

CITY OF MCMINNVILLE, OREGON

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2012

Prepared by:

Finance Department

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Finance Director

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Accountant



City of McMinnville, Oregon
Comprehensive Annual Financial Report
Year Ended June 30, 2012

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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

December 19, 2012

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, 2012. The *Comprehensive Annual Financial Report (CAFR)* presents the financial position of the City of McMinnville (City) as of June 30, 2012 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 unqualified 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 asserts the *CAFR* is complete and reliable in all material respects and that management has established a comprehensive framework of internal control to provide a reasonable basis for asserting that the financial statements are fairly presented.

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 city in Oregon. McMinnville is the county seat of Yamhill County, the home of Linfield College, and the economic hub of the region. The economy is widely diversified, with primary industries including commercial aviation, steel rebar production, medical services, insurance 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 now 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; 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 affirmed 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 the Oregon Employment Department, total employment within city limits in 2011 stood at 13,403.¹ The largest share of this employment was concentrated in two industries; 19 percent in the trade, transportation, and utilities sector; and 19 percent in the private education and health services sector. These two sectors were followed by manufacturing employment at 16 percent. 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, most of the largest industries in McMinnville showed increases in employment, with health services, local government, and construction, leading the way. McMinnville's principal employers are listed in the Statistical Section.

Long-term economic forecasts suggest that employment in McMinnville will continue to grow at a slightly faster rate than Yamhill County and the northern Willamette Valley Region, as it has over the last several decades. These same forecasts estimate that McMinnville's employment will continue to grow at an average annual growth rate of two percent over the course of the next 20 years.

In the past year, unemployment rates for Yamhill County have slowly but steadily trended downward from 2009 seasonally adjusted rates of 12 percent, to 8.5 percent as of July 2012. This rate nearly matches the national average of 8.3 percent and is slightly less than the State of Oregon unemployment rate of 8.7 percent. In a report released by the Oregon Office of Economic Analysis in November 2012, it was noted that employment in Oregon continues to increase at a slow, subdued pace in 2012, approximately in line with gains seen at the national level. Data indicates that employment in Oregon will continue to expand slowly, with growth widespread across all industries.

¹ Source: Oregon Employment Department, Labor Market Information, 2010. This is the most recent data available for the McMinnville city limits area.

Population Growth: Over the last ten years, McMinnville has experienced one of the fastest population growth rates in Oregon, 12 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 10 percent.

Year	McMinnville		Yamhill County		State of Oregon	
	Population	Percent Change	Population	Percent Change	Population	Percent Change
2003	28,890	2.4%	88,150	0.7%	3,541,500	1.1%
2008	32,400	2.3	94,325	1.5	3,791,075	1.5
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

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. The prior year is updated to the certified Oregon population estimates.

Using forecasts published by the Oregon Office of Economic Analysis, McMinnville’s population is expected to increase over the next 20 years at an average annual increase of 2.4 percent. At this rate, McMinnville’s year 2025 population is expected to reach 46,195; an increase of 13,760 residents from its 2012 population estimate of 32,435.

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 2009, 2010, and 2011. This contrasts sharply to years prior to 2009 in which McMinnville experienced steady growth. However, during fiscal year 2011-12, several projects of note were initiated or completed, including the following: groundbreaking for the new Red Hawk Lodge on the Evergreen Aviation campus (\$21.8 million); construction of an addition to the Head Start education facility (\$1.3 million); completion of an extensive remodel of Melrose Hall on the Linfield College campus (\$0.4 million); completion of a new Yamhill Community Action Partnership (YCAP) food bank and administrative office complex (\$2.4 million) and initiation of work on several other commercial projects totaling \$1.7 million.

This past year, the City successfully defended an appeal of the City Council’s decision approving a tentative plat for a proposed 35-lot residential subdivision. That work is now moving forward with groundbreaking expected to occur in early 2013. In addition, the City approved a subdivision plat for a proposed 21-lot residential development in north McMinnville. Work on the construction of this subdivision is nearly complete with the final plat expected to be recorded in late 2012. These two subdivision applications break a two year drought during which the City had no tentative subdivision applications, something not experienced in the two decades preceding 2009. In contrast, from 2006 through 2008, the City granted approval for development of 15 residential subdivisions. The City also issued permits for a 32-unit apartment complex in west McMinnville, valued at \$3.6 million. For comparison, the 2000 US Census Bureau estimated that there were a total of 9,834 housing units in McMinnville. According to the 2010 US Census Bureau estimates, that number has grown to 12,569 housing units.

Transmittal Letter
Year Ended June 30, 2012

This year's residential permit numbers show a slight increase compared to the two prior years, thereby reversing a nearly five year downward trend. In 2012, the value of new residential construction totaled \$10.6 million, compared to \$9.5 million in both 2011 and 2010. The City issued residential permits valued at \$12.6 million in 2009. For commercial, public sector, and industrial development, 2012 values were down slightly compared to 2011. In 2012, the value of commercial, public sector, and industrial new construction totaled \$23.4 million compared to \$24.9 million in 2011. The value of commercial, public sector, and industrial new construction totaled \$42.9 million and \$10.8 million in 2010 and 2009, respectively.

Property Values: Real market value growth is another factor that is useful in measuring the economic health of a community. As illustrated below, the maximum assessed value for McMinnville grew by 62 percent over the last ten years in spite of an Oregon tax limitation measure enacted in 1996 that limits valuation increases to three percent, except for new construction and major improvements made to existing structures. A significant portion of the increase in maximum assessed value between 2008 and 2011 was related to new construction and major improvements. From 2003 to 2011, real market value for McMinnville increased by 63 percent. The property value table below illustrates that the City is located in a growing economic region. Yamhill County's real market value grew by 121 percent in the last ten years.

It should be noted that, although the City's *real market value* decreased in 2011 and 2012 by 2.3 percent and 12.1 percent respectively, *maximum assessed value* increased in 2011 and 2012 by 3.6 percent and 1.6 percent respectively. Maximum assessed value as a percentage of real market value was 76 percent for 2012 compared to 66 percent for 2011.

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

<u>Fiscal Year End</u>	<u>McMinnville</u>				<u>Yamhill County</u>	
	<u>Maximum Assessed Value</u>	<u>Percent Change</u>	<u>Real Market Value</u>	<u>Percent Change</u>	<u>Real Market Value</u>	<u>Percent Change</u>
2003	\$ 1,323,091	3.7%	\$ 1,716,334	6.6%	\$ 4,162,400	5.8%
2008	1,798,841	7.3	3,117,670	10.4	9,138,140	12.9
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)

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, which was established by the 1996 tax limitation measure. The debt service levy has continued to decrease from 2008 through 2012, partially due to the City's issuance in October 2011 of \$5.6 million in general obligation refunding bonds. These bonds refunded \$5.8 million in general obligation bonds that were issued in 2001 for Park System improvements. This current bond refunding reduced total debt service payments over the next 10 years by \$1,102,467.

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</u> <u>Levy</u>	<u>Debt Service</u> <u>Levy</u>	<u>Total Property</u> <u>Tax Levy</u>	<u>Consolidated Property</u> <u>Tax Rate</u>
2003	\$ 5.02	\$ 1.27	\$ 6.29	\$ 17.30
2008	5.02	0.85	5.87	16.59
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

Source: Yamhill County Assessor's Office

Fiscal Policy and Financial Planning:

Fiscal year 2011-12 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 the Oregon Public Employee Retirement System (OPERS) employer contribution rates, the City will continue to be challenged with providing services that meet the demands of its citizens.

To facilitate decision-making during the budget process, City management utilizes a long-term financial forecast model. The forecast is used by management to evaluate the current fiscal year within the framework of the longer-term financial picture. In 2009, the forecast model indicated that General Fund expenditures would exceed revenues over the next several years, and the fund balance would be reduced to unacceptable levels, unless the City increased revenues, reduced expenditures, or some combination of both. Due to Oregon's limitations on assessed property value increases and historically low levels of construction activity and population growth, opportunities to substantially 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 is approximately 44% of total General Fund expenditures for 2011-12, significantly more than the minimum General Fund balance targeted in the fund balance policy adopted by the City Council in fiscal year 2011-12. 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.

**Transmittal Letter
Year Ended June 30, 2012**

For 2011-12, the City's conservative approach to budgeting resulted in General Fund revenues exceeding expenditures by \$0.1 million on a modified accrual basis (including transfers to other funds). Factors contributing to the favorable change in the fund balance included increases in property tax revenues, which resulted from a 1.6% increase assessed property values compared to the prior year, and growth in franchise fee revenues, which resulted from utility rate increases. In addition, total General Fund expenditures were held to a two percent increase compared to the prior year.

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 2.8 percent compared to the prior year. In comparison, 2011-12 assessed values increased by only 1.6 percent compared to the prior year.
- Rising medical insurance premiums in recent years have caused the City to consider alternatives to current health care plans provided to its employees. In recent contract negotiations, members of the firefighters' association agreed to move to a copay plan which will reduce costs for the City and for most employees. General services employees have expressed interest in a similar copay plan.
- Oregon Public Employee Retirement System (OPERS) employer contribution rates for 2013-15 will increase to approximately 22 percent of subject salary (not including the six percent employee pick up). This is a 27 percent increase compared to employer contribution rates in effect from 2011-13. With annual General Fund salaries and wages at approximately \$7.5 million, this rate increase will have a significant negative impact.
- In 2011-12, ambulance services operating expenses exceeded operating revenues by \$0.4 million on a full accrual basis, requiring the General Fund to subsidize ambulance operations with a transfer of \$0.3 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 fiscal year 2011-12, the Planning Department oversaw the completion of the Northeast Gateway Plan and Implementation Strategy, which is intended to guide the transition of an existing industrial area into a mixed-use urban neighborhood. In addition, the City is currently exploring the potential of using urban renewal and the associated financial tool, tax increment financing, to assist in 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 create the vision for the development of downtown McMinnville.

