<u>5,018,328</u>	<u>(373,797)</u>	<u>37,391</u>	<u>4,681,922</u>	<u>443,647</u>
<b>Cash Flows From Non-Capital Financing Activities</b>					
Transfers from other funds	70,000	575,000	-	645,000	-
Transfers to other funds	-	(72,900)	-	(72,900)	-
Net cash from non-capital financing activities	<u>70,000</u>	<u>502,100</u>	<u>-</u>	<u>572,100</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Additions to capital assets	(1,668,446)	(19,896)	-	(1,688,342)	(75,361)
Interest paid on capital debt	(175,412)	-	-	(175,412)	-
Principal paid on capital debt	(2,765,000)	-	-	(2,765,000)	-
Development charges and fees	284,090	-	-	284,090	-
Net cash from capital and related financing activities	<u>(4,324,768)</u>	<u>(19,896)</u>	<u>-</u>	<u>(4,344,664)</u>	<u>(75,361)</u>
<b>Cash Flows From Investing Activities</b>					
Interest received	<u>96,797</u>	<u>3,457</u>	<u>952</u>	<u>101,206</u>	<u>5,821</u>
Increase (decrease) in cash and investments	860,357	111,864	38,343	1,010,564	374,107
Cash and investments - beginning	<u>17,908,136</u>	<u>488,968</u>	<u>171,187</u>	<u>18,568,291</u>	<u>786,501</u>
Cash and investments - ending	<u>\$ 18,768,493</u>	<u>\$ 600,832</u>	<u>\$ 209,530</u>	<u>\$ 19,578,855</u>	<u>\$ 1,160,608</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities</b>					
Operating income (loss)	\$ 2,509,616	\$ (572,845)	\$ 14,257	\$ 1,951,028	\$ (281,645)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	2,489,357	97,405	14,414	2,601,176	120,202
Other revenues	36,180	53,169	1,266	90,615	5
Change in current assets and liabilities:					
Receivables	(41,791)	(15,227)	-	(57,018)	(3,214)
Due from component unit	(15,462)	-	-	(15,462)	(1,241)
Prepays	(250)	1,507	1	1,258	357,695
Accounts payable	16,210	(1,536)	56	14,730	158,731
Due to component unit	(600)	-	-	(600)	-
Compensated absences	9,199	36,389	5,384	50,972	1,408
Other post employment benefits	15,869	27,405	2,013	45,287	3,039
Other liabilities	-	-	-	-	88,667
Unearned revenue	-	(64)	-	(64)	-
Net cash from operating activities	<u>\$ 5,018,328</u>	<u>\$ (373,797)</u>	<u>\$ 37,391</u>	<u>\$ 4,681,922</u>	<u>\$ 443,647</u>
<b>Non-Cash Investing, Capital, and Financing Activities</b>					
Capital assets transferred from other funds	\$ -	\$ -	\$ -	\$ -	\$ 22,777
Capital assets transferred to other funds	(262,456)	-	-	(262,456)	-
Capital asset contributions from developers	106,632	-	-	106,632	-
Capital asset disposals	(542)	-	-	(542)	-
Capital assets accrued in accounts payable	221,405	-	-	221,405	21,755

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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**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2013**

**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, 2013**

**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, 2013**

**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, equity, 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, 2013**

**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 levies 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, 2013**

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

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

The City's general policy for use of restricted or unrestricted resources is that, when both are available for use, restricted resources are used first, then unrestricted resources are used as they are needed.

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, and Equity**

**1. Cash and Investments**

The City's cash and cash equivalents, including restricted cash and investments, are considered to be 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 revenue as they are deemed unavailable to finance operations of the current period.

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

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

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

**E. Assets, Liabilities, and Equity (Continued)**

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

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.

**4. Restricted Assets**

Certain cash and investments are restricted, including unspent Public Safety and Civic Buildings Bond proceeds and unspent Park System Improvement Bond proceeds.

**5. Capital Assets**

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

Capital assets are defined by the City as assets with an initial cost of \$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 \$45,593.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

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

**E. Assets, Liabilities, and Equity (Continued)**

**5. Capital Assets (Continued)**

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, except for certain street and sewer infrastructure which are depreciated using the composite method, over the following estimated useful lives:

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

**6. Renewable Energy Certificates**

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

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

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

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

**E. Assets, Liabilities, and Equity (Continued)**

**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, as well as issuance costs, are deferred and amortized over the life of the related debt issue. Long-term debt payable is reported net of the related unamortized premium or discount and deferred amounts.

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.

**9. 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.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

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

**E. Assets, Liabilities, and Equity (Continued)**

**9. Fund Balance (Continued)**

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.

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 unrestricted 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, 2013**

**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 personnel 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. No supplemental budgets were approved by the City Council during fiscal year 2012-13. 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 2012-13. 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, 2013**

**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, 2013 was unmodified. The fair value of the City's position in the Pool at June 30, 2013 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 \$445,705 and the bank balance was \$891,861. 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 \$985,213 and the bank balance was \$1,134,844. 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, 2013, the City's cash and investment balances were as follows:

	<u>Fair Value</u>
Cash held in city offices	\$ 3,185
Deposits with financial institutions	430,811
Deposits with financial institutions, money market account	14,894
Fixed group annuity contract	562,639
Oregon State Local Government Investment Pool – City's general account	33,903,060
Oregon State Local Government Investment Pool – Park System Improvement Bond proceeds	1,078,843
Total City cash and investments	<u>\$ 35,993,432</u>

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

Cash and investments:		
Unrestricted		\$ 34,846,313
Park System Improvement Bond unspent proceeds	\$ 1,135,584	
Public Safety and Civic Buildings Bond unspent proceeds	<u>11,535</u>	
Restricted		<u>1,147,119</u>
Total cash and investments		<u>\$ 35,993,432</u>

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

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

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

At June 30, 2013, the Department's cash and investment balances were as follows:

	Fair Value
Cash on hand	\$ 1,400
Deposits with financial institutions	985,213
Oregon State Local Government Investment Pool	28,281,939
Total Department cash and investments	<u>\$ 29,268,552</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, 2013, 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. The weighted average maturities of the Pool at June 30, 2013, were 106 days.

**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	\$ 204,509	\$ 13,805	\$ -	\$ 3,053	\$ 221,367	\$ 3,213	\$ 224,580
Property Taxes	1,070,690	-	110,152	-	1,180,842	-	1,180,842
Cash with county treasurer	214,674	-	28,509	-	243,183	-	243,183
Assessments	7,158	-	-	38,157	45,315	-	45,315
Total	<u>\$ 1,497,031</u>	<u>\$ 13,805</u>	<u>\$ 138,661</u>	<u>\$ 41,210</u>	<u>\$ 1,690,707</u>	<u>\$ 3,213</u>	<u>\$ 1,693,920</u>

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	\$ 12,457,781
Less: discounts, etc.	(312,262)
Net revenue	<u>\$ 12,145,519</u>



**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

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

**B. Receivables (Continued)**

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

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

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, fees for summer recreation programs, unspent donations, and rental receipts.

**2. Business-Type Activities**

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

	Wastewater	Ambulance	Total Major Enterprise
Receivables:			
Accounts	\$ 551,172	\$ 698,649	\$ 1,249,821
Less: allowance for uncollectibles	-	(152,201)	(152,201)
Net receivables	<u>\$ 551,172</u>	<u>\$ 546,448</u>	<u>\$ 1,097,620</u>

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

Gross revenue	\$ 3,615,308
Less: change in allowance for uncollectibles	11,526
Less: medical write-off's	(832,900)
Net revenue	<u>\$ 2,793,934</u>

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

**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 \$1,761,188 under long-term operating leases. For fiscal year 2012-13, total depreciation expense was \$49,445. As of June 30, 2013, accumulated depreciation was \$1,120,109. The minimum future payments to be received under these non-cancellable leases are as follows:

Year Ending June 30	
2014	\$ 216,688
2015	193,792
2016	192,664
2017	169,052
2018	172,290
Thereafter	<u>879,243</u>
Total	<u>\$ 1,823,729</u>

**4. Department**

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

Accounts receivable	\$ 4,079,923
Less: allowance for uncollectibles	<u>(36,988)</u>
Net receivables	<u>\$ 4,042,935</u>

**C. Capital Assets**

In the government-wide financial statements, the City's governmental activities' capital asset activity for the year ended June 30, 2013 is illustrated in the following table. Activity includes additions, dispositions, annual depreciation expense, transfers between governmental and business-type activities, and adjustments.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

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

**C. Capital Assets (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable:				
Land	\$ 27,600,641	\$ 65,079	\$ -	\$ 27,665,720
Easements	1,444,869	34,883	(7,691)	1,472,061
Public art	138,735	47,000	-	185,735
Construction in progress	215,475	3,045	(213,591)	4,929
Total non-depreciable	29,399,720	150,007	(221,282)	29,328,445
Depreciable:				
Land improvements	18,452,069	-	-	18,452,069
Buildings	32,596,656	120,247	-	32,716,903
Machinery and equipment	5,752,503	444,860	(127,097)	6,070,266
Vehicles	3,507,025	170,962	(241,700)	3,436,287
Infrastructure	49,221,536	886,765	(22,194)	50,086,107
Total depreciable	109,529,789	1,622,834	(390,991)	110,761,632
Accumulated depreciation:				
Land improvements	(7,018,670)	(845,882)	-	(7,864,552)
Buildings	(14,672,091)	(987,434)	-	(15,659,525)
Machinery and equipment	(3,670,243)	(501,344)	121,746	(4,049,841)
Vehicles	(2,753,743)	(158,959)	95,619	(2,817,083)
Infrastructure	(35,297,496)	(2,159,102)	22,194	(37,434,404)
Total accumulated depreciation	(63,412,243)	(4,652,721)	239,559	(67,825,405)
Governmental activities capital assets, net	\$ 75,517,266	\$ (2,879,880)	\$ (372,714)	\$ 72,264,672

At June 30, 2013, the City's government-wide governmental activities construction in progress consisted of costs related to the park system improvement bond project and pavement maintenance.

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 161,910
Community development	38,802
Public safety:	
Police	488,166
Fire	164,790
Emergency communications	72,221
Highways and streets	2,166,740
Culture and recreation:	
Parks and recreation	924,693
Library	93,649
Airport	421,548
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.	120,202
Total governmental activities depreciation expense	\$ 4,652,721

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

**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, 2013 is illustrated in the following table. Activity includes additions, dispositions, annual depreciation expense, transfers between governmental and business-type activities, and adjustments.

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable:				
Land	\$ 785,223	\$ -	\$ -	\$ 785,223
Easements	237,096	2,651	(542)	239,205
Construction in progress	1,503,181	228,154	(1,503,181)	228,154
Total non-depreciable	2,525,500	230,805	(1,503,723)	1,252,582
Depreciable:				
Land improvements	93,808	-	-	93,808
Buildings	41,862,272	-	-	41,862,272
Machinery and equipment	1,751,303	77,334	(21,823)	1,806,814
Vehicles	1,740,418	19,896	-	1,760,314
Infrastructure	37,672,068	2,735,646	(718,752)	39,688,962
Total depreciable	83,119,869	2,832,876	(740,574)	85,212,170
Accumulated depreciation:				
Land improvements	(59,634)	(4,665)	-	(64,299)
Buildings	(25,219,897)	(1,595,197)	-	(26,815,094)
Machinery and equipment	(953,251)	(106,752)	21,823	(1,038,180)
Vehicles	(733,920)	(141,123)	-	(875,043)
Infrastructure	(8,914,966)	(753,441)	456,295	(9,212,111)
Total accumulated depreciation	(35,881,668)	(2,601,178)	478,118	(38,004,727)
Business-type activities capital assets, net	\$ 49,763,701	\$ 462,503	\$ (1,766,179)	\$ 48,460,025

At June 30, 2013, the City's business-type activities construction in progress consisted of costs related to the Wastewater Reclamation Facilities secondary treatment expansion.

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

Building	\$ 14,415
Wastewater	2,489,357
Ambulance	97,406
Total business-type activities depreciation expense	<u>\$ 2,601,178</u>

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

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

**C. Capital Assets (Continued)**

The Department's capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable:				
Land and land rights	\$ 2,805,911	\$ 1,619,080	\$ -	\$ 4,424,991
Construction in progress	2,760,068	2,615,458	(4,317,942)	1,057,584
Total non-depreciable	5,565,979	4,234,538	(4,317,942)	5,482,575
Depreciable:				
Structures and improvements	8,636,487	34,315	-	8,670,802
Water treatment plant	34,700,586	11,737	-	34,712,323
Supply and distribution systems	101,981,591	1,761,498	(797,044)	102,946,045
Furniture and equipment	2,097,556	323,347	-	2,420,903
Transportation equipment	2,152,225	276,827	-	2,429,052
Total depreciable	149,568,445	2,407,724	(797,044)	151,179,125
Accumulated depreciation:				
Electric plant	(18,852,481)	(1,685,820)	857,231	(19,681,070)
Water plant	(18,823,399)	(1,422,462)	36,897	(20,208,964)
Vehicles	(1,443,984)	(193,088)	619	(1,636,453)
Total accumulated depreciation	(39,119,864)	(3,301,370)	894,747	(41,526,487)
Department capital assets, net	\$ 116,014,560	\$ 3,340,892	\$ (4,220,239)	\$ 115,135,213

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 2008-09 the Wastewater Fund advanced \$350,000 to the Airport Fund in connection with the remodel of the automated flight service station. The advance is intended to be repaid over five years in equal installments; \$70,000 was repaid during fiscal year 2012-13. The balance at June 30, 2013, is as follows:

Receivable Fund	Payable Fund	Balance
Major enterprise fund – Wastewater Fund	Major governmental fund – Airport Maintenance Fund	\$ 70,000

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 \$355,441. When netted with the interfund advance of \$70,000, the internal balance included in the government-wide Statement of Net Position is \$285,441.

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, 2013**

**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	\$ 94,048
Major enterprise fund – Wastewater Fund	Department	617,901
Internal Service Funds	Department	2,154
		<u>\$ 714,103</u>

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Transfers to Debt Service Fund from:

Non-major governmental funds	\$ 142,337
Total transfers to Debt Service Fund	<u>\$ 142,337</u>

Transfers to non-major governmental funds from:

General Fund	\$ 596,400
Ambulance Fund	72,900
Other non-major governmental funds	300,000
Total transfers to non-major governmental funds	<u>\$ 969,300</u>

Transfer to Ambulance Fund from:

General Fund	\$ 575,000
Total transfers to Ambulance Fund	<u>\$ 575,000</u>

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

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

As of June 30, 2013, the Department has 131,472 RECs banked in its Western Renewable Energy Generation Information System (WREGIS) account, valued at \$6.75 per REC, for a total value of \$887,436. The Department also holds 91,121 in its WREGIS account for RECs received from Waste Management Renewable Energy.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

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

**F. Deferred Conservation Charges - Department**

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

**G. Long-Term Liabilities**

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

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

In October 2011, the City issued \$5,590,000 in general obligation bonds for a current refunding of the 2001 Park System Improvements general obligation bonds. Principal outstanding on the 2001 bonds was \$5,835,000. The 2011 refunding bonds carry interest rates of 2.00-4.00%.