During fiscal year 2011-12, Wastewater undertook a major capital project, designed to reduce infiltration and inflow (I&I) in the downtown area. Based on findings in the master planning effort, I&I related rehabilitation projects are a vital component in controlling wastewater system overflows. Construction in progress related to this project was \$1.4 million at fiscal year end.

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, 2011. The City has received this recognition for 23 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:

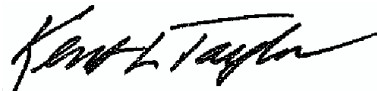
The preparation of the *Comprehensive Annual Financial Report (CAFR)* is the final step in the completion of a successful year for the City's Finance Department. We would like to thank the City's accounting staff for their day-to-day dedication to providing professional accounting services and producing 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 Technical Services Accountant Rachael F. Lembo, CPA, who provided valuable assistance in the drafting of the City's *CAFR*.

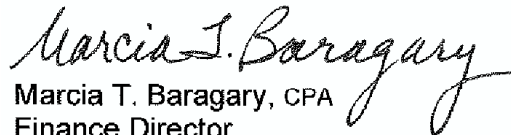
Furthermore, we would like to acknowledge the efforts of all City department personnel who conscientiously adhere to internal controls throughout the year and who provide important statistical information, making the *CAFR* a meaningful presentation of the City's financial statements.

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

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davidson

President

Jeffrey R. Emer

Executive Director

CITY OF McMinnville, Oregon

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

JUNE 30, 2012

CITY COUNCIL

TERM EXPIRES

Rick Olson 1324 SW Louise Drive McMinnville Oregon 97128	Mayor	December 31, 2012
Scott Hill 1525 Gilson Court McMinnville Oregon 97128	Ward I	December 31, 2012
Kevin Jeffries 2355 SW Peggy Street McMinnville Oregon 97128	Ward I	December 31, 2014
Kellie Menke 678 NW Wintergreen McMinnville Oregon 97128	Ward II Council President	December 31, 2012
Alan Ruden 1688 NW Emerson Drive McMinnville Oregon 97128	Ward II	December 31, 2014
Larry Yoder 565 Haven Lane McMinnville Oregon 97128	Ward III	December 31, 2012
Paul May 309 NE 5 th Street McMinnville Oregon 97128	Ward III	December 31, 2014

CITY ADMINISTRATION

Kent L. Taylor

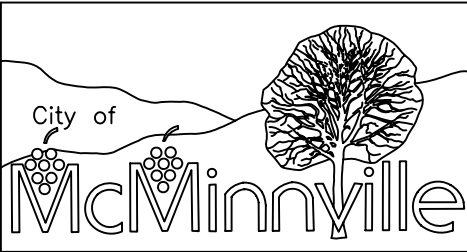
City Manager

Candace A. Haines

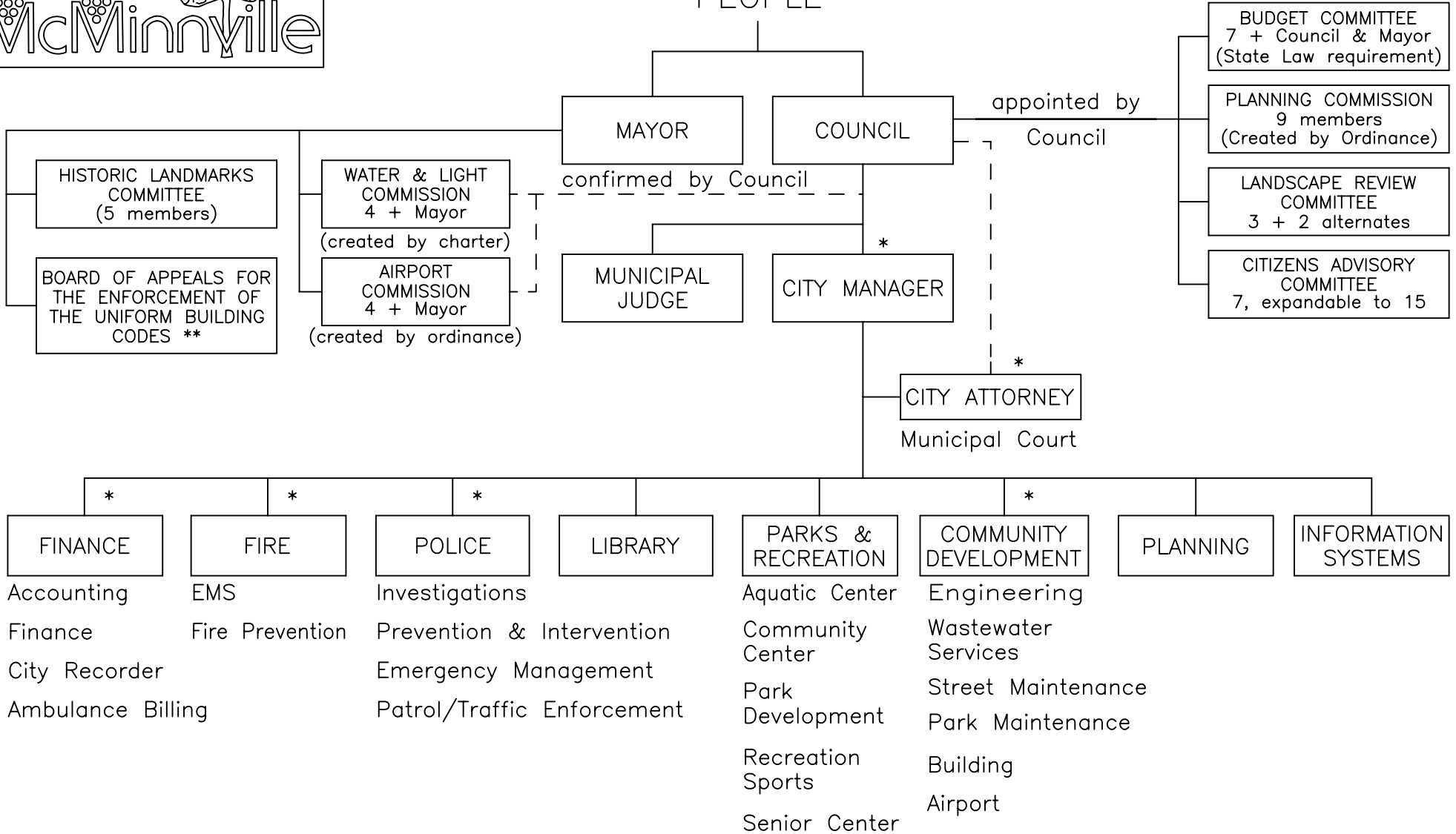
City Attorney

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.

FINANCIAL SECTION

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



INDEPENDENT AUDITOR'S REPORT



**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

4800 Meadows Road, Suite 200
Lake Oswego, Oregon 97035-4293

P 503.274.2849
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www.tkw.com

December 19, 2012

Honorable Mayor and City Council
City of McMinnville
McMinnville, Oregon

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, 2012, which collectively comprise the City's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of McMinnville Water and 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In our opinion based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the

INDEPENDENT AUDITOR'S REPORT (Continued)

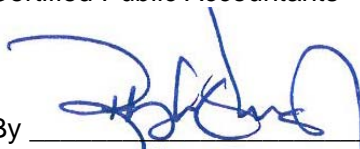
City of McMinnville
McMinnville, Oregon
December 19, 2012
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information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Other Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Other Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing procedures generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory and Statistical sections, as listed in the Table of Contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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, 2012. 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 \$136.7 million at June 30, 2012. This compares to \$136.2 million for the prior year.
- The net assets balance of \$136.7 million is comprised of the following:
 - 1) Investments in capital assets, net of related debt, such as buildings, parks and roads (\$103.8 million compared to \$104.2 million in the prior year);
 - 2) Restricted amounts for future capital projects, debt service, and a non-expendable library endowment (\$4.1 million compared to \$3.9 million in the prior year);and
 - 3) An unrestricted balance, which may be used to meet the government's ongoing obligations to citizens and creditors (\$28.8 million compared to \$28.1 million in the prior year).

Fund Level:

- The City's governmental funds report a combined fund balance of \$14.0 million, an increase of \$0.5 million from last fiscal year. Approximately \$6.5 million of that total is unassigned compared to \$6.4 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 \$0.1 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 assets balance of \$65.1 million, an increase of \$2.6 million over the prior year. The increase was primarily due to a \$2.7 million decrease in non-current liabilities due to principal payments on revenue bonds.

City of McMinnville - Management's Discussion and Analysis

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 Assets 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 users 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 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 Assets:** This statement includes all assets and liabilities with the difference reported as net assets. Evaluating increases or decreases in net assets 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 assets 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 into 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 financial statements. Non-major governmental funds data is provided in combining and individual fund statements and schedules.

City of McMinnville - Management's Discussion and Analysis

- **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. 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 each fund, property tax and debt service schedules, and a schedule of expenditures of federal awards.

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

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

City of McMinnville - Management's Discussion and Analysis

Government-Wide Financial Analysis

Statement of Net Assets:

The following table is a summary of the City's Net Assets 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 Assets June 30, 2012 and 2011 (in millions)

	City of McMinnville – Primary Government						Component Unit	
	Governmental Activities		Business – Type Activities		Total City		Department	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash and investments	\$15.4	\$15.0	\$18.6	\$18.1	\$ 34.0	\$ 33.1	\$ 21.2	\$ 17.3
Other assets	2.4	2.0	1.5	1.6	3.9	3.6	8.9	8.7
Capital assets	<u>75.5</u>	<u>79.1</u>	<u>49.8</u>	<u>50.2</u>	<u>125.3</u>	<u>129.3</u>	<u>116.0</u>	<u>114.7</u>
Total assets	<u>93.3</u>	<u>96.1</u>	<u>69.9</u>	<u>69.9</u>	<u>163.2</u>	<u>166.0</u>	<u>146.1</u>	<u>140.7</u>
Other liabilities	2.2	2.2	0.8	0.7	3.0	2.9	4.4	3.9
Non-current liabilities	<u>17.6</u>	<u>18.3</u>	<u>5.9</u>	<u>8.6</u>	<u>23.5</u>	<u>26.9</u>	<u>1.4</u>	<u>1.3</u>
Total liabilities	<u>19.8</u>	<u>20.5</u>	<u>6.7</u>	<u>9.3</u>	<u>26.5</u>	<u>29.8</u>	<u>5.8</u>	<u>5.2</u>
Investment in capital assets, net of related debt	59.8	62.4	44.0	41.8	103.8	104.2	106.6	103.5
Restricted	4.0	3.8	0.1	0.1	4.1	3.9	-	-
Unrestricted	<u>9.7</u>	<u>9.4</u>	<u>19.1</u>	<u>18.7</u>	<u>28.8</u>	<u>28.1</u>	<u>33.7</u>	<u>32.0</u>
Total net assets	<u>\$73.5</u>	<u>\$75.6</u>	<u>\$63.2</u>	<u>\$60.6</u>	<u>\$136.7</u>	<u>\$136.2</u>	<u>\$140.3</u>	<u>\$135.5</u>

For the City, assets exceeded liabilities by \$136.7 million at the end of the current fiscal year. The largest portion of the City's net assets are invested in capital assets and are reported net of related outstanding debt (\$103.8 million). The City uses these capital assets to provide services to its citizens. Therefore, they do not represent resources available for future spending. Restricted net assets total \$4.1 million and represent amounts that are legally restricted for capital expansion, debt service, or other purposes. Finally, the remaining \$28.8 million is unrestricted, meaning it is available for meeting the City's ongoing obligations.

- **City --- Comparative Summary Statement of Net Assets – Governmental Activities:** Total net assets decreased by \$2.1 million or three percent, due to a combination of several factors. Capital asset additions of \$0.9 million were offset by an increase of \$4.5 million in accumulated depreciation, resulting in a net decrease of \$3.6 million. The decrease in net capital assets was partially offset by a \$0.7 million reduction in current and non-current liabilities resulting from principal payments on general obligation bonds made during the fiscal year.
- **City --- Comparative Summary Statement of Net Assets – Business-Type Activities:** Total net assets increased by \$2.6 million or four percent. The increase is primarily due to a \$2.7 million reduction in non-current liabilities resulting from principal payments on sewer revenue bonds.
- **Component Unit - Department --- Comparative Summary Statement of Net Assets:** Total net assets for the Department increased by \$4.8 million or four percent, primarily due to an increase in the net utility plant asset and cash from operations. Cash from operating activities increased largely due to higher receipts from customers, which resulted from rate increases implemented in 2011 for both electric and water customers, and higher net timber revenue.

City of McMinnville - Management's Discussion and Analysis

Statement of Activities:

Total net assets of the City increased by \$0.5 million compared to the prior fiscal year. Governmental activities net assets declined by \$2.1 million and business-type activities grew by \$2.6 million.

Government-Wide --- Comparative Summary Statement of Activities For the Years Ended June 30, 2012 and 2011 (in millions)

	City of McMinnville – Primary Government						Component Unit	
	Governmental Activities		Business – Type Activities		Total City		Department	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:								
Program revenues:								
Charges for services	\$ 3.8	\$ 4.0	\$11.5	\$10.9	\$ 15.3	\$ 14.9	\$ 41.1	\$ 36.5
Operating grants and contributions	2.3	2.2	-	-	2.3	2.2	0.4	0.2
Capital grants and contributions	0.7	1.9	-	-	0.7	1.9	0.2	0.3
General revenues:								
Property taxes	11.9	11.9	-	-	11.9	11.9	-	-
Franchise taxes	2.4	2.2	-	-	2.4	2.2	-	-
Other	<u>0.8</u>	<u>0.8</u>	<u>0.1</u>	<u>0.1</u>	<u>0.9</u>	<u>0.9</u>	<u>3.7</u>	<u>3.6</u>
Total revenues	<u>21.9</u>	<u>23.0</u>	<u>11.6</u>	<u>11.0</u>	<u>33.5</u>	<u>34.0</u>	<u>45.4</u>	<u>40.6</u>
Expenses:								
Governmental activities:								
General government	1.9	2.2	-	-	1.9	2.2	-	-
Community development	1.3	1.3	-	-	1.3	1.3	-	-
Public safety	10.3	9.8	-	-	10.3	9.8	-	-
Highways and streets	3.3	3.5	-	-	3.3	3.5	-	-
Culture and recreation	5.7	5.6	-	-	5.7	5.6	-	-
Airport	0.6	0.8	-	-	0.6	0.8	-	-
Interest on long-term debt	0.6	0.8	-	-	0.6	0.8	-	-
Business-type activities:								
Wastewater	-	-	5.9	5.8	5.9	5.8	-	-
Ambulance	-	-	3.0	2.6	3.0	2.6	-	-
Building	-	-	0.4	0.4	0.4	0.4	-	-
Component unit	-	-	-	-	-	-	40.6	37.8
Total expenses	<u>23.7</u>	<u>24.0</u>	<u>9.3</u>	<u>8.8</u>	<u>33.0</u>	<u>32.8</u>	<u>40.6</u>	<u>37.8</u>
Change in net assets before transfers	(1.8)	(1.0)	2.3	2.2	0.5	1.2	4.8	2.8
Transfers	<u>(0.3)</u>	<u>(0.1)</u>	<u>0.3</u>	<u>0.1</u>	-	-	-	-
Change in net assets	(2.1)	(1.1)	2.6	2.3	0.5	1.2	4.8	2.8
Beginning net assets	75.6	76.4	60.6	58.3	136.2	134.7	135.5	132.7
Restatement – prior period adjustment	-	<u>0.3</u>	-	-	-	<u>0.3</u>	-	-
Ending net assets	<u>\$73.5</u>	<u>\$75.6</u>	<u>\$63.2</u>	<u>\$60.6</u>	<u>\$136.7</u>	<u>\$136.2</u>	<u>\$140.3</u>	<u>\$135.5</u>

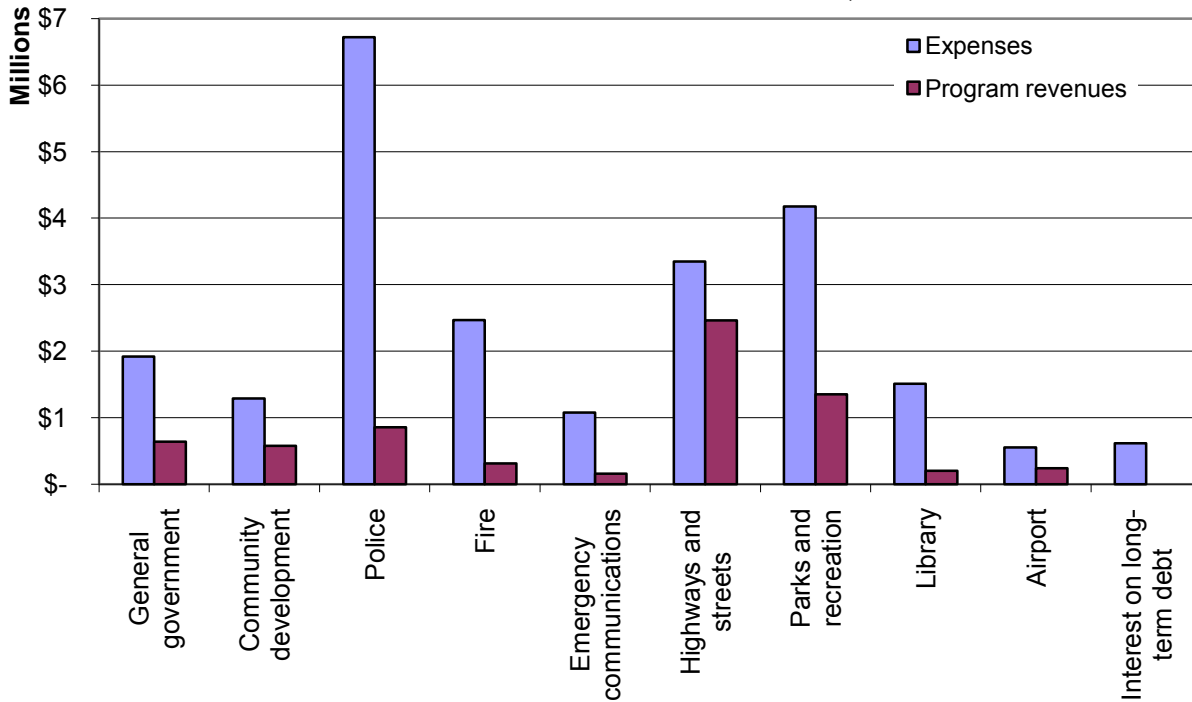
City of McMinnville - Management’s Discussion and Analysis

- **City --- Comparative Summary Statement of Activities – Governmental Activities:** Program revenues declined by \$1.3 million or 15 percent compared to the prior year. The decrease is related to capital grants and contributions revenue. Fiscal year 2011 included a \$1.3 million Federal Aviation Administration (FAA) grant for land improvement projects at the airport in the prior year; there were no comparable grants in the current year. General revenues for the current fiscal year were consistent with prior year general revenues.