The Park System Improvement Bonds are subject to federal arbitrage rebate calculations, although there is no contingent rebatable arbitrage liability as of June 30, 2013 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, 2013 is \$11,476.

General obligation bonds payable as of June 30, 2013, 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	
	\$ 5,040,000
Add: unamortized premium	277,461
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	
	10,400,000
Add: unamortized premium	130,742
Total general obligation bonds outstanding at June 30, 2013	
	<u>\$ 15,848,203</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, 2013**

**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
2014	\$ 1,070,000	\$ 535,025
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– 2023	6,115,000	1,266,550
2024– 2027	3,590,000	294,200
Total	\$ 15,440,000	\$ 3,844,045

**2. 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 (OECDD) Special Public Works Fund note. The amount payable for the refunding bonds is presented net of the related unamortized premium. The related deferred charge on refunding is presented as a deferred outflow of resources. The 2004 sewer system refunding bonds are payable from revenues in the Wastewater Fund, a business-type activity.

The 2004 Master Sewer Revenue 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 percent of the fiscal year's annual debt service on the 2004 sewer system revenue refunding bonds plus 100 percent of the fiscal year's annual debt service on all outstanding subordinated debt. The second bond covenant test provides that the City's net sewer revenue must be at least equal to 120 percent 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 covenants for the year ended June 30, 2013.

The principal and interest on the 2004 sewer system revenue refunding bonds are insured by a policy of financial guaranty insurance issued by AMBAC Assurance Corporation.

The 2004 Master Sewer Revenue Bond Declaration establishes a rate stabilization account, although the City has not yet chosen to deposit excess net revenues to this account.



**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

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

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

**2. Revenue Bonds – Business-Type Activities (Continued)**

Revenue bonds payable as of June 30, 2013, consist of the following:

Sewer system revenue refunding:	
Issued February 13, 2004	
Original issue \$23,690,000	
Interest rates 3.00 – 5.00%	
Final maturity February 1, 2014	\$ 2,845,000
Add: unamortized premium	100,695
Less: unamortized deferred amount on refunding	<u>(53,953)</u>
Total revenue bonds outstanding at June 30, 2013	<u>\$ 2,891,742</u>

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

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

Year Ending June 30,	Principal	Interest
<u>2014</u>	<u>\$2,845,000</u>	<u>\$92,462</u>

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

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

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

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

Long-term liability activity for the year ended June 30, 2013 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b><u>Governmental Activities</u></b>					
General obligation bonds:					
Park system improvements	\$ 5,590,000	\$ -	\$ (550,000)	\$ 5,040,000	\$ 515,000
Add: premium	311,092	-	(33,632)	277,460	-
Public safety civic buildings const	10,925,000	-	(525,000)	10,400,000	555,000
Add: premium	140,517	-	(9,775)	130,742	-
Rebatable arbitrage	11,476	-	-	11,476	-
Other post employment benefits	576,208	139,215	-	715,423	-
Total governmental activities	<u>\$ 17,554,293</u>	<u>\$ 139,215</u>	<u>\$ (1,118,407)</u>	<u>\$16,575,101</u>	<u>\$ 1,070,000</u>
<b><u>Business-Type Activities</u></b>					
Revenue bonds:					
Sewer refunding	\$ 5,610,000	\$ -	\$ (2,765,000)	\$ 2,845,000	\$ 2,845,000
Add: premium	261,807	-	(161,112)	100,695	100,695
Less: deferred amount	(140,278)	-	86,325	(53,953)	(53,953)
Other post employment benefits	168,794	45,287	-	214,081	-
Total business-type activities	<u>\$ 5,900,323</u>	<u>\$ 45,287</u>	<u>\$ (2,839,787)</u>	<u>\$ 3,105,823</u>	<u>\$ 2,891,742</u>
<b><u>Component Unit</u></b>					
Other post employment benefits	\$ 1,372,388	\$ 97,630	\$ (85,844)	\$ 1,384,174	\$ -

Internal service funds predominantly serve the governmental funds. Accordingly, internal service funds' long-term liabilities of \$15,073 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.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

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

**H. Equity**

Fund balances by classification for the year ended June 30, 2013 were as follows:

Fund Balances	General Fund	Airport Maintenance	Debt Service	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
In Form	\$ 21,603	\$ -	\$ -	\$ 45	\$ 21,648
Restricted for:					
Street Maintenance	-	-	-	569,961	569,961
Capital Projects	-	-	-	2,926,239	2,926,239
Debt Service	-	-	1,442,500	-	1,442,500
Committed to:					
Airport Maintenance	-	670,468	-	-	670,468
Assigned to:					
Capital Acquisitions	600,000	-	-	-	600,000
LOSAP Volunteer Benefit Plan	562,639	-	-	-	562,639
Special Assessments	-	-	-	167,287	167,287
Telecommunications	-	-	-	1,597	1,597
Emergency Communications	-	-	-	345,260	345,260
Street Maintenance	-	-	-	631,409	631,409
Capital Projects	-	-	-	3,440	3,440
Unassigned:	6,909,385	-	-	-	6,909,385
Total fund balances	<u>\$ 8,093,627</u>	<u>\$ 670,468</u>	<u>\$1,442,500</u>	<u>\$ 4,645,238</u>	<u>\$ 14,851,833</u>

**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.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

**IV. Other Information (Continued)**

**A. Risk Management (Continued)**

**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.

**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 2012-13, the City contributed \$123,014 consisting of retiree payments. The City has elected to not prefund the actuarially determined future cost amount \$929,504.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

**IV. Other Information (Continued)**

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

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

The required monthly contributions of the plan members for medical, vision and dental coverage were as follows for the year ended June 30, 2013:

	General Service <u>Retirees</u>	Police Union <u>Retirees</u>	Fire Union <u>Retirees</u>
Single	\$ 535	\$ 618	\$ 458
Two-party	1,113	1,290	950
Family	1,539	1,775	1,320

**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	\$ 169,238
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	159,108
Annual Required Contribution (ARC)	328,346
Interest on net OPEB obligation	29,800
Adjustment to ARC	(50,630)
Annual OPEB cost	307,516
Contribution	(123,014)
Increase in net OPEB obligation	184,502
Net OPEB obligation, beginning of year	745,002
Net OPEB obligation, end of year	\$ 929,504

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 <u>OPEB Cost</u>	<u>Contribution</u>	Percent of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
2011	\$ 357,764	\$ 172,102	48%	\$ 595,915
2012	295,483	146,396	50	745,002
2013	307,516	123,014	40	929,504

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

**IV. Other Information (Continued)**

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

**1. Post-Employment Healthcare Plan – City (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 ValuationDate <u>August 1,</u>	Actuarial Value of Assets(a)	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL)(b - a)	Funded Ratio(a / b)	Covered Payroll(c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
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, 2013. 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, 2013**

**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.

**Funding Policy**

At June 30, 2013, there were 16 retired employees and spouses receiving health insurance coverage provided by the Department. For 2012-13, the Department incurred \$85,844 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)	\$ 42,734
Interest on net OPEB obligation	54,896
Annual OPEB cost	<u>97,630</u>
Contribution	<u>(85,844)</u>
Increase in net OPEB obligation	11,786
Net OPEB obligation, beginning of year	<u>1,372,388</u>
Net OPEB obligation, end of year	<u><u>\$ 1,384,174</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
2011	\$ 106,487	\$ 105,352	99%	\$ 1,215,760
2012	269,912	113,284	42%	1,372,388
2013	97,630	85,844	88%	1,384,174

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

**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
<u>August 1,</u>	<u>(a)</u>	<u>(b)</u>	<u>(b - a)</u>	<u>(a / b)</u>	<u>(c)</u>	<u>((b - a) / c)</u>
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 8.5 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, 2013**

**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 2012-13 were 0.59 percent for Tier 1 and 2 members and 0.50 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, 2011, 2012, and 2013 were \$31,000, \$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, 2011, 2012, and 2013 were \$11,000, \$25,000, and \$25,500 which equaled the required contributions each year.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

**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, 2013**

**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>2013</u>	<u>2012</u>	<u>2011</u>
City				
	OPERF Tier one and two	17.53%	17.53%	13.64%
	OPSRP general service	13.56	13.56	12.06
	OPSRP police and fire	16.27	16.27	14.77
Department				
	OPERF Tier one and two	18.12	18.12	13.93
	OPSRP general service	14.06	14.06	12.25

The employee contribution of six percent of covered compensation, referred to as the employee pickup, is paid by the City and the Department. As of January 1, 2004, Tier One and Two employee contributions are also deposited into the IAP. 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, 2011, 2012, and 2013 were \$2,145,000, \$2,550,000, and \$2,544,000 respectively. The Department's contributions to OPERS for the fiscal years ended June 30, 2011, 2012, and 2013 were \$845,000, \$1,005,000, and \$1,054,000 respectively. The annual pension costs were equal to the required contributions for fiscal years ended June 30, 2011, 2012, and 2013.

**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.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

**IV. Other Information (Continued)**

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

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

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	\$ 34,424
Amortization of Unfunded Actuarial Accrual Liability	76,043
Annual Required Contribution	110,467
Interest on Net Pension Obligation	7,863
Adjustment to Annual Required Contribution	(21,315)
Annual Pension Cost	97,015
Contribution	(25,884)
Increase (decrease) in Net Pension Obligation	71,131
Net Pension Obligation, beginning of year	262,094
Net Pension Obligation, end of year	\$ 333,225

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:

<u>Fiscal Year End</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost</u>	<u>Contribution</u>	<u>% of Annual Pension</u> <u>Cost Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2011	\$ 101,275	\$ 14,958	15%	\$ 187,887
2012	100,823	26,616	26%	262,094
2013	97,015	25,884	27%	333,225

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

**IV. Other Information (Continued)**

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

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

**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 June 30</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>
2009	\$ -	\$ 658,279	\$ 658,279	\$ -
2011	-	870,353	870,353	-
2012	-	935,026	935,026	-

**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.

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

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

**IV. Other Information (Continued)**

**E. Commitments and Contingencies**

**1. City**

At June 30, 2013, the City was committed to four contracts. In the non-major governmental funds, approximately \$67,000 remained on the 2013 slurry seal project; and \$484,000 remained on the 2013 street overlay project. In the Wastewater Fund, a business-type activity, approximately \$552,000 remained on the Millers Addition inflow and infiltration project and \$64,000 on phase I of 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, 2013, the City had four open plan years with a total potential remaining liability of \$946,000. 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, 2011, 2012, and 2013 were \$113,000, \$184,000, and \$337,000, respectively.

**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, 2013 were approximately \$554,000.

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

Department sales of electricity were made to one major commercial customer during the year ended June 30, 2013 in an amount exceeding ten percent of total sales. This customer accounted for approximately \$12,661,000 of revenues during the year ended June 30, 2013. At June 30, 2013, accounts receivable from this same customer amounted to approximately \$971,000.

Department purchases were made from one major supplier of power, including supply, transmission and distribution during the year ended June 30, 2013 in amounts exceeding ten percent of the total of such purchases. The supplier accounted for \$24,795,000 of purchases during the year ended June 30, 2013. At June 30, 2012, amounts due to this same supplier, and included in accounts payable, amounted to \$1,649,500.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

**IV. Other Information (Continued)**

**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 \$667,000 in member contributions to YCOM in fiscal year 2013. YCOM also receives 911 Excise Taxes that are charged on telephone exchange access services and are collected by the State of Oregon. Prior to January 1, 2013, the State of Oregon distributed the 911 Excise Tax to cities and counties, which were required to pass on the Tax to the local 911 jurisdiction. As of January 1, 2013, the State of Oregon distributes the 911 Excise Tax directly to the local 911 jurisdiction; i.e., the 911 Excise Tax no longer passes through the City to YCOM. The City passed through \$79,000 in 911 Excise Tax to YCOM prior to the change in statute. The City received \$26,000 from YCOM for providing operational space within the Police Department. Also, YCOM distributed \$50,000 to the City from an equipment reserve for emergency radio equipment.

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.

**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.

**City of McMinnville, Oregon**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2013**

**IV. Other Information (Continued)**

**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 2012-13 credits for 2002-2006 look back adjustments were \$1,079,000. For fiscal year 2013-14 the lookback credit will be \$1,058,000. 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 2012-13, the City received \$309,000 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.

**J. Implementation of GASB Statements 62 and 63**

The City implemented Governmental Accounting Standards Board *Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements* (GASB Statement 62). There were no changes to the financial statements as a result of this statement.

The City implemented Governmental Accounting Standards Board *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB Statement 63). As a result, net assets have been renamed net position.

*Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions* does not apply to the City of McMinnville's financial statements.

**K. Subsequent Event**

In July 2013, the City accepted a loan from the Oregon Department of Transportation in the amount of \$3,209,600. The loan is to cover the City's portion of costs for Phase 1 of the Newberg-Dundee Bypass to be constructed by the Oregon Department of Transportation. The loan will be repaid with Federal and State transportation funds.



## **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
  - 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, 2013**

**Special Revenue Funds**

	<b>Special Assessment</b>	<b>Telecommu- nications</b>	<b>Emergency Communica- tions</b>	<b>Street</b>	<b>Total</b>
<b>Assets</b>					
Cash and investments	\$ 168,239	\$ 1,597	\$ 400,804	\$ 1,254,000	\$ 1,824,640
Receivables	38,157	-	-	2,435	40,592
Prepays	-	-	-	45	45
Restricted cash and investments	-	-	-	-	-
Total assets	<u>\$ 206,396</u>	<u>\$ 1,597</u>	<u>\$ 400,804</u>	<u>\$ 1,256,480</u>	<u>\$ 1,865,277</u>
<b>Liabilities</b>					
Accounts payable	51	-	55,544	55,065	110,660
Deferred revenue	39,058	-	-	-	39,058
Total liabilities	<u>39,109</u>	<u>-</u>	<u>55,544</u>	<u>55,065</u>	<u>149,718</u>
<b>Fund Balances</b>					
Nonspendable in form	-	-	-	45	45
Restricted	-	-	-	569,961	569,961
Assigned	167,287	1,597	345,260	631,409	1,145,553
Total fund balances	<u>167,287</u>	<u>1,597</u>	<u>345,260</u>	<u>1,201,415</u>	<u>1,715,559</u>
Total liabilities and fund balances	<u>\$ 206,396</u>	<u>\$ 1,597</u>	<u>\$ 400,804</u>	<u>\$ 1,256,480</u>	<u>\$ 1,865,277</u>



Capital Projects Funds				
Public Safety Facilities Construction	Transportation	Park Development	Total	Total Non-Major Governmental Funds
\$ -	\$ 1,760,338	\$ 50,927	\$ 1,811,265	\$ 3,635,905
-	618	-	618	41,210
-	-	-	-	45
11,535	-	1,135,584	1,147,119	1,147,119
<u>\$ 11,535</u>	<u>\$ 1,760,956</u>	<u>\$ 1,186,511</u>	<u>\$ 2,959,002</u>	<u>\$ 4,824,279</u>
-	9,718	987	10,705	121,365
-	618	18,000	18,618	57,676
-	10,336	18,987	29,323	179,041
-	-	-	-	45
11,535	1,750,620	1,164,084	2,926,239	3,496,200
-	-	3,440	3,440	1,148,993
11,535	1,750,620	1,167,524	2,929,679	4,645,238
<u>\$ 11,535</u>	<u>\$ 1,760,956</u>	<u>\$ 1,186,511</u>	<u>\$ 2,959,002</u>	<u>\$ 4,824,279</u>