Total expenses for governmental activities declined approximately \$0.3 million or one percent compared to the prior year. For General Government, the decrease was partially due to significant loss on disposal in the prior year that was related to disposing of assets that were not fully depreciated. For Airport and Highways and Streets, expenses decreased by a total of \$0.4 million compared to the prior year due to limited construction activity in the current year. However, Public Safety increased by \$0.4 million, primarily due to cost of living salary adjustments and medical insurance premium increases.

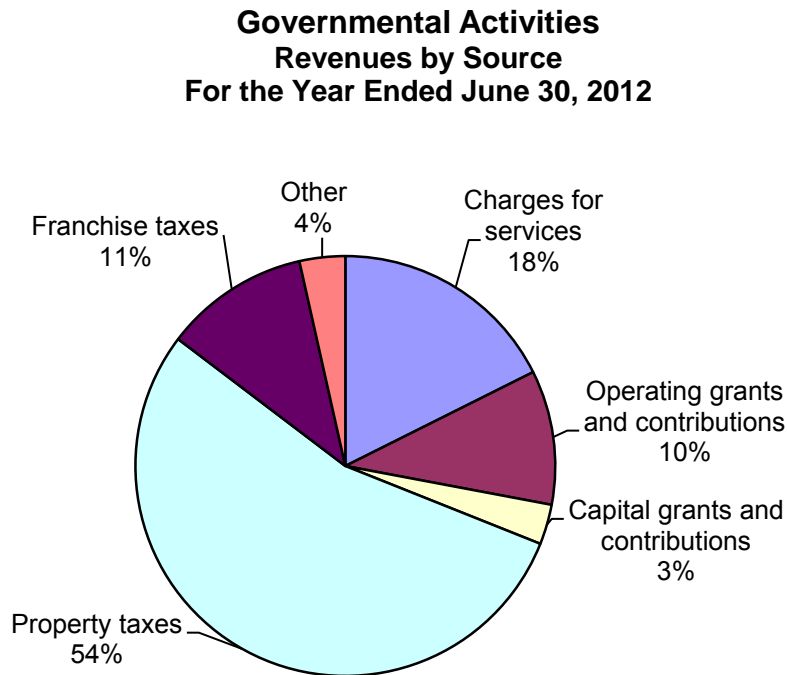
The following bar chart compares each governmental activity expense with the revenue stream for each activity and illustrates the extent to which different programs are subsidized with general revenues.

**Governmental Activities
Expenses and Program Revenues by Function
For the Year Ended June 30, 2012**



City of McMinnville - Management's Discussion and Analysis

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

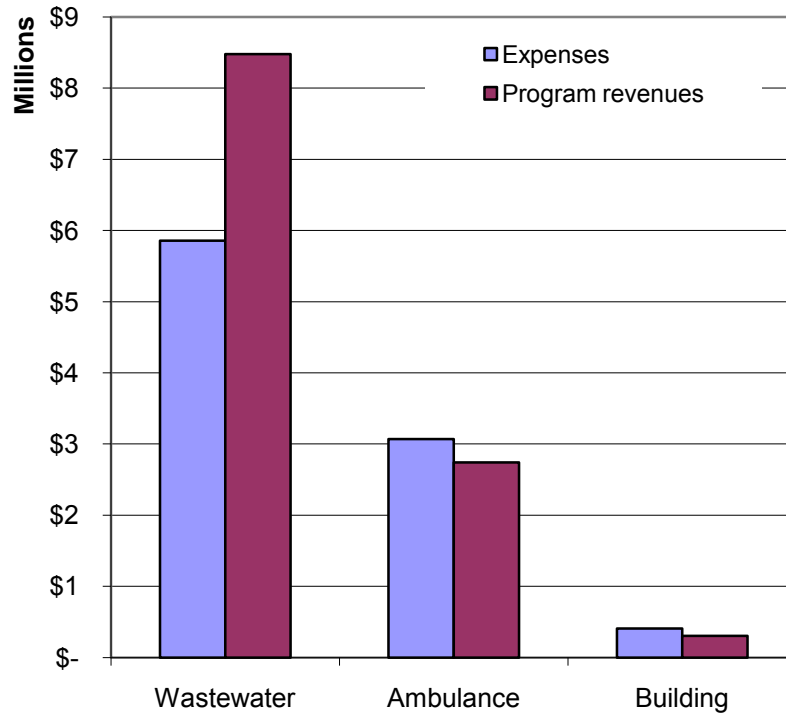


City --- Comparative Summary Statement of Activities – Business-Type Activities: Revenues for business-type activities, primarily consisting of charges for services, rose by \$0.6 million or five percent compared to the prior year. For Wastewater, sewer user fee rates were increased in January 2012, resulting in a \$0.2 million increase in charges for services compared to the prior year. Ambulance revenue increased \$0.5 million compared to the prior year, primarily due to a 50% ambulance rate increase adopted in April 2011.

Total expenses for all business-type activities, Wastewater, Ambulance, and Building, increased a total of \$0.5 million or six percent compared to the prior year, primarily due to higher Ambulance personnel expenses. For certain Firefighter/Emergency Medical Technician (EMT) positions, salaries and fringe benefits costs allocated to Ambulance were increased, causing a corresponding decrease in Fire salaries and fringe benefits. This adjustment more closely aligned costs with actual hours worked by these employees when performing either Fire or EMT duties. Rising cost of living salary adjustments and medical insurance premiums also contributed to the increase.

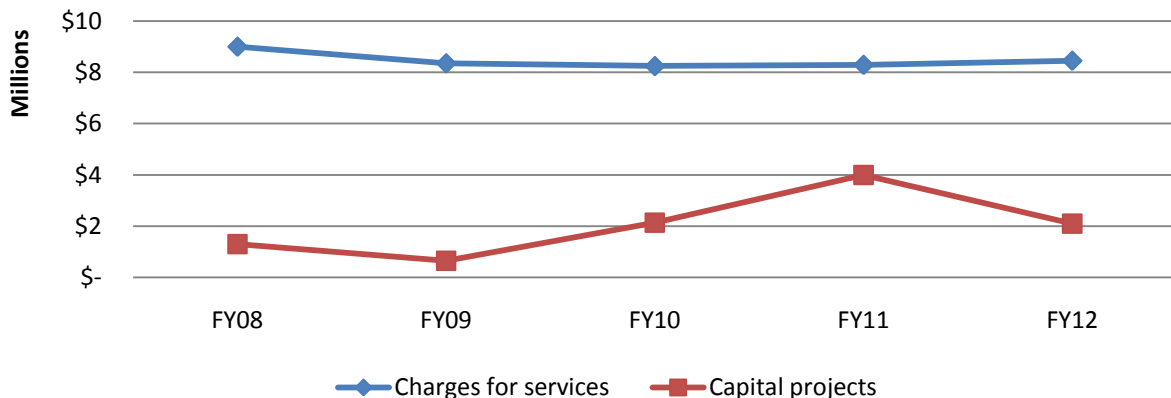
The following bar chart compares each business-type activity expense with the revenue stream for that activity. The significant difference between Wastewater revenue and expenses is due to a financial policy adopted by City Council to set sewer rates at a level sufficient to fund future capital projects on a “pay as you go” basis. The chart also shows that Ambulance and Building expenses exceeded revenue in the current fiscal year, requiring operations to be partially funded with cash reserves.

Business-Type Activities
Net Expenses and Program Revenues by Function
For the Year Ended June 30, 2012



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

Business-Type Activities, Wastewater Fund
Charges for Services and Capital Project Costs
For the Year Ended June 30, 2012



City of McMinnville - Management's Discussion and Analysis

Component Unit - Department --- Comparative Summary Statement of Activities: Total revenues for the Department overall increased by \$4.8 million compared to the prior year. Revenues from sales of electricity and water increased by 14 percent and four percent, respectively, largely due to rate increases. Consumption of electricity and water increased (decreased) by one percent and (two percent), respectively. The economy, mild weather conditions, and conservation efforts continue to be factors in flat or decreasing 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, 2012 and 2011 (in thousands)

	Major Funds								Total		Net Change	
	General		Airport Maintenance		Debt Service		Non-major Funds					
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	
Nonspendable	\$ 44	\$ 126	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50	\$ 126	\$ (76)
Restricted	-	-	-	-	1,591	1,472	3,050	3,043	4,641	4,515	126	
Committed	-	-	663	564	-	-	-	-	663	564	99	
Assigned	968	801	-	-	-	-	1,226	1,123	2,194	1,924	270	
Unassigned	<u>6,466</u>	<u>6,404</u>	-	-	-	-	-	(41)	<u>6,466</u>	<u>6,363</u>	103	
Total ending fund balance	<u>\$ 7,478</u>	<u>\$ 7,331</u>	<u>\$ 669</u>	<u>\$ 564</u>	<u>\$ 1,591</u>	<u>\$ 1,472</u>	<u>\$ 4,276</u>	<u>\$ 4,125</u>	<u>\$ 14,014</u>	<u>\$ 13,492</u>	<u>\$ 522</u>	

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 nearly one percent compared to the prior year end. This increase is primarily attributable to favorable changes in General Fund revenues.