**City of McMinnville, Oregon**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2013**

**Special Revenue Funds**

	<b>Special Assessment</b>	<b>Telecommu- nications</b>	<b>Emergency Communica- tions</b>	<b>Street</b>	<b>Total</b>
<b>Revenues</b>					
Special assessments	\$ 53,608	\$ -	\$ -	\$ -	\$ 53,608
Licenses and permits	-	238,035	42,066	124	280,225
Intergovernmental	-	-	128,329	1,766,929	1,895,258
Charges for services	-	-	12,500	-	12,500
Miscellaneous	1,437	16	1,971	17,527	20,951
Total revenues	<u>55,045</u>	<u>238,051</u>	<u>184,866</u>	<u>1,784,580</u>	<u>2,262,542</u>
<b>Expenditures</b>					
Current:					
General government	59,053	238,035	-	-	297,088
Public safety	-	-	808,832	-	808,832
Highways and streets	-	-	-	1,365,432	1,365,432
Culture and recreation	-	-	-	-	-
Capital outlay:					
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Total expenditures	<u>59,053</u>	<u>238,035</u>	<u>808,832</u>	<u>1,365,432</u>	<u>2,471,352</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,008)</u>	<u>16</u>	<u>(623,966)</u>	<u>419,148</u>	<u>(208,810)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers from other funds	-	-	669,300	-	669,300
Transfers to other funds	-	-	-	(300,000)	(300,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>669,300</u>	<u>(300,000)</u>	<u>369,300</u>
Net change in fund balances	<u>(4,008)</u>	<u>16</u>	<u>45,334</u>	<u>119,148</u>	<u>160,490</u>
Fund balances - beginning	171,295	1,581	299,926	1,082,267	1,555,069
Fund balances - ending	<u>\$ 167,287</u>	<u>\$ 1,597</u>	<u>\$ 345,260</u>	<u>\$ 1,201,415</u>	<u>\$ 1,715,559</u>

Capital Projects Funds				Total Non-Major Governmental Funds
Public Safety Facilities Construction	Transportation	Park Development	Total	
\$ -	\$ -	\$ -	\$ -	\$ 53,608
-	-	-	-	280,225
-	334,021	-	334,021	2,229,279
-	179,045	109,713	288,758	301,258
38	7,552	19,105	26,695	47,646
38	520,618	128,818	649,474	2,912,016
-	-	-	-	297,088
-	-	-	-	808,832
-	66,360	-	66,360	1,431,792
-	-	51,467	51,467	51,467
-	479,459	-	479,459	479,459
-	-	1,621	1,621	1,621
-	545,819	53,088	598,907	3,070,259
38	(25,201)	75,730	50,567	(158,243)
-	300,000	-	300,000	969,300
(42,337)	-	(100,000)	(142,337)	(442,337)
(42,337)	300,000	(100,000)	157,663	526,963
(42,299)	274,799	(24,270)	208,230	368,720
53,834	1,475,821	1,191,794	2,721,449	4,276,518
\$ 11,535	\$ 1,750,620	\$ 1,167,524	\$ 2,929,679	\$ 4,645,238

**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, 2013**

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Special assessments	\$ 60,000	\$ 60,000	\$ 53,608	\$ (6,392)
Miscellaneous	1,100	1,100	1,437	337
Total revenues	<u>61,100</u>	<u>61,100</u>	<u>55,045</u>	<u>(6,055)</u>
<b>Expenditures</b>				
General government:				
Materials and services	60,140	60,140	53,744	6,396
Contingencies	<u>80,000</u>	<u>80,000</u>	-	80,000
Total expenditures	<u>140,140</u>	<u>140,140</u>	<u>53,744</u>	<u>86,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(79,040)</u>	<u>(79,040)</u>	<u>1,301</u>	<u>80,341</u>
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	<u>(5,309)</u>	<u>(5,309)</u>	<u>(5,309)</u>	-
Net change in fund balances	<u>(84,349)</u>	<u>(84,349)</u>	<u>(4,008)</u>	80,341
Fund balances, budgetary basis - beginning	171,000	171,000	171,295	295
Fund balances, budgetary basis - ending	<u>\$ 86,651</u>	<u>\$ 86,651</u>	<u>\$ 167,287</u>	<u>\$ 80,636</u>
Reconciliation:				
Expenditures, budgetary basis			\$ 53,744	
Transfers to other funds - services provided			<u>5,309</u>	
Expenditures, modified accrual basis			<u>\$ 59,053</u>	
Other financing sources (uses), budgetary basis			\$ (5,309)	
Transfers to other funds - services provided			<u>5,309</u>	
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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Licenses and permits	\$ 242,900	\$ 242,900	\$ 238,035	\$ (4,865)
Miscellaneous	100	100	16	(84)
Total revenues	243,000	243,000	238,051	(4,949)
<b>Expenditures</b>				
General government:				
Materials and services	242,900	242,900	238,035	4,865
Contingencies	1,450	1,450	-	1,450
Total expenditures	244,350	244,350	238,035	6,315
Net change in fund balances	(1,350)	(1,350)	16	1,366
Fund balances - beginning	1,550	1,550	1,581	31
Fund balances - ending	\$ 200	\$ 200	\$ 1,597	\$ 1,397

**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, 2013**

	<b>Budgeted Amounts</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Licenses and permits	\$ 19,600	\$ 19,600	\$ 42,066	\$ 22,466
Intergovernmental	156,000	156,000	128,329	(27,671)
Charges for services	11,000	11,000	12,500	1,500
Miscellaneous	1,800	1,800	1,971	171
Total revenues	<u>188,400</u>	<u>188,400</u>	<u>184,866</u>	<u>(3,534)</u>
<b>Expenditures</b>				
Public safety:				
Materials and services	856,383	856,383	771,088	85,295
Capital outlay	37,744	37,744	37,744	-
Contingencies	200,000	200,000	-	200,000
Total expenditures	<u>1,094,127</u>	<u>1,094,127</u>	<u>808,832</u>	<u>285,295</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(905,727)</u>	<u>(905,727)</u>	<u>(623,966)</u>	<u>281,761</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	669,300	669,300	669,300	-
Net change in fund balances	<u>(236,427)</u>	<u>(236,427)</u>	<u>45,334</u>	<u>281,761</u>
Fund balances - beginning	315,325	315,325	299,926	(15,399)
Fund balances - ending	<u>\$ 78,898</u>	<u>\$ 78,898</u>	<u>\$ 345,260</u>	<u>\$ 266,362</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Licenses and permits	\$ 50	\$ 50	\$ 124	\$ 74
Intergovernmental	1,775,000	1,775,000	1,766,929	(8,071)
Miscellaneous	10,400	10,400	11,377	977
Total revenues	<u>1,785,450</u>	<u>1,785,450</u>	<u>1,778,430</u>	<u>(7,020)</u>
<b>Expenditures</b>				
Highways and streets:				
Personal services	616,719	616,719	595,528	21,191
Materials and services	785,798	785,798	604,598	181,200
Capital outlay	537	537	431	106
Contingencies	250,000	250,000	-	250,000
Total expenditures	<u>1,653,054</u>	<u>1,653,054</u>	<u>1,200,557</u>	<u>452,497</u>
Excess (deficiency) of revenues over (under) expenditures	<u>132,396</u>	<u>132,396</u>	<u>577,873</u>	<u>445,477</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	6,150	6,150	6,150	-
Transfers to other funds	(464,875)	(464,875)	(464,875)	-
Total other financing sources (uses)	<u>(458,725)</u>	<u>(458,725)</u>	<u>(458,725)</u>	<u>-</u>
Net change in fund balances	<u>(326,329)</u>	<u>(326,329)</u>	<u>119,148</u>	<u>445,477</u>
Fund balances, budgetary basis - beginning	1,041,000	1,041,000	1,082,267	41,267
Fund balances, budgetary basis - ending	<u>\$ 714,671</u>	<u>\$ 714,671</u>	<u>\$ 1,201,415</u>	<u>\$ 486,744</u>
Reconciliation:				
Expenditures, budgetary basis			\$ 1,200,557	
Transfers to other funds - services provided			164,875	
Expenditures, modified accrual basis			<u>\$ 1,365,432</u>	
Other financing sources (uses), budgetary basis			\$ (458,725)	
Transfers from other funds - services provided			\$ (6,150)	
Transfers to other funds - services provided			164,875	
Other financing sources (uses), modified accrual basis			<u>\$ (300,000)</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Miscellaneous	\$ -	\$ -	\$ 38	\$ 38
Total revenues	-	-	38	38
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	(42,337)	(42,337)	(42,337)	-
Net change in fund balances	(42,337)	(42,337)	(42,299)	38
Fund balances, budgetary basis - beginning	53,813	53,813	53,834	21
Fund balances, budgetary basis - ending	<u>\$ 11,476</u>	<u>\$ 11,476</u>	<u>\$ 11,535</u>	<u>\$ 59</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 334,021	\$ 334,021	\$ 334,021	\$ -
Charges for services	150,000	150,000	179,045	29,045
Miscellaneous	6,400	6,400	7,552	1,152
Total revenues	<u>490,421</u>	<u>490,421</u>	<u>520,618</u>	<u>30,197</u>
<b>Expenditures</b>				
Highways and streets:				
Materials and services	25,000	25,000	21,338	3,662
Capital outlay	575,000	575,000	479,459	95,541
Contingencies	50,000	50,000	-	50,000
Total expenditures	<u>650,000</u>	<u>650,000</u>	<u>500,797</u>	<u>149,203</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(159,579)</u>	<u>(159,579)</u>	<u>19,821</u>	<u>179,400</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	300,000	300,000	300,000	-
Transfers to other funds	(45,022)	(45,022)	(45,022)	-
Total other financing sources (uses)	<u>254,978</u>	<u>254,978</u>	<u>254,978</u>	<u>-</u>
Net change in fund balances	95,399	95,399	274,799	179,400
Fund balances, budgetary basis - beginning	1,468,302	1,468,302	1,475,821	7,519
Fund balances, budgetary basis - ending	<u>\$ 1,563,701</u>	<u>\$ 1,563,701</u>	<u>\$ 1,750,620</u>	<u>\$ 186,919</u>
Reconciliation:				
Expenditures, budgetary basis			\$ 500,797	
Transfers to other funds - services provided			45,022	
Expenditures, modified accrual basis			<u>\$ 545,819</u>	
Other financing sources (uses), budgetary basis			\$ 254,978	
Transfers to other funds - services provided			45,022	
Other financing sources (uses), modified accrual basis			<u>\$ 300,000</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 130,000	\$ 130,000	\$ 109,713	\$ (20,287)
Miscellaneous	3,100	3,100	19,105	16,005
Total revenues	133,100	133,100	128,818	(4,282)
<b>Expenditures</b>				
Culture and recreation:				
Materials and services	78,070	78,070	4,764	73,306
Capital outlay	726,000	726,000	-	726,000
Contingencies	368,566	368,566	-	368,566
Total expenditures	1,172,636	1,172,636	4,764	1,167,872
Excess (deficiency) of revenues over (under) expenditures	(1,039,536)	(1,039,536)	124,054	1,163,590
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	(148,324)	(148,324)	(148,324)	-
Net change in fund balances	(1,187,860)	(1,187,860)	(24,270)	1,163,590
Fund balances, budgetary basis - beginning	1,187,860	1,187,860	1,191,794	3,934
Fund balances, budgetary basis - ending	\$ -	\$ -	\$ 1,167,524	\$ 1,167,524
Reconciliation:				
Expenditures, budgetary basis			\$ 4,764	
Transfers to other funds - services provided			48,324	
Expenditures, modified accrual basis			\$ 53,088	
Other financing sources (uses), budgetary basis			\$ (148,324)	
Transfers to other funds - services provided			48,324	
Other financing sources (uses), modified accrual basis			\$ (100,000)	

# 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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 1,328,700	\$ 1,328,700	\$ 1,354,012	\$ 25,312
Miscellaneous	4,600	4,600	5,827	1,227
Total revenues	1,333,300	1,333,300	1,359,839	26,539
<b>Expenditures</b>				
Debt service	1,650,380	1,650,380	1,650,375	5
Excess (deficiency) of revenues over (under) expenditures	(317,080)	(317,080)	(290,536)	26,544
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	142,337	142,337	142,337	-
Net change in fund balances	(174,743)	(174,743)	(148,199)	26,544
Fund balances - beginning	1,562,560	1,562,560	1,590,699	28,139
Fund balances - ending	\$ 1,387,817	\$ 1,387,817	\$ 1,442,500	\$ 54,683



## **PROPRIETARY FUNDS**

- Combining Statement of Net Position – Internal Service Funds
- Combining Statement of Revenues, Expenses, and Changes in Fund 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 and Wastewater Capital 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, 2013**

	Information Systems & Services	Insurance Services	Total Internal Service Funds
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 173,534	\$ 987,074	\$ 1,160,608
Receivables, net of allowance for uncollectibles	-	3,214	3,214
Due from component unit	-	2,154	2,154
Prepays	442	-	442
Total current assets	<u>173,976</u>	<u>992,442</u>	<u>1,166,418</u>
Non-current assets:			
Capital assets:			
Depreciable capital assets	2,092,043	-	2,092,043
Accumulated depreciation	<u>(1,437,045)</u>	<u>-</u>	<u>(1,437,045)</u>
Total non-current assets	<u>654,998</u>	<u>-</u>	<u>654,998</u>
Total assets	<u>828,974</u>	<u>992,442</u>	<u>1,821,416</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	36,266	193,957	230,223
Other liabilities	-	174,469	174,469
Compensated absences	<u>11,185</u>	<u>-</u>	<u>11,185</u>
Total current liabilities	<u>47,451</u>	<u>368,426</u>	<u>415,877</u>
Non-current liabilities:			
Other post employment benefits	<u>15,073</u>	<u>-</u>	<u>15,073</u>
Total liabilities	<u>62,524</u>	<u>368,426</u>	<u>430,950</u>
<b>Net Position</b>			
Net investment in capital assets	654,998	-	654,998
Unrestricted	<u>111,452</u>	<u>624,016</u>	<u>735,468</u>
Total net position	<u>\$ 766,450</u>	<u>\$ 624,016</u>	<u>\$ 1,390,466</u>

**City of McMinnville, Oregon**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2013**

	<b>Information Systems &amp; Services</b>	<b>Insurance Services</b>	<b>Total Internal Service Funds</b>
<b>Operating revenues</b>			
Charges for services	\$ 793,741	\$ 685,602	\$ 1,479,343
Miscellaneous	-	53,240	53,240
Total operating revenues	<u>793,741</u>	<u>738,842</u>	<u>1,532,583</u>
<b>Operating Expenses</b>			
Personnel services	294,163	-	294,163
Materials and services	403,026	996,837	1,399,863
Depreciation	120,202	-	120,202
Total operating expenses	<u>817,391</u>	<u>996,837</u>	<u>1,814,228</u>
Operating income (loss)	<u>(23,650)</u>	<u>(257,995)</u>	<u>(281,645)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment earnings	738	5,083	5,821
Other revenue	5	-	5
Total nonoperating revenues (expenses)	<u>743</u>	<u>5,083</u>	<u>5,826</u>
Income (loss) before contributions and transfers:	<u>(22,907)</u>	<u>(252,912)</u>	<u>(275,819)</u>
<b>Contributions and Transfers</b>			
Capital contributions	22,777	-	22,777
Change in net position	(130)	(252,912)	(253,042)
Total net position - beginning	766,580	876,928	1,643,508
Total net position - ending	<u>\$ 766,450</u>	<u>\$ 624,016</u>	<u>\$ 1,390,466</u>



**City of McMinnville, Oregon**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2013**

	<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	\$ 793,741	\$ 685,602	\$ 1,479,343
Other operating receipts	5	48,785	48,790
Payments to suppliers	(367,705)	(427,065)	(794,770)
Payments to employees	(289,217)	-	(289,217)
Payments for interfund services used	(499)	-	(499)
Net cash from operating activities	<u>136,325</u>	<u>307,322</u>	<u>443,647</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Additions to capital assets	<u>(75,361)</u>	<u>-</u>	<u>(75,361)</u>
<b>Cash Flows From Investing Activities</b>			
Interest received	<u>738</u>	<u>5,083</u>	<u>5,821</u>
<b>Increase (Decrease) in Cash and Investments</b>	61,702	312,405	374,107
<b>Cash and Investments - Beginning</b>	<u>111,832</u>	<u>674,669</u>	<u>786,501</u>
<b>Cash and Investments - Ending</b>	<u>\$ 173,534</u>	<u>\$ 987,074</u>	<u>\$ 1,160,608</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities</b>			
Operating income (loss)	\$ (23,650)	\$ (257,995)	\$ (281,645)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	120,202	-	120,202
Other revenue	5	-	5
Change in current assets and liabilities:			
Receivables	-	(3,214)	(3,214)
Due from component unit	-	(1,241)	(1,241)
Prepays	24,619	333,076	357,695
Accounts payable	10,702	148,029	158,731
Compensated absences	1,408	-	1,408
Other post employment benefits	3,039	-	3,039
Other liabilities	-	88,667	88,667
Net cash from operating activities	<u>\$ 136,325</u>	<u>\$ 307,322</u>	<u>\$ 443,647</u>
<b>Non-Cash Investing, Capital, and Financing Activities</b>			
Capital assets transferred from other funds	\$ 22,777	\$ -	\$ 22,777
Capital assets accrued in accounts payable	21,755	-	21,755

**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, 2013**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Charges for services	\$ 8,311,226	\$ 8,311,226	\$ 8,236,196	\$ (75,030)
Miscellaneous	12,700	12,700	15,475	2,775
Total revenues	8,323,926	8,323,926	8,251,671	(72,255)
<b>Expenditures</b>				
Wastewater:				
Wastewater services administration	608,567	608,567	495,333	113,234
Plant	1,587,239	1,587,239	1,461,297	125,942
Environmental services	412,680	412,680	315,963	96,717
Conveyance systems	689,209	689,209	558,802	130,407
Contingencies	300,000	300,000	-	300,000
Total expenditures	3,597,695	3,597,695	2,831,395	766,300
Excess (deficiency) of revenues over (under) expenditures	4,726,231	4,726,231	5,420,276	694,045
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	16,950	16,950	16,950	-
Transfers to other funds	(4,876,973)	(4,876,973)	(4,876,973)	-
Total other financing sources (uses)	(4,860,023)	(4,860,023)	(4,860,023)	-
Net change in fund balances	(133,792)	(133,792)	560,253	694,045
Fund balances, budgetary basis - beginning	2,446,000	2,446,000	2,545,249	99,249
Fund balances, budgetary basis - ending	\$ 2,312,208	\$ 2,312,208	\$ 3,105,502	\$ 793,294

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, 2013**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Charges for services	\$ 300,000	\$ 300,000	\$ 284,090	\$ (15,910)
Miscellaneous	93,400	93,400	98,240	4,840
Total revenues	393,400	393,400	382,330	(11,070)
<b>Expenditures</b>				
Wastewater:				
Materials and services	2,935,100	2,935,100	235,124	2,699,976
Capital outlay	2,235,000	2,235,000	1,097,116	1,137,884
Debt service	2,940,414	2,940,414	2,940,413	1
Contingencies	500,000	500,000	-	500,000
Total expenditures	8,610,514	8,610,514	4,272,653	4,337,861
Excess (deficiency) of revenues over (under) expenditures	(8,217,114)	(8,217,114)	(3,890,323)	4,326,791
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	4,696,400	4,696,400	4,696,400	-
Transfers to other funds	(184,015)	(184,015)	(184,015)	-
Total other financing sources (uses)	4,512,385	4,512,385	4,512,385	-
Net change in fund balances	(3,704,729)	(3,704,729)	622,062	4,326,791
Fund balances, budgetary basis - beginning	15,902,507	15,902,507	15,911,653	9,146
Fund balances, budgetary basis - ending	\$ 12,197,778	\$ 12,197,778	\$ 16,533,715	\$ 4,335,937

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, 2013**

Reconciliation:

Wastewater Services Fund balances, budgetary basis - ending	\$ 3,105,502
Wastewater Capital Fund balances, budgetary basis - ending	16,533,715
Deferred amount on refunding	53,959
Deferred charges	16,700
Transfers to other funds	350,000
Capital assets	84,987,249
Accumulated depreciation	(37,470,610)
Accrued interest payable	(38,527)
Compensated absences payable	(92,600)
Revenue bonds payable	(2,845,000)
Revenue bonds premium	(100,695)
Other post employment benefits	(82,692)
Transfers from other funds	(280,000)
Net position, full accrual - ending	<u><u>\$ 64,137,001</u></u>

Wastewater Services charges for services, budgetary basis	8,236,196
Wastewater Capital charges for services, budgetary basis	284,090
Development charges and fees	(284,090)
Other revenue, property rentals	(19,261)
Transfers from other funds-services provided	16,950
Charges for services, full accrual basis	<u><u>\$ 8,233,885</u></u>

Wastewater Services expenditures, budgetary basis	\$ 2,831,395
Wastewater Capital expenditures, budgetary basis	4,272,653
Change in compensated absences	9,199
Change in other post employment benefits	15,868
Expenditures capitalized	(1,388,378)
Transfers to other funds - services provided	434,588
Depreciation	2,489,357
Debt Service - principal and interest	(2,940,413)
Operating expenses, full accrual basis	<u><u>\$ 5,724,269</u></u>

Wastewater Services other financing sources (uses), budgetary basis	\$ (4,860,023)
Wastewater Capital other financing sources (uses), budgetary basis	4,512,385
Capital assets transferred to other funds	(262,456)
Capital contributions	106,632
Transfers to other funds - services provided	434,588
Transfers from other funds - services provided	(16,950)
Transfers from other funds - advance to other fund	(70,000)
Total capital contributions and transfers, full accrual basis	<u><u>\$ (155,824)</u></u>

# City of McMinnville, Oregon

## Ambulance Fund

### Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 3,941,400	\$ 3,941,400	\$ 3,615,308	\$ (326,092)
Miscellaneous	25,550	25,550	38,626	13,076
Total revenues	<u>3,966,950</u>	<u>3,966,950</u>	<u>3,653,934</u>	<u>(313,016)</u>
<b>Expenditures</b>				
Ambulance:				
Personal services	2,715,631	2,715,631	2,612,656	102,975
Materials and services	1,570,507	1,570,507	1,237,772	332,735
Capital outlay	20,300	22,300	21,353	947
Contingencies	300,000	298,000	-	298,000
Total expenditures	<u>4,606,438</u>	<u>4,606,438</u>	<u>3,871,781</u>	<u>734,657</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(639,488)</u>	<u>(639,488)</u>	<u>(217,847)</u>	<u>421,641</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	593,000	593,000	593,000	-
Transfers to other funds	(259,495)	(259,495)	(259,495)	-
Total other financing sources (uses)	<u>333,505</u>	<u>333,505</u>	<u>333,505</u>	<u>-</u>
Net change in fund balances	(305,983)	(305,983)	115,658	421,641
Fund balances, budgetary basis - beginning	1,048,725	1,048,725	1,171,989	123,264
Fund balances, budgetary basis - ending	<u>\$ 742,742</u>	<u>\$ 742,742</u>	<u>1,287,647</u>	<u>\$ 544,905</u>
<b>Add (deduct):</b>				
Allowance for uncollectibles			(152,201)	
Capital assets			1,095,616	
Accumulated depreciation			(445,778)	
Compensated absences payable			(121,566)	
Other post employment benefits			(113,453)	
Net position, full accrual - ending			<u>\$ 1,550,265</u>	
<b>Reconciliation:</b>				
Charges for service, budgetary basis			\$ 3,615,308	
Medical write-offs			(832,900)	
Change in allowance for uncollectibles			11,526	
Charges for services, full accrual basis			<u>\$ 2,793,934</u>	
Expenditures, budgetary basis			\$ 3,871,781	
Change in compensated absences			36,389	
Change in other post employment benefits			27,405	
Medical write-offs			(832,900)	
Expenditures capitalized			(19,896)	
Transfers to other funds - services provided			186,595	
Depreciation			97,405	
Operating expenses, full accrual basis			<u>\$ 3,366,779</u>	
Other financing sources (uses), budgetary basis			\$ 333,505	
Transfers from other funds - services provided			(18,000)	
Transfers to other funds - services provided			186,595	
Total contributions and transfers, full accrual basis			<u>\$ 502,100</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Licenses and permits	\$ 274,750	\$ 274,750	\$ 286,121	\$ 11,371
Miscellaneous	700	700	2,218	1,518
Total revenues	<u>275,450</u>	<u>275,450</u>	<u>288,339</u>	<u>12,889</u>
<b>Expenditures</b>				
Building:				
Personal services	192,348	192,348	191,884	464
Materials and services	48,896	48,896	34,910	13,986
Capital outlay	393	393	316	77
Contingencies	75,000	75,000	-	75,000
Total expenditures	<u>316,637</u>	<u>316,637</u>	<u>227,110</u>	<u>89,527</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(41,187)</u>	<u>(41,187)</u>	<u>61,229</u>	<u>102,416</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	3,150	3,150	3,150	-
Transfers to other funds	(26,093)	(26,093)	(26,093)	-
Total other financing sources (uses)	<u>(22,943)</u>	<u>(22,943)</u>	<u>(22,943)</u>	<u>-</u>
Net change in fund balances	(64,130)	(64,130)	38,286	102,416
Fund balances, budgetary basis - beginning	149,390	149,390	169,691	20,301
Fund balances, budgetary basis - ending	<u>\$ 85,260</u>	<u>\$ 85,260</u>	<u>207,977</u>	<u>\$ 122,717</u>
<b>Add (deduct):</b>				
Capital assets			381,887	
Accumulated depreciation			(88,339)	
Compensated absences payable			(11,108)	
Other post employment benefits			(17,936)	
Net position, full accrual - ending			<u>\$ 472,481</u>	
<b>Reconciliation:</b>				
Charges for service, budgetary basis			\$ 286,121	
Transfers from other funds-services provided			3,150	
Charges for services, full accrual basis			<u>\$ 289,271</u>	
Expenditures, budgetary basis			\$ 227,110	
Change in compensated absences			5,384	
Change in other post employment benefits			2,013	
Transfers to other funds - services provided			26,093	
Depreciation			14,414	
Operating expenses, full accrual basis			<u>\$ 275,014</u>	
Other financing sources (uses), budgetary basis			\$ (22,943)	
Transfers from other funds - services provided			(3,150)	
Transfers to other funds - services provided			26,093	
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, 2013**

	<b>Budgeted Amounts</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Charges for services	\$ 551,461	\$ 551,461	\$ 500,143	\$ (51,318)
Miscellaneous	800	800	743	(57)
Total revenues	552,261	552,261	500,886	(51,375)
<b>Expenditures</b>				
Personal services	291,048	292,548	289,716	2,832
Materials and services	513,633	513,633	453,201	60,432
Capital outlay	52,830	52,830	46,942	5,888
Contingencies	65,000	63,500	-	63,500
Total expenditures	922,511	922,511	789,859	132,652
Excess (deficiency) of revenues over (under) expenditures	(370,250)	(370,250)	(288,973)	81,277
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	293,598	293,598	293,598	-
Net change in fund balances	(76,652)	(76,652)	4,625	81,277
Fund balances, budgetary basis - beginning	134,000	134,000	133,084	(916)
Fund balances, budgetary basis - ending	\$ 57,348	\$ 57,348	137,709	\$ 80,361
Add (deduct):				
Capital assets			2,092,043	
Accumulated depreciation			(1,437,044)	
Compensated absences payable			(11,185)	
Other post employment benefits			(15,073)	
Net position, full accrual - ending			\$ 766,450	
Reconciliation:				
Charges for services, budgetary basis			\$ 500,143	
Transfers from other funds - services provided			293,598	
Charges for services, full accrual basis			\$ 793,741	
Expenditures, budgetary basis			\$ 789,859	
Change in compensated absences			1,408	
Change in other post employment benefits			3,039	
Expenditures capitalized			(97,117)	
Depreciation			120,202	
Operating expenses, full accrual basis			\$ 817,391	
Other financing sources (uses), budgetary basis			\$ 293,598	
Transfers from other funds - services provided			(293,598)	
Capital contribution from governmental fund			22,777	
Total contributions and transfers, full accrual basis			\$ 22,777	

**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, 2013**

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Intergovernmental	\$ 3,500	\$ 3,500	\$ -	\$ (3,500)
Charges for services	731,202	731,202	685,602	(45,600)
Miscellaneous	76,600	76,600	58,323	(18,277)
Total revenues	<u>811,302</u>	<u>811,302</u>	<u>743,925</u>	<u>(67,377)</u>
<b>Expenditures</b>				
Materials and services	833,070	908,070	719,003	189,067
Contingencies	100,000	25,000	-	25,000
Total expenditures	<u>933,070</u>	<u>933,070</u>	<u>719,003</u>	<u>214,067</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(121,768)</u>	<u>(121,768)</u>	<u>24,922</u>	<u>146,690</u>
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	(189,165)	(189,165)	(189,165)	-
Net change in fund balances	<u>(310,933)</u>	<u>(310,933)</u>	<u>(164,243)</u>	<u>146,690</u>
Fund balances, budgetary basis - beginning	883,000	883,000	962,730	79,730
Fund balances, budgetary basis - ending	<u>\$ 572,067</u>	<u>\$ 572,067</u>	<u>798,487</u>	<u>\$ 226,420</u>
<b>Deduct:</b>				
Insurance claims payable			(174,471)	
Net position, full accrual - ending			<u>\$ 624,016</u>	
<b>Reconciliation:</b>				
Expenditures, budgetary basis			\$ 719,003	
Transfers to other funds - services provided			189,165	
Change in insurance claims liability			88,669	
Operating expenses, full accrual basis			<u>\$ 996,837</u>	
Other financing sources (uses), budgetary basis			\$ (189,165)	
Transfers to other funds - services provided			189,165	
Total contributions and transfers, full accrual basis			<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, 2013**

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 2012
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 2012
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>		
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG)	16.804	Justice Assistance Grant (JAG) 2009 Recovery Act
<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 2011
Bulletproof Vest Partnership Program	16.607	Bulletproof Vest Partnership 2012
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
<b>U.S. Department of Education</b>		
<b>Office of Educational Research and Improvement</b>		
<b>Oregon Department of Education</b>		
<b>McMinnville School District No. 40</b>		
21st Century Community Learning Centers	84.287	21st Century Community Learning Centers