Total General Fund revenues increased by \$0.3 million or two 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 \$0.1 million compared to the prior fiscal year, primarily due to increased franchise fee revenue collected from McMinnville Water and Light, which implemented higher rates for water and electricity in 2011.

City of McMinnville - Management's Discussion and Analysis

Total General Fund expenditures increased by \$0.4 million or two percent compared to the prior year. Higher costs for public safety salaries and fringe benefits, including cost of living adjustments, medical insurance premiums, and retirement benefit contributions, accounted for \$0.3 million of the total increase.

In the General Fund, fiscal year 2011-12 total revenues exceeded total expenditures by \$1.2 million, less \$1.1 million in transfers to other funds, resulting in a total ending fund balance increase of \$0.1 million compared to the prior year. The nonspendable fund balance decreased significantly compared to the prior year due to an unusually large prepaid in fiscal year 2010-11. The assigned fund balance includes \$0.5 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 of the CAFR, Note IV.D.2. The General Fund assigned fund balance also includes \$0.5 million for a fire equipment reserve, an increase of \$0.1 million over the prior year.

The Airport Maintenance Fund balance increased by \$0.1 million compared to the prior year. Charges for services revenue, including rental payments for land and building leases, exceeded 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 increased by \$0.1 million compared to the prior year. Annually, the City levies property taxes sufficient for general obligation bond debt service payments. During the current fiscal year, collections for current and prior year property taxes exceeded anticipated amounts, resulting in Debt Service Fund revenues exceeding expenditures. The Debt Service Fund balance serves as a reserve for 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.

City of McMinnville - Management's Discussion and Analysis

Proprietary Funds – Comparative Ending Net Assets June 30, 2012 and 2011 (in thousands)

Fund:	Unrestricted		Restricted		Invested in Capital Assets Net of Related Debt		Total		Net Change
	2012	2011	2012	2011	2012	2011	2012	2011	2012
Wastewater	\$ 18,417	\$ 17,935	\$ -	\$ -	\$ 42,997	\$ 40,782	\$ 61,414	58,717	2,697
Ambulance	837	1,041	-	-	727	625	1,564	1,666	(102)
Building	-	-	148	184	308	329	456	513	(57)
Internal Service	988	885	-	-	655	715	1,643	1,600	43
Total ending net assets	\$ 20,242	\$ 19,861	\$ 148	\$ 184	\$ 44,687	\$ 42,451	\$ 65,077	\$ 62,496	\$ 2,581

City --- Proprietary Funds: Total ending net assets for proprietary funds increased by \$2.6 million or four percent compared to the prior fiscal year, largely due to an increase in Invested in Capital Assets, Net of Related Debt 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 Invested in Capital Assets, Net of Related Debt resulted from two factors. Capital assets (adjusted for accumulated depreciation) decreased by \$0.5 million compared to the prior year. However, the outstanding principal for the sewer revenue bonds was reduced by \$2.7 million due to debt service payments in the current fiscal year. These two changes resulted in a net increase in Invested in Capital Assets, Net of Related Debt of \$2.2 million.

Although Ambulance charges for services revenue increased by \$0.5 million due to a significant rate increase, Ambulance Fund net assets decreased \$0.2 million. Reimbursements from Medicare and Medicaid have not kept pace with increasing costs of ambulance service operations. As a result, ambulance transport fee revenues are not sufficient to cover operating costs and a subsidy from the General Fund is required to maintain an adequate fund equity.

Building Fund net assets decreased slightly. As construction activity and related permit fee revenue remain at low levels, operating costs, primarily for personnel services, exceed permit fee revenue.

Internal service funds include Information Systems & Services and Insurance Services Funds. The Information Systems & Services Fund net assets decreased slightly due to depreciation expense.

General Fund Budgetary Highlights

During the fiscal year, three resolutions were adopted by the City Council which amended the 2011-12 General Fund budget. The first resolution authorized a General Fund contingency transfer of \$30,000 for outside legal counsel related to an appeal of a City Council decision regarding a residential development project and an Oregon Court of Appeals decision regarding the City's growth management plan. The second resolution authorized \$8,600 of expenditures funded by unanticipated donations from the Library Foundation and the Friends of the Library. The third resolution authorized a General Fund supplemental budget, allowing the City to transfer unanticipated franchise fee revenue to the Emergency Communications Fund to partially fund an emergency radio system project.

City of McMinnville - Management's Discussion and Analysis

The 2011-12 General Fund budget adopted by the City Council provided for a \$1.6 million decrease in ending fund balance. However, actual ending fund balance increased by \$0.1 million, due to several factors. Actual General Fund revenues exceeded budgeted revenues by \$0.3 million, primarily due to higher than anticipated franchise fees collected from McMinnville Water and Light. In addition, actual expenditures were approximately \$1.4 million less than budgeted. This was due to management's conservative spending and fiscal policies and the savings achieved in all General Fund departments.

Capital Assets

Government-Wide Capital Assets June 30, 2012 and 2011 (in millions)

	Governmental Activities		Business-Type Activities		Total City	
	2012	2011	2012	2011	2012	2011
Land	\$ 27.6	\$ 27.6	\$ 0.8	\$ 0.8	\$ 28.4	\$ 28.4
Easements	1.4	1.4	0.2	0.2	1.6	1.6
Public art	0.1	0.1	-	-	0.1	0.1
Land improvements	18.5	18.5	0.1	0.1	18.6	18.6
Buildings	32.6	32.6	41.9	41.6	74.5	74.2
Machinery and equipment	5.8	5.7	1.8	1.4	7.6	7.1
Vehicles	3.5	3.4	1.7	1.6	5.2	5.0
Infrastructure	49.2	48.7	37.7	37.6	86.9	86.3
Construction in progress	0.2	-	1.5	0.3	1.7	0.3
Total capital assets	138.9	138.0	85.7	83.6	224.6	221.6
Accumulated depreciation	(63.4)	(58.9)	(35.9)	(33.4)	(99.3)	(92.3)
Net capital assets	\$ 75.5	\$ 79.1	\$ 49.8	\$ 50.2	\$ 125.3	\$ 129.3

- **City --- Capital Assets:** The City's total net capital assets decreased \$4.0 million from the prior fiscal year. An increase of \$3.0 million in total capital assets was offset by a \$7.0 million increase in accumulated depreciation.
- Governmental activities total capital assets increased \$0.9 million. This is primarily due to an increase in infrastructure of \$0.5 million due to street maintenance projects. Net capital assets decreased \$3.6 million due to a \$4.5 million increase in accumulated depreciation.
- For business-type activities, total capital assets increased \$2.1 million. Construction in progress increased by \$1.2 million due to a major inflow and infiltration reduction project in Wastewater Services. At fiscal year end, the City was committed to a \$1.4 million contract to complete the inflow and infiltration reduction project. The increase in total capital assets was offset by a \$2.5 million increase in accumulated depreciation, resulting in a decrease of \$0.4 million in net capital assets.

City and Department capital assets are described in more detail in the notes to the financial statements of the *CAFR*, Note III. D.

City of McMinnville - Management's Discussion and Analysis

Debt Administration

Government-Wide Outstanding Debt June 30, 2012 and 2011 (in millions)

	Governmental Activities		Business-Type Activities		Total City	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 17.0	\$ 17.9	\$ -	\$ -	\$ 17.0	\$ 17.9
Revenue bonds	-	-	5.7	8.5	5.7	8.5
Total outstanding debt	\$ 17.0	\$ 17.9	\$ 5.7	\$ 8.5	\$ 22.7	\$ 26.4

City --- Outstanding Debt: At June 30, 2012, the City had \$22.7 million in outstanding debt compared to \$26.4 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, \$2.8 million is due within one year. Outstanding debt for governmental and business-type activities decreased as debt service payments reduced principal balances, and due to a current refunding of the 2001 Park System Improvements bonds. The current refunding was undertaken to reduce future debt service payments through a reduction in principal and lower interest rates.

The \$17.0 million governmental activities general obligation debt is entirely payable from property taxes levied specifically for that purpose. The \$5.7 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 of the *CAFR*, Note III. H.

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 totaling \$10.9 million.

Economic Factors and Future Operations

Governmental activities: The City continues to meet the challenge created by Oregon's limitations on assessed property value increases, and corresponding property tax revenue collections, combined with the rising costs of providing services. With 50% of governmental activities funded by property taxes, the City's ability to meet the demand for services has been significantly impacted by the limited growth in assessed values and new construction in recent years. Meanwhile, personnel services costs continue to rise due to cost of living salary adjustments, medical insurance premium increases, and mandated retirement benefits contributions paid into the Oregon Public Employees Retirement System (PERS).

City of McMinnville - Management's Discussion and Analysis

Business-type activities:

- **Wastewater operations** --- In 2010, 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 2011-12 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.
- **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 do not increase correspondingly. This has a significant impact as over 70% of ambulance transports are for Medicare and Medicaid patients. In the past several years, property tax subsidies have helped fund ambulance operations and will most likely be necessary in the future.
- **Building operations** --- In the past four years, building operations expenses have exceeded revenue due to limited construction activity and the related decrease in permit fee revenue. In fiscal year 2011-12, the Building Fund required a \$50,000 transfer from the General Fund to maintain an adequate cash reserve. Because the City anticipates that construction activity will remain at low levels, staffing has been adjusted to more closely align with current levels of construction activity and to minimize the need for transfers from the General Fund in the future.

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.

BASIC FINANCIAL STATEMENTS

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



GOVERNMENT-WIDE FINANCIAL STATEMENTS

- Statement of Net Assets
- Statement of Activities



City of McMinnville, Oregon
Statement of Net Assets
June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Water and Light
Assets				
Cash and investments	\$ 14,229,329	\$ 18,568,291	\$ 32,797,620	\$ 21,241,441
Receivables, net of allowances for uncollectibles	1,565,668	1,040,602	2,606,270	3,732,162
Due from component unit	98,837	602,439	701,276	-
Internal balances	137,724	(137,724)	-	-
Inventories	-	-	-	748,280
Prepays	384,335	5,443	389,778	167,497
Note receivable	-	-	-	621,915
Renewable energy certificates	-	-	-	887,436
Deferred charges	197,654	43,420	241,074	2,700,637
Restricted cash and investments	1,203,215	-	1,203,215	-
Capital assets:				
Non-depreciable capital assets	29,399,720	2,525,500	31,925,220	5,565,979
Depreciable capital assets	109,529,789	83,119,869	192,649,658	149,568,445
Accumulated depreciation	(63,412,243)	(35,881,668)	(99,293,911)	(39,119,864)
Total assets	93,334,028	69,886,172	163,220,200	146,113,928
Liabilities				
Accounts payable	514,568	514,879	1,029,447	2,148,960
Accrued payroll and other payroll liabilities	372,130	-	372,130	245,285
Due to primary government	-	-	-	701,276
Accrued interest payable	248,047	73,089	321,136	-
Retainage payable	-	65,624	65,624	-
Advances and deposits	132,787	-	132,787	605,851
Other liabilities	85,802	-	85,802	260,403
Unearned revenue	152,153	1,415	153,568	-
Compensated absences	717,243	174,302	891,545	424,819
Non-current liabilities:				
Due within one year	1,075,000	2,765,000	3,840,000	-
Due in more than one year	16,479,293	3,135,323	19,614,616	1,372,388
Total liabilities	19,777,023	6,729,632	26,506,655	5,758,982
Net Assets				
Invested in capital assets, net of related debt	59,774,579	44,032,172	103,806,751	106,683,105
Restricted for:				
Debt service	1,642,658	-	1,642,658	-
System expansion	1,351,185	-	1,351,185	-
Building division	-	148,044	148,044	-
Highways and streets	1,016,999	-	1,016,999	-
Nonexpendable library endowment	23,230	-	23,230	-
Unrestricted	9,748,354	18,976,324	28,724,678	33,671,841
Total net assets	\$ 73,557,005	\$ 63,156,540	\$ 136,713,545	\$ 140,354,946

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, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
General government	\$ 1,918,406	\$ 482,333	\$ 715	\$ 156,038
Community development	1,289,638	524,366	52,060	-
Public safety:				
Police	6,722,412	824,755	28,062	272
Fire	2,466,866	313,154	294	23
Emergency communications	1,077,885	-	158,728	-
Highways and streets	3,347,084	194,534	1,756,888	511,728
Culture and recreation:				
Parks and recreation	4,174,915	1,223,292	120,386	6,038
Library	1,507,964	56,719	146,451	-
Airport	552,179	237,082	-	-
Interest on long-term debt	613,154	-	-	-
Total governmental activities	23,670,503	3,856,235	2,263,584	674,099
Business-type activities:				
Wastewater	5,853,298	8,453,886	-	24,920
Ambulance	3,068,413	2,739,983	-	23
Building	406,630	297,204	-	-
Total business-type activities	9,328,341	11,491,073	-	24,943
Total primary government	\$ 32,998,844	\$ 15,347,308	\$ 2,263,584	\$ 699,042
Component Units				
Water and light	\$ 40,626,635	\$ 41,122,520	\$ 400,388	\$ 242,183

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 assets
Net assets - beginning
Net assets - 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
\$ (1,279,320)	\$ -	\$ (1,279,320)	\$ -
(713,212)	-	(713,212)	-
(5,869,323)	-	(5,869,323)	-
(2,153,395)	-	(2,153,395)	-
(919,157)	-	(919,157)	-
(883,934)	-	(883,934)	-
(2,825,199)	-	(2,825,199)	-
(1,304,794)	-	(1,304,794)	-
(315,097)	-	(315,097)	-
(613,154)	-	(613,154)	-
<u>(16,876,585)</u>	<u>-</u>	<u>(16,876,585)</u>	<u>-</u>
-	2,625,508	2,625,508	-
-	(328,407)	(328,407)	-
-	(109,426)	(109,426)	-
-	<u>2,187,675</u>	<u>2,187,675</u>	-
<u>(16,876,585)</u>	<u>2,187,675</u>	<u>(14,688,910)</u>	<u>-</u>
			<u>1,138,456</u>
11,880,645	-	11,880,645	-
2,441,291	-	2,441,291	-
683,388	-	683,388	-
85,988	90,657	176,645	422,467
-	-	-	2,605,898
-	-	-	660,193
3,475	-	3,475	-
(274,463)	274,463	-	-
<u>14,820,324</u>	<u>365,120</u>	<u>15,185,444</u>	<u>3,688,558</u>
(2,056,261)	2,552,795	496,534	4,827,014
75,613,266	60,603,745	136,217,011	135,527,932
<u>\$ 73,557,005</u>	<u>\$ 63,156,540</u>	<u>\$ 136,713,545</u>	<u>\$ 140,354,946</u>



FUND FINANCIAL STATEMENTS

- Governmental Funds:
 - Balance Sheet
 - Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
 - 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 Assets
 - Statement of Revenues, Expenses, and Changes in Fund Net Assets
 - Statement of Cash Flows



City of McMinnville, Oregon
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Airport Maintenance</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and investments	\$ 7,749,148	\$ 834,429	\$ 1,544,964	\$ 3,314,288	\$ 13,442,829
Receivables	1,340,046	28,457	148,087	49,078	1,565,668
Due from component unit	97,924	-	-	-	97,924
Prepays	20,360	5,788	-	49	26,197
Restricted cash and investments	23,230	-	-	1,179,985	1,203,215
Total assets	<u><u>\$ 9,230,708</u></u>	<u><u>\$ 868,674</u></u>	<u><u>\$ 1,693,051</u></u>	<u><u>\$ 4,543,400</u></u>	<u><u>\$ 16,335,833</u></u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	226,631	9,599	-	228,601	464,831
Accrued payroll and other payroll liabilities	372,130	-	-	-	372,130
Advances and deposits	132,787	-	-	-	132,787
Advance from other funds	-	140,000	-	-	140,000
Deferred revenue	1,021,334	49,788	102,352	38,281	1,211,755
Total liabilities	<u><u>1,752,882</u></u>	<u><u>199,387</u></u>	<u><u>102,352</u></u>	<u><u>266,882</u></u>	<u><u>2,321,503</u></u>
Fund balances:					
Nonspendable	43,590	5,788	-	49	49,427
Restricted	-	-	1,590,699	3,049,986	4,640,685
Committed	-	663,499	-	-	663,499
Assigned	968,301	-	-	1,226,483	2,194,784
Unassigned	6,465,935	-	-	-	6,465,935
Total fund balances	<u><u>7,477,826</u></u>	<u><u>669,287</u></u>	<u><u>1,590,699</u></u>	<u><u>4,276,518</u></u>	<u><u>14,014,330</u></u>
Total liabilities and fund balances	<u><u>\$ 9,230,708</u></u>	<u><u>\$ 868,674</u></u>	<u><u>\$ 1,693,051</u></u>	<u><u>\$ 4,543,400</u></u>	<u><u>\$ 16,335,833</u></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 Assets
June 30, 2012

Total fund balances - governmental funds		\$ 14,014,330
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	\$ 136,872,304	
Accumulated depreciation	<u>(62,010,347)</u>	74,861,957
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	1,018,568	
Other receivables earned but not available	<u>41,035</u>	1,059,603
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:		
Bonds payable	(16,515,000)	
Bonds premium	(451,610)	
Rebatable arbitrage	(11,476)	
Deferred charges	197,654	
Interest payable	(248,047)	
Other post employment benefits payable	(564,174)	
Compensated absences payable	<u>(707,466)</u>	(18,300,119)
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 Assets.		
		<u>1,921,234</u>
Total net assets - governmental activities		<u>\$ 73,557,005</u>

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, 2012

	General	Airport Maintenance	Debt Service	Total Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 10,506,173	\$ -	\$ 1,438,276	\$ -	\$ 11,944,449
Special assessments	-	-	-	51,121	51,121
Licenses and permits	2,287,964	-	-	263,449	2,551,413
Intergovernmental	1,299,807	-	-	2,358,770	3,658,577
Charges for services	2,045,369	227,250	-	342,963	2,615,582
Fines and forfeitures	761,046	-	-	-	761,046
Miscellaneous	195,434	13,935	5,242	28,703	243,314
Total revenues	<u>17,095,793</u>	<u>241,185</u>	<u>1,443,518</u>	<u>3,045,006</u>	<u>21,825,502</u>
Expenditures					
Current:					
General government	1,407,603	-	-	296,152	1,703,755
Community development	1,236,352	-	-	-	1,236,352
Public safety	8,635,256	-	-	1,023,578	9,658,834
Highways and streets	-	-	-	1,471,788	1,471,788
Culture and recreation	4,573,294	-	-	164,580	4,737,874
Airport	-	136,289	-	-	136,289
Capital outlay:					
Highways and streets	-	-	-	503,781	503,781
Debt service:					
Principal	-	-	950,000	-	950,000
Interest	-	-	716,608	-	716,608
Bond refunding	-	-	5,835,000	-	5,835,000
Total expenditures	<u>15,852,505</u>	<u>136,289</u>	<u>7,501,608</u>	<u>3,459,879</u>	<u>26,950,281</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,243,288</u>	<u>104,896</u>	<u>(6,058,090)</u>	<u>(414,873)</u>	<u>(5,124,779)</u>
Other Financing Sources (Uses)					
Refunding bonds issued	-	-	5,590,000	-	5,590,000
Premium on refunding bonds issued	-	-	235,547	100,769	336,316
Transfers from other funds	-	-	351,444	1,117,600	1,469,044
Transfers to other funds	(1,096,800)	-	-	(651,444)	(1,748,244)
Total other financing sources (uses)	<u>(1,096,800)</u>	<u>-</u>	<u>6,176,991</u>	<u>566,925</u>	<u>5,647,116</u>
Net change in fund balances	146,488	104,896	118,901	152,052	522,337
Net assets - beginning	7,331,338	564,391	1,471,798	4,124,466	13,491,993
Fund balances - ending	<u>\$ 7,477,826</u>	<u>\$ 669,287</u>	<u>\$ 1,590,699</u>	<u>\$ 4,276,518</u>	<u>\$ 14,014,330</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, 2012

Net change in fund balances - governmental funds \$ 522,337

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	\$ 929,903	
Current year depreciation expense	<u>(4,532,521)</u>	(3,602,618)

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 between business type activities.