**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 full accrual basis of accounting.

Award Identification Number	Award Period	Total Award	Current Year	Total Project to Date	Unexpended Balance June 30, 2013
K2-12-46-08	10/1/11-9/30/12	\$ 5,000	\$ 880	\$ 4,960	\$ 40
K2-13-46-08	10/1/12-09/30/13	4,500	2,825	2,825	1,675
		<u>9,500</u>	<u>3,705</u>	<u>7,785</u>	<u>1,715</u>
K8-12-12-38	10/1/11-9/30/12	12,000	2,460	5,500	6,500
K8-13-12-38	10/1/12-9/30/13	10,000	2,600	2,600	7,400
		<u>22,000</u>	<u>5,060</u>	<u>8,100</u>	<u>13,900</u>
		<u>31,500</u>	<u>8,765</u>	<u>15,885</u>	<u>15,615</u>
2010-SB-B9-0061	10/1/09-9/30/13	39,162	1,614	39,162	-
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	10,116	-	-	10,116
		<u>60,192</u>	<u>1,614</u>	<u>50,055</u>	<u>10,137</u>
2011BUBX11057165	4/1/11-8/31/13	5,513	1,103	5,513	(0)
2012 12064534	04/1/12-8/31/14	1,103	801	801	302
		<u>6,615</u>	<u>1,903</u>	<u>6,313</u>	<u>302</u>
OR-12-12	4/1/12-8/31/13	14,000	12,806	9,806	4,194
23399	7/1/11-6/30/13	15,000	15,000	15,000	-
		<u>\$ 127,307</u>	<u>\$ 40,088</u>	<u>\$ 97,059</u>	<u>\$ 30,248</u>

**City of McMinnville, Oregon**  
**Schedule of Future Debt Service Requirements**  
**June 30, 2013**

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
2013-14	\$ 555,000	\$ 415,275	\$ 515,000	\$ 119,750	\$ 1,070,000	\$ 535,025
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>\$ 10,400,000</u>	<u>\$ 3,188,195</u>	<u>\$ 5,040,000</u>	<u>\$ 655,850</u>	15,440,000	<u>\$ 3,844,045</u>

Add:

General obligation bond premium - public safety buildings construction	130,742
General obligation bond premium - park system improvements	277,461
Sewer system revenue refunding bond premium	-

Less:

Deferred amount on sewer revenue bond refunding	-
	<u>\$ 15,848,203</u>

Sewer System Revenue Refunding Bonds (Parity Obligation) Issued February 13, 2004 3.0 - 5.0%	
Principal	Interest
\$ 2,845,000	\$ 92,462
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
2,845,000	\$ 92,462
-	
100,695	
(53,953)	
\$ 2,891,742	

**CITY OF MC MINNVILLE, OREGON**  
**Schedule of Property Transactions**  
**Year Ended June 30, 2013**

	<u>Tax Year</u>	<u>Uncollected July 1, 2012</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts Allowed</u>
Current year	2012-13	\$ -	\$ 12,457,781	\$ (307,889)
Prior years	2011-12	544,022	-	-
	2010-11	318,456	-	-
	2009-10	171,197	-	-
	2008-09	51,023	-	-
	2007-08	19,032	-	-
	2006-07 and prior years	60,192	-	-
Total prior years		1,163,922	-	-
		<u>\$ 1,163,922</u>	<u>\$ 12,457,781</u>	<u>\$ (307,889)</u>
Reconciliation of property taxes receivable by fund:				
General Fund				\$ 1,070,690
Debt Service Fund				<u>110,152</u>
				<u>\$ 1,180,842</u>
Reconciliation of property tax collections to revenue on the fund financial statements:				
Collections				\$ 12,128,973
Adjustment to modified accual basis				<u>(87,380)</u>
Total property tax revenue				<u>\$ 12,041,593</u>



<u>Interest</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Uncollected June 30, 2013</u>
<u>\$ 9,623</u>	<u>\$ (74,123)</u>	<u>\$ (11,507,271)</u>	<u>\$ 578,121</u>
19,734	(14,405)	(284,595)	264,756
28,221	(4,154)	(172,570)	169,953
24,504	274	(107,592)	88,383
11,230	(959)	(41,650)	19,644
2,079	(854)	(6,412)	13,845
<u>3,568</u>	<u>(8,737)</u>	<u>(8,883)</u>	<u>46,140</u>
<u>89,336</u>	<u>(28,835)</u>	<u>(621,702)</u>	<u>602,721</u>
<u><u>\$ 98,959</u></u>	<u><u>\$ (102,958)</u></u>	<u><u>\$ (12,128,972)</u></u>	<u><u>\$ 1,180,842</u></u>

**City of McMinnville, Oregon**  
**Schedule of Accountability for Independently Elected Officials**  
**June 30, 2013**

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>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Primary Government:</b>				
Governmental activities:				
Invested in capital assets (f)	\$ 50,703,023	\$ 56,795,878	\$ 59,476,033	\$ 62,898,370
Restricted (b)	2,662,699	2,082,235	2,507,360	2,876,332
Unrestricted (d) (f)	8,694,120	8,526,428	9,320,862	10,696,218
Total governmental activities net position (c) (e)	<u>\$ 62,059,842</u>	<u>\$ 67,404,541</u>	<u>\$ 71,304,255</u>	<u>\$ 76,470,920</u>
Business-type activities:				
Invested in capital assets (f)	\$ 26,396,032	\$ 29,353,385	\$ 30,714,356	\$ 32,603,644
Restricted (a) (b)	-	-	-	-
Unrestricted (f)	10,314,249	10,363,595	12,290,008	14,664,424
Total business-type activities net position (c) (e)	<u>\$ 36,710,281</u>	<u>\$ 39,716,980</u>	<u>\$ 43,004,364</u>	<u>\$ 47,268,068</u>
Primary government:				
Invested in capital assets (f)	\$ 77,099,055	\$ 86,149,263	\$ 90,190,389	\$ 95,502,014
Restricted	2,662,699	2,082,235	2,507,360	2,876,332
Unrestricted (f)	19,008,369	18,890,023	21,610,870	25,360,642
Total primary government net position (c) (e)	<u>\$ 98,770,123</u>	<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	\$ 74,137,354	\$ 75,324,660	\$ 75,969,725	\$ 78,018,533
Unrestricted	20,373,958	25,041,388	33,233,236	39,601,674
Total component unit	<u>\$ 94,511,312</u>	<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).

<u>2008</u>	<u>2009</u>	<u>2010 Restated</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 65,247,969	\$ 64,720,490	\$ 64,577,951	\$ 62,431,482	\$ 59,774,579	\$ 57,563,588
3,827,337	3,011,121	3,223,454	3,745,053	4,034,072	3,984,137
10,479,495	9,478,673	8,881,472	9,436,731	9,748,354	10,491,683
<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>\$ 72,039,408</u>
\$ 33,806,347	\$ 35,556,686	\$ 38,573,448	\$ 41,736,064	\$ 44,032,172	\$ 45,568,283
-	374,891	284,065	183,776	148,044	178,933
17,833,067	19,339,695	19,444,666	18,683,904	18,976,324	20,057,090
<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>
\$ 99,054,316	\$ 100,277,176	\$ 103,151,399	\$ 104,167,546	\$ 103,806,751	\$ 103,131,871
3,827,337	3,386,012	3,507,519	3,928,829	4,182,116	4,163,070
28,312,562	28,818,368	28,326,138	28,120,635	28,724,678	30,548,773
<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>\$ 137,843,714</u>
\$ 83,072,182	\$ 97,147,985	\$ 103,852,317	\$ 103,521,631	\$ 106,683,105	\$ 107,627,737
42,264,683	33,751,837	28,853,295	32,006,301	33,671,841	39,459,945
<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>

(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.

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

Functions/Programs	Fiscal Year Ended June 30,			
	2004	2005	2006	2007
<b>Expenses</b>				
Primary government:				
Governmental activities:				
General government (a)	\$ 1,610,048	\$ 1,937,929	\$ 3,849,409	\$ 2,655,004
Community development (e)	1,292,046	1,390,389	1,514,566	1,607,780
Public safety:				
Police	3,921,582	4,241,725	4,853,641	5,123,969
Fire	1,056,490	1,137,362	1,220,577	1,658,654
Emergency communications	596,664	702,777	725,927	754,142
Highways and streets	2,519,192	3,069,313	2,871,564	3,302,674
Culture and recreation:				
Parks and recreation	2,371,878	2,515,824	3,190,485	3,432,363
Library	1,134,410	1,249,009	1,402,779	1,440,647
Airport	433,376	281,802	351,884	325,485
Interest on long-term debt	692,732	582,373	504,474	773,903
Total governmental activities expenses	<u>15,628,418</u>	<u>17,108,503</u>	<u>20,485,306</u>	<u>21,074,621</u>
Business-type activities:				
Wastewater	5,713,472	5,544,512	5,771,040	5,855,037
Ambulance	1,823,716	1,982,940	2,117,649	2,241,064
Building (e)	-	-	-	-
Total business-type activities expenses	<u>7,537,188</u>	<u>7,527,452</u>	<u>7,888,689</u>	<u>8,096,101</u>
Total primary government expenses	<u>\$ 23,165,606</u>	<u>\$ 24,635,955</u>	<u>\$ 28,373,995</u>	<u>\$ 29,170,722</u>
Component unit:				
Water and Light	<u>\$ 36,808,963</u>	<u>\$ 35,274,135</u>	<u>\$ 36,289,752</u>	<u>\$ 38,592,365</u>
<b>Indirect expense allocation (f)</b>				
Primary government:				
Governmental activities:				
General government	\$ (667,830)	\$ (560,848)	\$ (637,830)	\$ (626,919)
Community development	(332,018)	(325,211)	(351,034)	(346,209)
Public safety:				
Police	66,390	46,615	54,151	61,234
Fire	322,457	318,896	363,879	390,355
Emergency communications	7,634	5,986	-	-
Highways and streets	166,667	160,958	180,688	188,744
Culture and recreation:				
Parks and recreation	164,756	150,774	206,701	197,256
Library	84,020	52,328	58,488	65,222
Airport	30,980	31,110	33,095	27,949
Total governmental activities indirect expenses	<u>(156,944)</u>	<u>(119,392)</u>	<u>(91,862)</u>	<u>(42,368)</u>
Business-type activities:				
Wastewater	266,110	237,178	236,907	230,064
Ambulance	(109,166)	(117,786)	(145,045)	(187,696)
Total business-type activities indirect expenses	<u>156,944</u>	<u>119,392</u>	<u>91,862</u>	<u>42,368</u>
Total primary government indirect expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 1,984,604	\$ 2,347,704	\$ 2,060,894	\$ 2,158,145	\$ 1,918,406	\$ 1,869,910
1,811,174	1,246,693	1,299,144	1,328,719	1,289,638	1,283,292
5,690,199	6,455,520	6,548,127	6,299,749	6,722,412	7,092,755
1,704,098	2,522,183	2,544,874	2,686,012	2,466,866	2,534,766
760,164	809,875	818,172	837,736	1,077,885	617,610
3,137,661	3,616,479	3,478,409	3,453,560	3,347,084	3,839,179
3,528,723	3,985,158	4,014,812	4,095,241	4,174,915	4,074,988
1,488,868	1,534,563	1,567,266	1,469,682	1,507,964	1,416,283
590,710	640,968	517,465	784,816	552,179	553,974
915,543	871,822	826,167	786,277	613,154	525,129
<u>21,611,744</u>	<u>24,030,965</u>	<u>23,675,330</u>	<u>\$ 23,899,937</u>	<u>\$ 23,670,503</u>	<u>\$ 23,807,886</u>
6,052,599	5,873,978	5,811,243	5,753,542	5,853,298	5,818,847
2,264,966	2,373,384	2,449,268	2,532,569	3,068,413	3,395,105
-	596,800	446,236	415,676	406,630	277,561
<u>8,317,565</u>	<u>8,844,162</u>	<u>8,706,747</u>	<u>8,701,787</u>	<u>9,328,341</u>	<u>9,491,513</u>
<u>\$ 29,929,309</u>	<u>\$ 32,875,127</u>	<u>\$ 32,382,077</u>	<u>\$ 32,601,724</u>	<u>\$ 32,998,844</u>	<u>\$ 33,299,399</u>
<u>\$ 39,809,429</u>	<u>\$ 33,326,936</u>	<u>\$ 36,062,095</u>	<u>\$ 37,802,141</u>	<u>\$ 40,626,635</u>	<u>\$ 41,583,845</u>
\$ (703,624)	\$ -	\$ -	\$ -	\$ -	\$ -
(339,846)	-	-	-	-	-
95,954	-	-	-	-	-
429,429	-	-	-	-	-
-	-	-	-	-	-
187,281	-	-	-	-	-
177,972	-	-	-	-	-
59,720	-	-	-	-	-
26,608	-	-	-	-	-
<u>(66,506)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
269,875	-	-	-	-	-
<u>(203,369)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
66,506	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

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

Functions/Programs	Fiscal Year Ended June 30,			
	2004	2005	2006	2007
<b>Program revenues</b>				
Primary government:				
Governmental activities:				
Charges for services:				
General government	\$ 454,861	\$ 517,309	\$ 522,980	\$ 448,876
Community development (e)	897,659	907,236	915,385	999,440
Public safety:				
Police	586,740	724,749	794,308	905,620
Fire	324,936	296,462	287,128	288,870
Emergency communications	-	-	-	-
Highways and streets (c)	672,668	510,838	696,055	469,354
Culture and recreation:				
Parks and recreation	1,285,034	1,277,942	1,360,020	1,373,159
Library	38,769	45,398	59,492	58,578
Airport	173,291	184,017	198,701	211,823
Operating grants and contributions (g)	1,631,202	1,872,621	1,892,095	2,039,741
Capital grants and contributions (d)	4,581,992	4,232,161	5,014,859	6,658,636
Total governmental activities program revenues	<u>10,647,152</u>	<u>10,568,733</u>	<u>11,741,023</u>	<u>13,454,097</u>
Business-type activities:				
Charges for services:				
Wastewater	7,714,893	7,873,138	8,376,517	8,706,664
Ambulance	1,618,557	1,737,964	1,726,397	1,758,899
Building (e)	-	-	-	-
Operating grants and contributions	-	-	1,108	4,841
Capital grants and contributions (d)	1,056,689	866,904	865,871	973,666
Total business-type activities program revenues	<u>10,390,139</u>	<u>10,478,006</u>	<u>10,969,893</u>	<u>11,444,070</u>
Total primary government program revenues	<u>\$ 21,037,291</u>	<u>\$ 21,046,739</u>	<u>\$ 22,710,916</u>	<u>\$ 24,898,167</u>
Component unit:				
Water and Light:				
Charges for services	\$ 37,407,608	\$ 36,763,506	\$ 38,279,420	\$ 40,193,347
Operating grants and contributions	363,801	417,307	740,157	746,201
Capital grants and contributions	884,729	1,227,259	1,181,578	1,760,168
Total component unit program revenues	<u>\$ 38,656,138</u>	<u>\$ 38,408,072</u>	<u>\$ 40,201,155</u>	<u>\$ 42,699,716</u>
<b>Net revenue (expense)</b>				
Primary government:				
Governmental activities	(4,824,322)	(6,420,378)	(8,652,421)	(7,578,156)
Business-type activities	2,696,007	2,831,162	2,989,342	3,305,601
Total primary government net revenue (expense)	<u>\$ (2,128,315)</u>	<u>\$ (3,589,216)</u>	<u>\$ (5,663,079)</u>	<u>\$ (4,272,555)</u>
Component unit:				
Water and Light	<u>\$ 1,847,175</u>	<u>\$ 3,133,937</u>	<u>\$ 3,911,403</u>	<u>\$ 4,107,351</u>