Capital asset transfers from business type activities	<u>4,737</u>	4,737
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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	137,344	
Change in property taxes earned but not available	(63,803)	
Change in fire fees earned but not available	86	
Change in assessments earned but not available	<u>(10,836)</u>	62,791

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 assets differs from the change in fund balance by the cost of the capital assets disposed.

Cost	(91,207)	
Accumulated depreciation	<u>67,743</u>	(23,464)

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 assets. Also, governmental funds report the effect of issuance costs, 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	6,785,000	
Bond proceeds principal	(5,590,000)	
Financing issuance cost	100,769	
Bond proceeds premium	(336,316)	
Amortization of premium - general obligation bonds	<u>34,999</u>	994,452

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.

Compensated absences change	1,337	
Other post employment benefits change	(110,024)	
Accrued interest change	78,230	
Amortization of issuance costs	<u>(14,824)</u>	(45,281)

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	29,366	
Capital asset transfer	<u>1,419</u>	<u>30,785</u>

Change in net assets - governmental activities \$ (2,056,261)

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 10,320,875	\$ 10,320,875	\$ 10,506,173	\$ 185,298
Licenses and permits	1,884,250	2,052,250	2,287,964	235,714
Intergovernmental	1,307,399	1,307,399	1,299,807	(7,592)
Charges for services	1,163,147	1,163,147	1,135,169	(27,978)
Fines and forfeitures	812,300	812,300	761,046	(51,254)
Miscellaneous	212,094	220,694	195,434	(25,260)
Total revenues	15,700,065	15,876,665	16,185,593	308,928
Expenditures				
General government:				
Administration	762,828	762,828	716,311	46,517
Finance	748,564	748,564	648,558	100,006
Community development:				
Engineering	679,195	679,195	669,595	9,600
Planning	514,969	544,969	524,023	20,946
Public safety:				
Police	6,030,958	6,030,958	5,878,504	152,454
Municipal court	466,402	466,402	400,186	66,216
Fire	2,445,946	2,445,946	2,292,465	153,481
Culture and recreation:				
Parks and recreation	2,245,532	2,245,532	2,166,551	78,981
Park maintenance	1,041,390	1,041,390	971,813	69,577
Library	1,392,099	1,400,699	1,370,828	29,871
Contingencies	750,000	720,000	-	720,000
Total expenditures	17,077,883	17,086,483	15,638,834	1,447,649
Excess (deficiency) of revenues over (under) expenditures	(1,377,818)	(1,209,818)	546,759	1,756,577
Other Financing Sources (Uses)				
Transfers from other funds	910,200	910,200	910,200	-
Transfers to other funds	(1,142,471)	(1,310,471)	(1,310,471)	-
Total other financing sources (uses)	(232,271)	(400,271)	(400,271)	-
Net change in fund balances	(1,610,089)	(1,610,089)	146,488	1,756,577
Fund balances - beginning	6,358,230	6,358,230	7,331,338	973,108
Fund balances - ending	\$ 4,748,141	\$ 4,748,141	\$ 7,477,826	\$ 2,729,685
Reconciliation:				
Charges for services, budgetary basis			\$ 1,135,169	
Transfers from other funds - services provided			910,200	
Charges for services, modified accrual basis			\$ 2,045,369	
Expenditures, budgetary basis			\$ 15,638,834	
Transfers to other funds - services provided			213,671	
Expenditures, modified accrual basis			\$ 15,852,505	
Other financing sources (uses), budgetary basis			\$ (400,271)	
Transfers from other funds - services provided			(910,200)	
Transfers to other funds - services provided			213,671	
Other financing sources (uses), modified accrual basis			\$ (1,096,800)	

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 221,954	\$ 221,954	\$ 227,250	\$ 5,296
Miscellaneous	10,300	10,300	13,935	3,635
Total revenues	232,254	232,254	241,185	8,931
Expenditures				
Airport:				
Materials and services	151,510	151,510	91,837	59,673
Capital outlay	210,000	210,000	-	210,000
Contingencies	300,000	300,000	-	300,000
Total expenditures	661,510	661,510	91,837	569,673
Excess (deficiency) of revenues over (under) expenditures	(429,256)	(429,256)	149,348	578,604
Other Financing Sources (Uses)				
Transfers to other funds	(114,452)	(114,452)	(114,452)	-
Total other financing sources (uses)	(114,452)	(114,452)	(114,452)	-
Net change in fund balances	(543,708)	(543,708)	34,896	578,604
Fund balances, budgetary basis - beginning	821,000	821,000	774,391	(46,609)
Fund balances, budgetary basis - ending	\$ 277,292	\$ 277,292	809,287	\$ 531,995
Add (deduct):				
Advance from other funds			(140,000)	
Fund balance, modified accrual - ending			\$ 669,287	
Reconciliation:				
Expenditures, budgetary basis			\$ 91,837	
Transfers to other funds - services provided			44,452	
Expenditures, modified accrual basis			\$ 136,289	
Other financing sources (uses), budgetary basis			\$ (114,452)	
Transfers to other funds - advance from other funds			70,000	
Transfers to other funds - services provided			44,452	
Other financing sources (uses), modified accrual basis			\$ -	

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

City of McMinnville, Oregon
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-Type Activities				Governmental Activities
	Enterprise Funds				Internal Service Funds
	Wastewater	Ambulance	Non-Major Building	Total	
Assets					
Current assets:					
Cash and investments	\$ 17,908,136	\$ 488,968	\$ 171,187	\$ 18,568,291	\$ 786,501
Receivables, net of allowance for uncollectibles	509,381	531,221	-	1,040,602	-
Due from component unit	602,439	-	-	602,439	913
Prepays	2,499	2,943	1	5,443	358,137
Total current assets	<u>19,022,455</u>	<u>1,023,132</u>	<u>171,188</u>	<u>20,216,775</u>	<u>1,145,551</u>
Non-current assets:					
Advance to other funds	140,000	-	-	140,000	-
Deferred charges	43,420	-	-	43,420	-
Capital assets:					
Non-depreciable capital assets	2,524,793	708	-	2,525,501	-
Depreciable capital assets	81,641,147	1,096,835	381,887	83,119,869	2,057,203
Accumulated depreciation	<u>(35,437,547)</u>	<u>(370,196)</u>	<u>(73,925)</u>	<u>(35,881,668)</u>	<u>(1,401,896)</u>
Total non-current assets	<u>48,911,813</u>	<u>727,347</u>	<u>307,962</u>	<u>49,947,122</u>	<u>655,307</u>
Total assets	<u>67,934,268</u>	<u>1,750,479</u>	<u>479,150</u>	<u>70,163,897</u>	<u>1,800,858</u>
Liabilities					
Current liabilities:					
Accounts payable	498,627	14,755	1,497	514,879	49,737
Accrued interest payable	73,089	-	-	73,089	-
Retainage payable	65,624	-	-	65,624	-
Other liabilities	-	-	-	-	85,802
Unearned revenue	1,300	115	-	1,415	-
Compensated absences	83,401	85,177	5,724	174,302	9,777
Revenue bonds payable	2,765,000	-	-	2,765,000	-
Total current liabilities	<u>3,487,041</u>	<u>100,047</u>	<u>7,221</u>	<u>3,594,309</u>	<u>145,316</u>
Non-current liabilities:					
Revenue bonds payable, net of unamortized premium & deferred amount on refunding	2,966,529	-	-	2,966,529	-
Other post employment benefits	66,823	86,048	15,923	168,794	12,034
Total non-current liabilities	<u>3,033,352</u>	<u>86,048</u>	<u>15,923</u>	<u>3,135,323</u>	<u>12,034</u>
Total liabilities	<u>6,520,393</u>	<u>186,095</u>	<u>23,144</u>	<u>6,729,632</u>	<u>157,350</u>
Net Assets					
Invested in capital assets, net of related debt	42,996,864	727,347	307,962	44,032,173	655,307
Restricted for:					
Building	-	-	148,044	148,044	-
Unrestricted	18,417,011	837,037	-	19,254,048	988,201
Total net assets	<u>\$ 61,413,875</u>	<u>\$ 1,564,384</u>	<u>\$ 456,006</u>	<u>63,434,265</u>	<u>\$ 1,643,508</u>
Deduct:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(277,725)	
Total net assets, business-type activities				<u>\$ 63,156,540</u>	