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 389,323	\$ 540,622	\$ 496,923	\$ 485,866	\$ 482,333	\$ 477,936
957,770	503,816	488,288	515,582	524,366	571,421
1,011,006	981,277	956,903	817,709	824,755	893,005
286,520	278,779	295,593	323,276	313,154	340,253
-	-	-	-	-	12,500
883,058	131,051	169,585	324,786	194,534	190,481
1,265,177	1,071,145	1,073,688	1,217,185	1,223,292	1,248,255
54,006	54,417	58,820	55,200	56,719	69,482
218,171	188,858	220,329	233,651	237,082	239,436
1,966,268	1,764,579	2,554,203	2,174,634	2,263,584	2,234,195
3,889,300	3,278,780	1,087,252	1,935,658	674,099	761,169
<u>10,920,599</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>
8,999,557	8,351,447	8,244,213	8,292,062	8,453,886	8,554,156
2,120,051	2,390,286	2,320,010	2,275,122	2,739,983	2,846,540
-	201,002	334,380	295,934	297,204	290,537
-	3,065	33,979	-	-	564
672,870	-	34,704	-	24,943	106,632
<u>11,792,478</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>\$ 22,713,077</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>
\$ 41,198,256	\$ 34,620,277	\$ 35,302,190	\$ 36,534,385	\$ 41,122,520	\$ 43,030,261
441,624	187,957	510,961	187,233	400,388	-
1,592,616	364,500	254,723	334,413	242,183	474,900
<u>\$ 43,232,496</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>
(10,624,639)	(15,237,641)	(16,273,746)	(15,816,390)	(16,876,585)	(16,769,753)
3,408,407	2,101,638	2,260,539	2,161,331	2,187,675	2,306,916
<u>\$ (7,216,232)</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>\$ 3,423,067</u>	<u>\$ 1,845,798</u>	<u>\$ 5,779</u>	<u>\$ (746,110)</u>	<u>\$ 1,138,456</u>	<u>\$ 1,921,316</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,			
	2004	2005	2006	2007
<b>General revenues and other changes in net position</b>				
Primary government:				
Governmental activities:				
Taxes				
Property taxes	\$ 8,475,816	\$ 8,656,934	\$ 8,996,764	\$ 9,435,904
Franchise taxes	2,089,836	2,155,329	2,224,711	2,320,014
Unrestricted state shared revenues	619,641	677,861	686,613	588,482
Unrestricted investment earnings (h)	134,774	255,068	517,062	709,041
Gain (loss) on disposal of capital assets	(8,076)	-	-	-
Transfers (b)	60,950	19,885	126,985	(308,620)
Total governmental activities	<u>11,372,941</u>	<u>11,765,077</u>	<u>12,552,135</u>	<u>12,744,821</u>
Business-type activities:				
Unrestricted investment earnings (h)	126,498	195,422	425,027	649,483
Gain (loss) on disposal of capital assets	(10,201)	-	-	-
Transfers (b)	(60,950)	(19,885)	(126,985)	308,620
Total business-type activities	<u>55,347</u>	<u>175,537</u>	<u>298,042</u>	<u>958,103</u>
Total primary government	<u>\$ 11,428,288</u>	<u>\$ 11,940,614</u>	<u>\$ 12,850,177</u>	<u>\$ 13,702,924</u>
Component unit:				
Water and Light:				
Unrestricted investment earnings (h)	\$ 294,435	\$ 552,704	\$ 1,213,320	\$ 1,831,449
Gain sale of capital assets	-	-	-	-
Timber sales, net of related expenses	1,765,081	1,394,775	3,210,353	2,158,598
Other, net	1,019,304	773,320	501,837	319,848
Total component unit	<u>\$ 3,078,820</u>	<u>\$ 2,720,799</u>	<u>\$ 4,925,510</u>	<u>\$ 4,309,895</u>
<b>Change in net position</b>				
Primary government:				
Governmental activities	\$ 6,548,619	\$ 5,344,699	\$ 3,899,714	\$ 5,166,665
Business-type activities	<u>2,751,354</u>	<u>3,006,699</u>	<u>3,287,384</u>	<u>4,263,704</u>
Total primary government	<u>\$ 9,299,973</u>	<u>\$ 8,351,398</u>	<u>\$ 7,187,098</u>	<u>\$ 9,430,369</u>
Component unit:				
Water and Light	<u>\$ 4,925,995</u>	<u>\$ 5,854,736</u>	<u>\$ 8,836,913</u>	<u>\$ 8,417,246</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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 10,350,548	\$ 11,053,039	\$ 11,573,566	\$ 11,860,485	\$ 11,880,645	\$ 12,145,519
2,376,220	2,140,723	2,191,818	2,202,237	2,441,291	2,486,923
662,919	672,334	685,444	692,662	683,388	760,551
614,480	235,839	57,829	60,685	85,988	95,507
2,740	-	-	4,858	3,475	3,300
(298,387)	(1,208,811)	(451,403)	(74,148)	(274,463)	(239,644)
<u>13,708,520</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>
664,552	321,409	87,887	66,086	90,657	101,206
-	-	-	-	-	-
<u>298,387</u>	<u>1,208,811</u>	<u>451,403</u>	<u>74,148</u>	<u>274,463</u>	<u>239,644</u>
<u>962,939</u>	<u>1,530,220</u>	<u>539,290</u>	<u>140,234</u>	<u>365,120</u>	<u>340,850</u>
<u>\$ 14,671,459</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>
\$ 1,712,036	\$ 872,186	\$ 323,950	\$ 425,450	\$ 422,467	\$ 182,845
94,862	-	-	-	-	-
1,460,202	1,726,608	832,598	1,355,475	2,605,898	3,962,482
<u>1,026,491</u>	<u>1,118,365</u>	<u>643,463</u>	<u>1,787,505</u>	<u>660,193</u>	<u>666,093</u>
<u>\$ 4,293,591</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>
\$ 3,083,881	\$ (2,344,517)	\$ (2,216,492)	\$ (1,069,611)	\$ (2,056,261)	\$ (1,517,597)
<u>4,371,346</u>	<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>\$ 7,455,227</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>\$ 7,716,658</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>

(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 and 2012-13, the City subsidized the Ambulance business-type activity by \$300,000, \$300,000, \$155,000, \$500,000, \$150,000, \$300,000 and \$575,000 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 2012-13, transportation system development charges decreased 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 2012-13, 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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund:				
Reserved (a)	\$ 389,187	\$ 587,408	\$ 524,469	\$ 580,991
Unreserved (e)	3,443,974	4,149,603	3,651,135	3,955,141
Nonspendable	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
Total General Fund	<u>\$ 3,833,161</u>	<u>\$ 4,737,011</u>	<u>\$ 4,175,604</u>	<u>\$ 4,536,132</u>
Airport Maintenance Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	144,373	156,307	231,143	672,908
Nonspendable	n/a	n/a	n/a	n/a
Restricted	n/a	n/a	n/a	n/a
Committed	n/a	n/a	n/a	n/a
Total Airport Maintenance Fund	<u>\$ 144,373</u>	<u>\$ 156,307</u>	<u>\$ 231,143</u>	<u>\$ 672,908</u>
Improvements Fund: (d)				
Reserved	\$ -	\$ -	\$ 92,167	\$ -
Unreserved	1,405,015	1,183,005	1,774,125	1,570,206
Total Improvements Fund	<u>\$ 1,405,015</u>	<u>\$ 1,183,005</u>	<u>\$ 1,866,292</u>	<u>\$ 1,570,206</u>
Fire Fund: (d)				
Unreserved	\$ 1,101,307	\$ 1,263,916	\$ 1,241,632	\$ 1,602,173
Total Fire Fund	<u>\$ 1,101,307</u>	<u>\$ 1,263,916</u>	<u>\$ 1,241,632</u>	<u>\$ 1,602,173</u>
Parks & Recreation Fund: (d)				
Unreserved	\$ 1,298,420	\$ 1,623,980	\$ 1,606,806	\$ 1,637,836
Total Parks & Recreation Fund	<u>\$ 1,298,420</u>	<u>\$ 1,623,980</u>	<u>\$ 1,606,806</u>	<u>\$ 1,637,836</u>
Debt Service Fund:				
Reserved	\$ 902,167	\$ 687,407	\$ 585,474	\$ 657,448
Restricted	n/a	n/a	n/a	n/a
Total Debt Service Fund	<u>\$ 902,167</u>	<u>\$ 687,407</u>	<u>\$ 585,474</u>	<u>\$ 657,448</u>
All other governmental funds: (b) (c) (e)				
Reserved	\$ 8,684,718	\$ 5,195,081	\$ 6,060,221	\$ 19,734,767
Unreserved, reported in:				
Special revenue funds	453,125	448,729	457,115	486,579
Capital projects funds	526,754	175,715	111,429	264,444
Nonspendable	n/a	n/a	n/a	n/a
Restricted	n/a	n/a	n/a	n/a
Committed	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
Total all other governmental funds	<u>\$ 9,664,597</u>	<u>\$ 5,819,525</u>	<u>\$ 6,628,765</u>	<u>\$ 20,485,790</u>



2008	2009	2010	Restated 2010	2011	2012	2013
\$ 786,210	\$ 97,022	\$ 111,314	n/a	n/a	n/a	n/a
3,705,238	7,261,955	6,287,227	n/a	n/a	n/a	n/a
n/a	n/a	n/a	\$ 111,314	\$ 126,335	\$ 43,590	\$ 21,603
n/a	n/a	n/a	300,000	801,368	968,301	1,162,639
n/a	n/a	n/a	5,987,227	6,403,635	6,465,935	6,909,385
<u>\$ 4,491,448</u>	<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>\$ 8,093,627</u>
\$ 319	\$ -	\$ -	n/a	n/a	n/a	n/a
799,480	567,087	671,256	n/a	n/a	n/a	n/a
n/a	n/a	n/a	\$ -	\$ -	\$ 5,788	\$ -
n/a	n/a	n/a	170,883	-	-	-
n/a	n/a	n/a	500,373	564,391	663,499	670,468
<u>\$ 799,799</u>	<u>\$ 567,087</u>	<u>\$ 671,256</u>	<u>\$ 671,256</u>	<u>\$ 564,391</u>	<u>\$ 669,287</u>	<u>\$ 670,468</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,174,359	-	-	-	-	-	-
<u>\$ 1,174,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,038,274	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ 2,038,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,583,721	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ 1,583,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 835,068	\$ 1,069,518	\$ 1,281,910	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
<u>\$ 835,068</u>	<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>
\$ 10,777,250	\$ 6,932,482	\$ 4,428,471	n/a	n/a	n/a	n/a
472,592	474,482	510,378	n/a	n/a	n/a	n/a
278,907	277,286	62,926	n/a	n/a	n/a	n/a
n/a	n/a	n/a	\$ -	\$ 5	\$ 49	\$ 45
n/a	n/a	n/a	3,855,990	3,043,109	3,049,986	3,496,200
n/a	n/a	n/a	35,000	-	-	-
n/a	n/a	n/a	1,110,785	1,122,826	1,226,483	1,148,993
n/a	n/a	n/a	-	(41,474)	-	-
<u>\$ 11,528,749</u>	<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>\$ 4,645,238</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.



**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>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Revenues:</b>				
Property taxes	\$ 8,475,852	\$ 8,697,174	\$ 8,731,613	\$ 9,741,059
Special assessments	49,426	55,998	51,058	53,209
Licenses and permits (k)	2,927,976	2,979,620	3,088,929	3,259,273
Intergovernmental (l) (o)	3,235,127	3,934,190	4,001,667	3,491,568
Charges for services	2,289,725	2,166,580	2,411,435	2,160,123
Fines and forfeitures	527,944	624,649	699,022	801,939
Miscellaneous (d) (f) (m)	380,504	642,888	1,754,346	2,771,566
Total revenues	<u>17,886,554</u>	<u>19,101,099</u>	<u>20,738,070</u>	<u>22,278,737</u>
<b>Expenditures:</b>				
Current:				
General government (e)	2,422,322	2,815,773	5,597,739	4,147,566
Community development (g)	-	-	-	-
Public safety	5,447,270	5,987,485	6,741,156	7,605,719
Highways and streets	908,153	1,015,867	1,003,627	1,200,855
Culture and recreation (o)	3,009,361	3,290,313	3,774,741	4,057,945
Airport (a) (l)	83,255	536,675	86,563	175,110
Capital outlay:				
General government (i)	-	-	-	-
Public safety (j)	-	-	-	685,091
Highways and streets	830,756	739,857	337,223	432,815
Culture and recreation (c)	1,385,938	3,958,449	239,088	40,410
Debt service:				
Principal (b) (h)	1,697,218	3,023,028	1,624,079	1,693,888
Interest (h)	708,644	598,249	518,454	443,925
Bond refunding (p)	-	-	-	-
Total expenditures	<u>16,492,917</u>	<u>21,965,696</u>	<u>19,922,670</u>	<u>20,483,324</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 certificate of participation	-	-	-	-
Transfers from other funds (n)	2,172,603	3,300,131	2,621,824	3,248,827
Police vehicles - lease purchase	-	-	-	28,177
Transfers to other funds (n)	(2,211,663)	(3,313,423)	(2,572,659)	(3,561,142)
Total other financing sources (uses)	<u>(39,060)</u>	<u>(13,292)</u>	<u>49,165</u>	<u>13,031,364</u>
<b>Net change in fund balances</b>	<u><u>\$ 1,354,577</u></u>	<u><u>\$ (2,877,889)</u></u>	<u><u>\$ 864,565</u></u>	<u><u>\$ 14,826,777</u></u>
<b>Non-capital expenditures:</b>				
Total expenditures	\$ 16,492,917	\$ 21,965,696	\$ 19,922,670	\$ 20,483,324
Less: capital asset expenditures	<u>(2,205,058)</u>	<u>(5,071,312)</u>	<u>(2,087,894)</u>	<u>(1,703,810)</u>
Non-capital expenditures	<u><u>\$ 14,287,859</u></u>	<u><u>\$ 16,894,384</u></u>	<u><u>\$ 17,834,776</u></u>	<u><u>\$ 18,779,514</u></u>
<b>Debt service as a percentage of non-capital expenditures (p)</b>	16.8%	21.4%	12.0%	11.4%

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 10,221,234	\$ 10,876,161	\$ 11,280,695	\$ 11,841,678	\$ 11,944,449	\$ 12,041,594
55,997	55,139	49,479	54,810	51,121	53,608
3,338,571	2,252,979	2,297,980	2,305,008	2,551,413	2,591,208
3,383,652	5,760,900	3,783,213	4,859,494	3,658,577	3,626,937
2,470,408	2,319,771	2,370,147	2,565,362	2,615,582	2,729,936
909,071	862,073	858,474	761,389	761,046	748,677
1,487,483	557,474	299,817	439,118	243,314	334,355
<u>21,866,416</u>	<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>
2,163,364	1,943,082	1,853,247	1,803,989	1,703,755	1,664,094
1,720,377	1,254,944	1,248,671	1,249,944	1,236,352	1,226,600
7,695,976	9,072,067	9,291,156	9,262,859	9,658,834	9,670,602
1,171,346	1,460,403	1,398,891	1,331,764	1,471,788	1,431,792
4,207,624	4,678,701	5,352,686	4,456,751	4,737,874	4,419,442
337,342	3,004,101	161,128	1,597,357	136,289	242,727
218,256	3,231,395	211,037	-	-	-
9,444,023	159,798	79,561	-	-	-
170,828	391,442	232,857	510,243	503,781	479,459
917,603	446,908	2,280,916	991,098	-	1,621
906,976	1,073,748	907,046	910,000	950,000	1,075,000
1,045,195	887,418	840,332	802,340	716,608	575,375
-	-	-	-	5,835,000	-
<u>29,998,910</u>	<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>
-	-	-	-	-	-
-	-	-	-	5,590,000	-
-	-	-	-	336,316	-
-	-	-	-	-	-
3,012,242	5,922,648	987,133	1,075,400	1,469,044	1,111,637
-	-	-	-	-	-
<u>(3,590,823)</u>	<u>(6,774,724)</u>	<u>(1,395,760)</u>	<u>(1,164,400)</u>	<u>(1,748,244)</u>	<u>(1,613,737)</u>
<u>(578,581)</u>	<u>(852,076)</u>	<u>(408,627)</u>	<u>(89,000)</u>	<u>5,647,116</u>	<u>(502,100)</u>
<u>\$ (8,711,075)</u>	<u>\$ (5,771,586)</u>	<u>\$ (3,326,350)</u>	<u>\$ (178,486)</u>	<u>\$ 522,337</u>	<u>\$ 837,503</u>
\$ 29,998,910	\$ 27,604,007	\$ 23,857,528	\$ 22,916,345	\$ 26,950,281	\$ 20,786,712
<u>(11,151,569)</u>	<u>(7,070,726)</u>	<u>(3,969,444)</u>	<u>(2,896,576)</u>	<u>(929,903)</u>	<u>(781,819)</u>
<u>\$ 18,847,341</u>	<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>
10.4%	9.6%	8.8%	8.6%	28.8%	8.2%

(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 2003-04, 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 2012-13, 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.

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

Functions/Programs	Fiscal Year Ended June 30,			
	2004	2005	2006	2007
<b>Primary government:</b>				
Governmental activities:				
General government (e)	\$ 548,874	\$ 776,017	\$ 2,782,125	\$ 1,268,607
Community development (h)	941,159	951,386	960,725	1,046,050
Public safety:				
Police (f)	690,663	820,955	932,483	1,613,682
Fire	337,650	386,462	290,173	290,436
Emergency communications (a)	208,339	229,980	236,218	181,058
Highways and streets (b) (i) (l) (m) (n)	5,975,693	4,475,629	4,347,662	6,481,738
Culture and recreation:				
Parks and recreation (c) (i) (k)	1,621,942	2,113,913	1,670,625	1,780,725
Library	124,113	189,440	186,731	162,959
Airport (d) (g) (j)	198,719	624,951	334,281	628,842
Total governmental activities	<u>10,647,152</u>	<u>10,568,733</u>	<u>11,741,023</u>	<u>13,454,097</u>
Business-type activities:				
Wastewater (i)	8,771,582	8,740,042	9,242,388	9,681,571
Ambulance	1,618,557	1,737,964	1,727,505	1,762,499
Building (h)	-	-	-	-
Total business-type activities	<u>10,390,139</u>	<u>10,478,006</u>	<u>10,969,893</u>	<u>11,444,070</u>
Total primary government	<u>\$ 21,037,291</u>	<u>\$ 21,046,739</u>	<u>\$ 22,710,916</u>	<u>\$ 24,898,167</u>
<b>Component unit:</b>				
Water and light	<u>\$ 38,656,138</u>	<u>\$ 38,408,072</u>	<u>\$ 40,201,155</u>	<u>\$ 42,699,716</u>

(a) During fiscal years 2003-04, 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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 497,521	\$ 625,093	\$ 617,801	\$ 626,400	\$ 639,086	\$ 635,997
1,005,640	564,006	539,378	583,847	576,426	638,007
1,648,392	1,084,767	1,008,654	891,671	853,089	909,347
287,018	280,264	386,813	333,420	313,471	340,253
160,995	171,242	166,906	161,453	158,728	140,829
5,029,028	1,807,909	2,264,864	2,417,477	2,463,150	2,504,676
1,670,571	1,325,613	1,946,469	1,385,067	1,349,716	1,420,302
161,640	173,587	199,667	196,990	203,170	209,286
459,794	2,760,843	271,032	1,487,222	237,082	239,436
<u>10,920,599</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>
9,672,427	8,352,547	8,303,950	8,292,062	8,478,806	8,660,788
2,120,051	2,392,251	2,328,956	2,275,122	2,740,006	2,847,104
-	201,002	334,380	295,934	297,204	290,537
<u>11,792,478</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>\$ 22,713,077</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>\$ 43,232,496</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>

(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 2012-13 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
2004	\$ 1,267,059,681	\$ 2,870,960	\$ 1,264,188,721	\$ 30,058,381	\$ 855,786	\$ 29,202,595
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

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		
\$ 63,364,572	\$ 24,529,683	\$ 1,381,285,571	\$ 1,760,704,384	78.5 %	\$ 6.27
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

**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
2004	\$ 5.02	\$ 1.25	\$ 6.27	\$ 2.57	\$ -	\$ 2.57
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

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	
McMinnville School District No. 40			Other Taxing Districts (a)			Direct and	
Operating	Debt Service	Total	Operating & Local Option	Debt Service	Total	Overlapping Rates	
\$ 4.15	\$ 3.14	\$ 7.29	\$ 1.23	\$ 0.14	\$ 1.37	\$	17.50
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

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

Taxpayer	Type of Business	Fiscal Year Ended June 30, 2013		
		Assessed Value	Percentage	Rank
Cascade Steel Rolling Mills, Inc. (a)	Steel production	\$ 66,884,177	3.04 %	1
Willamette Valley Medical Center, LLC	Health care	57,682,955	2.62	2
Evergreen International Airlines Inc	Aviation	24,219,936	1.10	3
BRE/SW Hillside LLC (e)	Retirement community	17,602,949	0.80	4
Lowes Home Improvement Warehouse, Inc.	Home improvement retail store	15,232,530	0.69	5
Comcast Corporation	Cable television	14,487,200	0.66	6
Frontier Communications (b)	Telephone communication	12,744,000	0.58	7
Reef McMinnville Plaza OPCO LLC (d)	Commercial real estate management	10,844,382	0.49	8
Air Liquide Industrial U S, LP (c)	Liquid oxygen, nitrogen, argon	8,506,658	0.39	9
HRC McMinnville LLC (e)	Retirement community	-	-	-
Verizon, Inc. (b)	Telephone communication	-	-	-
LAI Properties, Inc (c)	Liquid oxygen, nitrogen, argon	-	-	-
Homette Corporation	Mobile home and RV manufacturing	-	-	-
CEP Investors XV LLC (d)	Commercial real estate management	-	-	-
Northwest Natural Gas Co.	Natural gas distributor	-	-	-
Leslie A. Toth, Inc.	Mobile home parks	-	-	-
Summit Food Group	Commercial bakery	-	-	-
Total principal property tax payers		228,204,787	10.37	
All other property tax payers		1,970,940,301	89.63	
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) Cascade Steel Rolling Mills, Inc. appealed their assessed valuation, which is valued by State of Oregon industrial assessors. Due to economic conditions in the steel industry, the Oregon Tax Court lowered their assessed valuation by approximately \$44 million, during fiscal year 2002-03.

(b), (c), (d), (e) 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, 2004				
	Assessed Value	Percentage		Rank
\$	40,275,812	2.92	%	1
	33,406,701	2.42		2
	-	-		-
	-	-		-
	-	-		-
	-	-		-
	-	-		-
	-	-		-
	16,349,986	1.18		3
	16,179,814	1.17		4
	12,457,315	0.90		5
	8,040,237	0.58		6
	7,850,729	0.57		7
	5,898,500	0.43		8
	5,626,228	0.41		9
	4,967,485	0.36		10
	151,052,807	10.94		
	1,230,232,764	89.06		
\$	<u>1,381,285,571</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
2004	\$ 8,664,344	\$ (196,125)	\$ 8,468,219	\$ 8,101,768	93.5 %
2005	8,845,913	(218,906)	8,627,007	8,259,966	93.4
2006	9,316,566	(544,690)	8,771,876	8,489,244	91.1
2007	9,978,850	(382,387)	9,596,463	9,258,334	92.8
2008	10,588,854	(231,844)	10,357,010	9,889,138	93.4
2009	11,343,510	(258,642)	11,084,868	10,482,923	92.4
2010	11,873,607	(257,942)	11,615,665	10,896,434	91.8
2011	12,105,863	(319,491)	11,786,372	11,193,766	92.5
2012	12,215,194	(342,792)	11,872,402	11,323,050	92.7
2013	12,457,781	(372,389)	12,085,392	11,507,271	92.4

Source: Yamhill County Assessor's Office

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

Collections in		Total Collections to Date		
Subsequent			Percentage of	
Years		Amount	Adjusted Levy	
\$	365,160	\$ 8,466,928	99.98	%
	361,425	8,621,391	99.93	
	279,248	8,768,492	99.96	
	330,362	9,588,696	99.92	
	453,740	10,342,878	99.86	
	581,767	11,064,690	99.82	
	629,091	11,525,525	99.22	
	423,940	11,617,706	98.57	
	284,595	11,607,645	97.77	
	-	11,507,271	95.22	

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

<b>Customer Type</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Water consumption (e) (f):				
Residential	76,336,502	77,071,650	77,646,131	77,388,017
Commercial - no average (b)	63,210,554	57,720,582	57,666,869	64,372,500
Commercial - with average (c)	10,791,136	10,943,621	10,567,004	10,909,218
<b>Total</b>	<b>150,338,192</b>	<b>145,735,853</b>	<b>145,880,004</b>	<b>152,669,735</b>
Residential sewer rates: (a)				
Service charge per residential unit	\$ 17.86	\$ 17.60	\$ 17.40	\$ 16.59
Volume charge per 100 cubic feet of water used (d)	3.67	3.83	3.98	4.35
Commercial and industrial sewer rates:				
Service charge per account	18.46	17.60	17.40	16.59
Volume charge per 100 cubic feet of water used	4.14	4.40	4.68	5.31

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

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

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

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

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

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

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

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
77,053,217	77,035,569	76,504,331	74,859,499	75,685,450	75,773,900
67,676,406	57,137,000	50,828,300	53,747,000	50,717,903	56,242,500
10,798,667	10,111,714	9,585,906	9,363,800	8,999,000	7,882,400
<u>155,528,290</u>	<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>

\$	17.05	\$	17.05	\$	17.05	\$	17.05	\$	17.05	\$	17.05
	4.47		4.47		4.47		4.47		4.59		4.77
	17.05		17.05		17.05		17.05		17.05		17.05
	5.46		5.46		5.46		5.46		5.62		5.89

**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			
2004	\$ 17.86	\$ 3.67	\$ 18.46	\$ 4.14	\$ 6,671,169	1.07	%
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	

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
2004	10,468	1,126	11,594
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

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)
2004	\$ 12,170,000	\$ 510,000	\$ 11,660,000	0.66 %	\$ 399
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

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>Other 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>				
\$ 1,070,000	\$ 1,398,183	\$ 60,978	\$ 24,377,451	\$ 2,371,025	\$ 40,937,637	5.19	%	\$ 1,402
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	n/a		667
-	-	-	2,891,742	-	17,669,945	n/a		544



**City of McMinnville, Oregon**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2013**

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
Direct:			
General obligation bonded debt - City	\$ 15,848,203	100.00 %	\$ 15,848,203
Total direct debt			<u>15,848,203</u>
Overlapping:			
General obligation bonded debt:			
Chemeketa Community College	78,805,000	7.21	5,681,841
McMinnville School District No. 40	59,795,000	79.31	47,423,415
Other governmental activities debt:			
Chemeketa Community College	45,126,099	7.21	3,253,592
Willamette Education Service District	18,992,280	6.57	1,247,793
Yamhill County	750,000	29.41	220,575
Housing Authority of Yamhill County	1,910,000	29.41	<u>561,731</u>
Total overlapping debt			<u>58,388,946</u>
Total direct and overlapping debt			<u>\$ 74,237,149</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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total estimated real market value	\$ 1,760,704,384	\$ 2,020,287,465	\$ 2,215,609,959	\$ 2,822,850,527
Debt limitation:				
3% of estimated real market value	52,821,132	60,608,624	66,468,299	84,685,516
Debt applicable to limitation:				
Total general obligation bonded debt	12,170,000	10,690,000	9,320,000	21,010,000
Less amount available for payment of general obligation principal	<u>(510,000)</u>	<u>(340,000)</u>	<u>(355,000)</u>	<u>(375,000)</u>
Net debt applicable to limitation	<u>11,660,000</u>	<u>10,350,000</u>	<u>8,965,000</u>	<u>20,635,000</u>
Total remaining debt limit	<u>\$ 41,161,132</u>	<u>\$ 50,258,624</u>	<u>\$ 57,503,299</u>	<u>\$ 64,050,516</u>
 Total net debt applicable to limitation as a percentage of debt limit	 22.07%	 17.08%	 13.49%	 24.37%

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 3,117,670,189	\$ 3,281,260,714	\$ 3,267,741,423	\$ 3,193,379,293	\$ 2,806,089,205	\$ 2,767,634,640
93,530,106	98,437,821	98,032,243	95,801,379	84,182,676	83,029,039
20,325,000	19,490,000	18,620,000	17,710,000	16,515,000	15,440,000
(655,000)	(850,000)	(910,000)	(950,000)	(1,075,000)	(1,070,000)
<u>19,670,000</u>	<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>\$ 73,860,106</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>
21.03%	18.94%	18.07%	17.49%	18.34%	17.31%

**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	
2004	\$ 2,404,882	\$ 2,149,369	\$ 996,789	\$ 5,551,040	\$ 2,232,990	\$ 1,683,623	\$ 3,916,613	1.42
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

**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 OECD 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)
2004	29,200	\$ 789,276,000	\$ 27,030	5,911	6.6 %
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	n/a	n/a	6,492	8.5
2013	32,510	n/a	n/a	6,635	8.1

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, 2013			
		Number of Employees	Percentage	Rank	
McMinnville School District #40	Education	654	4.84 %	1	
Willamette Valley Medical Center, LLC	Health care	545	4.03	2	
Cascade Steel Rolling Mills, Inc.	Steel production	442	3.27	3	
Yamhill County	County government	386	2.86	4	
Evergreen Enterprises, Inc.	Air freight, helicopters, agriculture	381	2.82	5	
Linfield College (a)	Higher education - liberal arts	355	2.63	6	
Meggitt Polymer	Sealing solutions manufacturing	225	1.66	7	
Oregon Mutual Insurance Company	Insurance products and services	208	1.54	8	
Wal-Mart Stores, Inc.	Retail merchandise	200	1.48	9	
City of McMinnville	City government	198	1.47	10	
Skyline Corporation (Homette and Nomad)	Mobile home and RV manufacturing		-		
Total principal employers		3,594	26.59		
All other employers (estimated)		9,921	73.41		
Total		13,515	100.00 %		

Sources: City of McMinnville Planning Department. Total employees is provided by Worksource Oregon Employment Department.

(a)The number of employees for Linfield College for the fiscal year ended June 30, 2004 is an estimate.



Fiscal Year Ended June 30, 2004

<u>Number of Employees</u>	<u>Percentage</u>	<u>Rank</u>
582	3.86 %	1
489	3.24	2
456	3.02	4
375	2.49	5
477	3.16	3
300	1.99	6
-	-	-
249	1.65	8
250	1.66	7
177	1.17	10
<u>236</u>	<u>1.57</u>	9
3,591	23.82	
<u>11,486</u>	<u>76.18</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
2004	177	\$ 18,935,470	377	\$ 41,529,571
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

Source: City of McMinnville Building Division

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

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

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

Functions/Programs	Fiscal Year Ended June 30,					
	2004	2005	2006	2007	2008	2009
<b>Primary government:</b>						
Governmental activities:						
General government	14.49	13.59	14.31	13.20	19.84	15.48
Community development (a)	14.80	14.80	16.00	16.90	17.12	11.20
Public safety:						
Police:						
Sworn	30.00	32.00	35.00	35.00	35.00	36.00
Non-sworn	14.03	12.29	11.14	14.41	14.84	14.92
Fire (b) (c)	6.54	6.64	6.79	10.38	11.00	16.75
Highways and streets	8.18	8.35	8.85	9.60	9.69	9.15
Culture and recreation:						
Parks and recreation:						
Full-time	11.00	13.00	14.00	14.00	14.00	15.00
Part-time	25.43	22.29	23.08	25.21	23.60	27.89
Library	13.36	14.59	15.65	16.42	16.51	17.93
Total governmental activities	<u>137.83</u>	<u>137.55</u>	<u>144.82</u>	<u>155.12</u>	<u>161.60</u>	<u>164.32</u>
Business-type activities:						
Wastewater	20.07	19.68	19.41	18.76	18.91	19.04
Ambulance (b) (c)	19.12	17.45	17.66	21.07	21.16	16.04
Building (a)	-	-	-	-	-	5.90
Total business-type activities	<u>39.19</u>	<u>37.13</u>	<u>37.07</u>	<u>39.83</u>	<u>40.07</u>	<u>40.98</u>
Total primary government	<u>177.02</u>	<u>174.68</u>	<u>181.89</u>	<u>194.95</u>	<u>201.67</u>	<u>205.30</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
15.32	14.84	14.49	13.38
11.35	11.35	10.35	9.60
35.00	34.00	35.00	34.00
14.92	13.45	13.57	14.77
16.99	16.40	14.95	14.03
8.84	8.83	8.90	8.90
15.00	15.00	15.00	14.00
29.61	29.26	29.18	28.67
17.93	17.31	17.01	15.55
<u>164.96</u>	<u>160.44</u>	<u>158.45</u>	<u>152.90</u>
19.22	19.46	20.46	22.40
15.72	16.32	20.72	20.46
3.75	3.65	3.65	2.00
<u>38.69</u>	<u>39.43</u>	<u>44.83</u>	<u>44.86</u>
<u>203.65</u>	<u>199.87</u>	<u>203.28</u>	<u>197.76</u>

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

Functions/Programs	Fiscal Year Ended June 30,				
	2004	2005	2006	2007	2008
<b>Primary government:</b>					
Community development:					
Building division: (b)					
Building permits issued	491	453	517	463	332
Plumbing permits issued	281	272	374	261	247
Mechanical permits issued	96	106	189	188	180
Demolition permits issued	16	14	25	25	11
Fire life safety permits issued	44	22	53	22	40
Miscellaneous permits issued	48	45	69	57	48
Manufactured home permits issued	10	21	35	34	32
Total permits issued	<u>986</u>	<u>933</u>	<u>1,262</u>	<u>1,050</u>	<u>890</u>
Police:					
Calls for service (a) (h)	29,190	27,801	26,349	30,609	29,128
Crimes: (a)					
Part I (incidents & arrests reported to FBI)	1,217	1,240	958	1,006	1,143
Part II (arrests reported to FBI)	2,946	2,915	2,541	2,452	2,846
Part III (not reported to FBI)	<u>1,178</u>	<u>1,077</u>	<u>1,075</u>	<u>1,218</u>	<u>1,100</u>
Total crimes	<u>5,341</u>	<u>5,232</u>	<u>4,574</u>	<u>4,676</u>	<u>5,089</u>
Traffic crashes	278	302	336	250	245
Traffic citations/warnings	11,660	10,549	7,391	12,636	11,569
Fire:					
Self fire inspections conducted	1,308	1,329	1,330	1,390	-
On-site fire inspections conducted	392	671	560	610	120
Fire responses	n/a	788	1,070	1,063	838
Fire/rescue responses	n/a	1,682	2,603	2,839	2,933
Level of insurance service	Class 3	Class 3	Class 3	Class 3	Class 3
Parks and recreation:					
Aquatic center attendance:					
General recreation programs (d)	55,001	54,388	53,420	60,586	71,575
Fitness classes	15,475	17,485	17,535	17,190	18,303
Swim instruction	12,521	12,911	15,073	15,274	15,227
School district #40 programs	10,933	11,114	10,744	9,504	8,593
Rental attendance (d)	<u>13,700</u>	<u>15,557</u>	<u>16,298</u>	<u>15,308</u>	<u>16,452</u>
Total attendance	<u>107,630</u>	<u>111,455</u>	<u>113,070</u>	<u>117,862</u>	<u>130,150</u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
28,401	29,133	27,848	32,153	n/a
1,093	1,302	1,404	1,206	n/a
2,975	2,784	2,949	2,873	n/a
1,138	1,070	1,032	1,107	n/a
5,206	5,156	5,385	5,186	
228	297	265	276	n/a
9,559	7,090	5,754	10,581	n/a
-	-	-	-	-
230	320	375	450	512
869	815	800	923	650
3,120	3,212	3,303	2,823	2,912
Class 3	Class 3	Class 3	Class 3	Class 3
71,877	79,998	84,094	70,629	70,500
16,830	19,801	19,852	19,487	18,586
14,790	14,381	15,318	15,312	16,016
8,759	5,949	6,179	5,323	4,953
14,651	13,747	13,857	24,245	24,730
126,907	133,876	139,300	134,996	134,785

(Continued)

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

Functions/Programs	Fiscal Year Ended June 30,				
	2004	2005	2006	2007	2008
Community center and recreation programs:					
Facility reservations	n/a	n/a	1,002	1,144	1,200
Children's programs (children per session):					
Kids on the block (after school) (e)	n/a	n/a	530	434	500
STARS (summer)	n/a	n/a	98	120	130
Recreational sports:					
Soccer:					
Participants	n/a	n/a	1,500	1,720	1,750
Teams	n/a	n/a	107	118	120
Matches	n/a	n/a	1,190	1,220	1,250
Baseball/softball:					
Participants	n/a	n/a	1,170	1,380	1,400
Teams	n/a	n/a	92	106	110
Games	n/a	n/a	645	720	740
Other sports:					
Participants	n/a	n/a	570	600	550
Games/matches	n/a	n/a	340	375	360
Senior center:					
Attendance (g)	n/a	n/a	3,920	10,000	9,750
Facility rentals	n/a	n/a	52	62	55
Senior meals served	n/a	n/a	31,827	27,388	27,000
Day trips taken	n/a	n/a	27	10	8
Day trip attendance	n/a	n/a	568	191	240
Overnight trips taken	n/a	n/a	8	9	2
Overnight trip attendance	n/a	n/a	102	93	100
Park maintenance:					
Picnic reservations (a)	n/a	n/a	107	129	130
Library:					
Items circulated (c)	289,800	298,822	306,808	325,197	334,960
Resources	82,650	86,916	82,308	83,446	93,398
Uses of online databases, library website, and internet computers at the library	n/a	116,971	143,721	169,596	191,897
Service hours per week	47	47	47	47	47
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



2009	2010	2011	2012	2013
1,373	1,932	1,944	1,960	2,559
648	781	950	594	682
114	57	60	60	55
2,443	2,039	1,907	2,054	1,837
201	187	169	173	147
1,279	1,190	910	857	787
1,230	920	1,188	1,067	1,162
96	87	105	89	91
643	590	588	577	600
443	472	560	486	492
354	377	394	378	331
16,950	17,800	16,838	27,782	29,001
123	130	208	327	269
22,890	22,000	19,500	19,250	24,574
12	12	24	16	19
212	220	276	163	207
5	8	9	16	11
77	120	70	50	69
135	116	145	160	155
363,204	378,061	381,814	382,344	352,211
104,059	112,461	117,016	192,766	136,629
195,105	197,451	234,403	245,640	302,127
51	51	51	51	45
n/a	73,699	81,798	83,376	77,891
n/a	187,920	209,564	212,187	175,178

(Continued)

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

Functions/Programs	Fiscal Year Ended June 30,				
	2004	2005	2006	2007	2008
Community development:					
Building division: (b)					
Building permits issued	-	-	-	-	-
Plumbing permits issued	-	-	-	-	-
Mechanical permits issued	-	-	-	-	-
Demolition permits issued	-	-	-	-	-
Fire life safety permits issued	-	-	-	-	-
Miscellaneous permits issued	-	-	-	-	-
Manufactured home permits issued	-	-	-	-	-
Total permits issued	-	-	-	-	-
Wastewater Services:					
Daily average treatment in gallons (f)	2,867,000	3,072,000	3,217,000	2,951,000	3,287,000
Service connections:					
Residential	10,468	10,742	11,380	12,431	11,319
General services/commercial	1,126	1,182	1,452	1,284	1,316
Ambulance:					
Emergency Medical Service (EMS) calls	4,346	3,239	4,268	4,330	4,806
EMS patients transported	3,711	2,874	3,225	3,193	3,528
<b>Component unit:</b>					
Water and light:					
Water system:					
Daily average consumption in gallons	5,200,000	5,200,000	5,200,000	4,900,000	5,000,000
Service connections:					
Residential	10,833	11,102	11,276	11,520	11,674
General services/commercial	1,317	1,379	1,447	1,500	1,562
Electric system:					
Type	public power	public power	public power	public power	public power
Service connections:					
Residential	11,940	12,209	12,350	12,748	12,917
General services/small industrial	2,474	2,543	3,332	2,603	2,691
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 General recreation.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
222	207	192	119	201
224	269	298	132	243
241	266	197	103	173
11	10	5	5	12
41	21	33	12	29
48	41	40	28	26
7	22	17	4	2
<u>794</u>	<u>836</u>	<u>782</u>	<u>403</u>	<u>686</u>
2,948,000	2,937,000	3,461,000	2,960,000	2,740,000
11,398	11,319	11,768	11,664	11,784
1,326	1,199	1,246	1,170	1,164
5,185	5,480	5,603	5,713	5,795
4,163	4,001	4,100	4,204	4,388
5,000,000	4,200,000	4,400,000	4,324,000	5,020,000
11,718	11,617	12,063	11,886	12,006
1,573	1,424	1,521	1,479	1,485
public power	public power	public power	public power	public power
13,027	13,000	13,051	13,116	13,160
2,689	2,158	2,182	2,184	2,206
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**

Functions/Programs	Fiscal Year Ended June 30,			
	2004	2005	2006	2007
<b>Primary government:</b>				
General government:				
Computers - desktops and laptops	159	163	163	165
Computers - physical servers	15	16	17	18
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
Motorcycles	-	-	-	1
Fire:				
Stations	1	1	1	1
Training facility	1	1	1	1
Vehicles	18	18	18	18
Highways and streets:				
Miles of streets	97	99	100	102
Miles of storm drain sewers	69	71	72	74
Number of street lights (f)	2,136	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 (d)	1	1	1	1
Community parks (b)	4	5	5	5
Linear park (c)	1	2	2	2
Mini parks and play lots	7	7	7	7
Nature parks (a)	2	2	2	2
Special use park (e)	-	-	-	-
Greenway/greenspaces	15	15	15	15
Park system acreage (d)	335	335	335	335
Tennis courts	4	4	4	4
Baseball/softball fields	10	10	10	10
Soccer fields	11	11	11	11
Outdoor basketball courts (b)	3	7	7	7
Skate parks(b)	1	2	2	2
Library:				
Facility	1	1	1	1
Bookmobile	1	1	1	1

2008	2009	2010	2011	2012	2013
204	210	251	264	264	267
20	21	33	21	14	17
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
15	15	15	15	16	14
1	1	1	1	2	2
1	2	2	2	2	2
1	1	1	1	1	2
1	1	1	1	1	1
18	16	16	16	16	16
103	103	103	103	103	103
75	75	75	75	75	76
n/a	n/a	n/a	2,677	2,684	2,684
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
2	2	2	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
15	15	15	15	15	15
343	347	353	353	353	353
4	4	4	4	4	4
11	11	11	11	11	11
11	11	11	11	11	11
7	7	7	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,			
	2004	2005	2006	2007
<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	71	73	83	83
Corporate	1	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	137	141	144	149
Ambulance:				
Vehicles	3	3	3	3
<b>Component unit:</b>				
Water and light:				
Water system:				
Maximum daily capacity of plant in gallons (g)	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	137	140	152
Fire hydrants	912	919	944	1,012
Electric system:				
Substations	7	7	7	7
Miles of distribution	302	302	307	315

Source: City of McMinnville departments

(a) In fiscal year 2003-04, Rotary Nature Reserve at Tice Woods was dedicated.

(b) In fiscal year 2004-05, Discovery Meadows Community Park was dedicated and includes additional basketball courts and a skate park.

(c) In fiscal year 2004-05, Bonneville Power Administration Linear Park was dedicated.

(d) 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.

(e) In fiscal year 2009-10, a dog park was constructed.

2008	2009	2010	2011	2012	2013
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
1	-	-	-	-	-
2	2	2	2	2	2
27	27	27	27	27	27
83	83	83	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	152
3	3	3	4	5	5
13,300,000	13,300,000	13,300,000	22,000,000	22,000,000	22,000,000
3.5	3.5	3.5	3.5	3.5	3.5
154	154	154	172	172	172
1,014	1,017	1,023	1,023	1,023	1,024
7	7	8	7	7	7
318	318	318	314	320	323

(f) The number of street lights is not available for fiscal years 2004-05 through 2009-10.

(g) In fiscal year 2010-11, Water & Light completed Scott Water Treatment Plant expansion construction.

n/a - not available





## **COMPLIANCE SECTION**

- Independent Auditor's Report Required by Oregon State Regulations





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

December 4, 2013

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, 2013 and have issued our report thereon dated December 4, 2013. 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 the 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 162-10-030 INTERNAL CONTROL**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

**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 blue ink, appearing to read "T. K. & W. J. White, CPA".

Certified Public Accountants