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

City of McMinnville, Oregon
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business-Type Activities				Governmental Activities
	Enterprise Funds				Internal Service Funds
	Wastewater	Ambulance	Non-Major Building	Total	
Operating Revenues					
Charges for services	\$ 7,993,971	\$ 2,714,164	\$ 296,409	\$ 11,004,544	\$ 1,409,587
Miscellaneous	-	-	-	-	63,991
Total operating revenues	<u>7,993,971</u>	<u>2,714,164</u>	<u>296,409</u>	<u>11,004,544</u>	<u>1,473,578</u>
Operating Expenses					
Personnel services	1,599,900	2,417,766	299,843	4,317,509	291,619
Materials and services	1,629,762	568,505	87,302	2,285,569	952,996
Capital outlay	10,135	5,064	2,808	18,007	-
Depreciation	2,460,194	82,812	15,201	2,558,207	188,786
Total operating expenses	<u>5,699,991</u>	<u>3,074,147</u>	<u>405,154</u>	<u>9,179,292</u>	<u>1,433,401</u>
Operating income (loss)	<u>2,293,980</u>	<u>(359,983)</u>	<u>(108,745)</u>	<u>1,825,252</u>	<u>40,177</u>
Nonoperating Revenues (Expenses)					
Investment earnings	86,474	3,358	825	90,657	5,068
Interest expense, net of capitalized interest	(297,898)	-	-	(297,898)	-
Amortization of debt premiums and issuance costs	134,392	-	-	134,392	-
Development charges and fees	429,252	-	-	429,252	-
Other revenue	30,662	25,818	793	57,273	-
Gain/Loss on disposal of assets	(4,737)	-	-	(4,737)	(1,419)
Total non-operating revenues (expenses)	<u>378,145</u>	<u>29,176</u>	<u>1,618</u>	<u>408,939</u>	<u>3,649</u>
Income (loss) before contributions and transfers	2,672,125	(330,807)	(107,127)	2,234,191	43,826
Capital contributions and transfers					
Capital contributions	24,920	23	-	24,943	-
Transfers from other funds	-	300,000	50,000	350,000	-
Transfers to other funds	-	(70,800)	-	(70,800)	-
Total capital contributions and transfers	<u>24,920</u>	<u>229,223</u>	<u>50,000</u>	<u>304,143</u>	<u>-</u>
Change in net assets	2,697,045	(101,584)	(57,127)	2,538,334	43,826
Total net assets - beginning	58,716,830	1,665,968	513,133		1,599,682
Total net assets - ending	<u>\$ 61,413,875</u>	<u>\$ 1,564,384</u>	<u>\$ 456,006</u>		<u>\$ 1,643,508</u>

Deduct

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	14,461
Change in net assets, business-type activities	<u>\$ 2,552,795</u>

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

City of McMinnville, Oregon
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	Wastewater	Ambulance	Non-Major Building	Total	Internal Service Funds
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 8,012,546	\$ 2,699,072	\$ 301,305	\$ 11,012,923	\$ -
Receipts from interfund services provided	-	-	-	-	1,409,587
Other operating receipts	30,662	25,818	793	57,273	73,390
Payments to suppliers	(1,528,610)	(531,283)	(68,286)	(2,128,179)	(1,278,450)
Payments to employees	(1,542,652)	(2,339,394)	(314,945)	(4,196,991)	(287,293)
Payments for interfund services used	(127,335)	(95,715)	(24,231)	(247,281)	(1,671)
Net cash from operating activities	<u>4,844,611</u>	<u>(241,502)</u>	<u>(105,364)</u>	<u>4,497,745</u>	<u>(84,437)</u>
Cash Flows From Non-Capital Financing Activities					
Transfers from other funds	70,000	300,000	50,000	420,000	-
Transfers to other funds	-	(70,800)	-	(70,800)	-
Net cash from non-capital financing activities	<u>70,000</u>	<u>229,200</u>	<u>50,000</u>	<u>349,200</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities					
Additions to capital assets	(1,760,580)	(185,163)	-	(1,945,743)	(131,098)
Interest paid on capital debt	(255,812)	-	-	(255,812)	-
Principal paid on capital debt	(2,680,000)	-	-	(2,680,000)	-
Proceeds on the disposition of capital assets	-	-	6,194	6,194	-
Development charges and fees	429,253	-	-	429,253	-
Net cash from capital and related financing activities	<u>(4,267,139)</u>	<u>(185,163)</u>	<u>6,194</u>	<u>(4,446,108)</u>	<u>(131,098)</u>
Cash Flows From Investing Activities					
Interest received	86,474	3,358	825	90,657	5,068
Net cash flows from investing activities	<u>86,474</u>	<u>3,358</u>	<u>825</u>	<u>90,657</u>	<u>5,068</u>
Increase (decrease) in cash and investments	733,946	(194,107)	(48,345)	491,494	(210,467)
Cash and investments - beginning	17,174,190	683,075	219,532	18,076,797	996,968
Cash and investments - ending	<u>\$ 17,908,136</u>	<u>\$ 488,968</u>	<u>\$ 171,187</u>	<u>\$ 18,568,291</u>	<u>\$ 786,501</u>
Reconciliation of Operating Income (Loss) to					
Net Cash From Operating Activities					
Operating income (loss)	\$ 2,293,980	\$ (359,983)	\$ (108,745)	\$ 1,825,252	\$ 40,177
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	2,460,194	82,812	15,201	2,558,207	188,786
Other revenues	30,662	25,818	793	57,273	-
Change in current assets and liabilities:					
Receivables	24,578	(15,091)	4,896	14,383	9,540
Due from component unit	(6,003)	-	-	(6,003)	(141)
Prepays	(461)	(1,360)	1	(1,820)	(347,399)
Accounts payable	(43,331)	(2,365)	289	(45,407)	(3,292)
Retainage payable	65,624	-	-	65,624	-
Compensated absences	5,873	8,268	(20,511)	(6,370)	1,428
Other post employment benefits	13,495	20,399	2,712	36,606	2,457
Other liabilities	-	-	-	-	24,007
Net cash from operating activities	<u>\$ 4,844,611</u>	<u>\$ (241,502)</u>	<u>\$ (105,364)</u>	<u>\$ 4,497,745</u>	<u>\$ (84,437)</u>
Non-Cash Investing, Capital, and Financing Activities					
Capital assets transferred to other funds	\$ (17,825)	\$ (9,009)	\$ (11,749)	\$ (38,583)	-
Capital assets accrued in accounts payable	437,700	-	-	437,700	-

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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 - E. Assets, Liabilities, and Equity
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 - A. Budgetary Information
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City of McMinnville, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2012

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 30th fiscal year ends.

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

2. 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, 2012

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 Assets 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, discounts, and issuance costs amortized over the life of the debt.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2012

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

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, 2012

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 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, 2012

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, 2012

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, collections as a percentage of transport fee charges are calculated. To estimate the allowance for uncollectible accounts, that 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, unspent Park System Improvement Bond proceeds, and a library endowment.

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 \$10,739.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2012

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) is 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, 2012

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 assets. 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 applicable premium or discount and deferred amounts. Issuance costs are reported as deferred charges.

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. Redemption of debt in a current refunding, where the refunded debt was immediately redeemed, is reported as an expenditure. 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, prepaids, and assets held for resale. Resources nonspendable due to legal/contractual constraints include the library endowment.

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, 2012

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 government 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, 2012

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

All changes and amendments to the budget require the approval of the City Council. Supplemental budgets less than 10 percent of a fund's original budget may be adopted by the City Council at a regular City Council meeting. A supplemental budget greater than 10 percent of a fund's original budget requires publication, a hearing before the public, and approval by the City Council. One supplemental budget was approved by the City Council during fiscal year 2011-12. 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 2011-12. 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, 2012

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, 2012 was unqualified. The fair value of the City's position in the Pool at June 30, 2012 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 \$574,535 and the bank balance was \$1,277,826. The City's bank balances were fully covered by Federal Depository Insurance. At year end, the Department's book balance for deposits with financial institutions was \$612,715 and the bank balance was \$702,502. 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, 2012, the City's cash and investment balances were as follows:

	<u>Fair Value</u>
Cash held in city offices	\$ 3,035
Deposits with financial institutions	559,662
Deposits with financial institutions, money market account	14,873
Fixed group annuity contract	468,301
Oregon State Local Government Investment Pool – City's general account	31,774,979
Oregon State Local Government Investment Pool – Park System Improvement Bond proceeds	1,126,874
Oregon State Local Government Investment Pool – Public Safety and Civic Buildings Bond proceeds	53,111
Total City cash and investments	<u>\$ 34,000,835</u>

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

Cash and investments:	
Unrestricted	\$ 32,797,620
Restricted	1,203,215
Total cash and investments	<u>\$ 34,000,835</u>

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2012

III. Detailed Notes on Accounts (Continued)

A. Cash and Investments (Continued)

At June 30, 2012, the Department's cash and investment balances were as follows:

	Fair Value
Cash on hand	\$ 1,400
Deposits with financial institutions	612,715
Oregon State Local Government Investment Pool	20,627,326
Total Department cash and investments	\$ 21,241,441

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, 2012, 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, 2012, were 114 days.

B. Restricted Assets

The City's restricted assets consist of the following at June 30, 2012:

Governmental activities:	
Park System Improvement Bond unspent proceeds	\$ 1,126,874
Public Safety and Civic Buildings Bond unspent proceeds	53,111
Non-expendable library endowment	23,230
Total governmental activities and primary government	\$ 1,203,215

C. Receivables

1. Governmental Activities

In the fund financial statements, receivables as of year-end for the City's governmental individual major and non-major funds in the aggregate are as follows:

	General	Airport Maintenance	Debt Service	Total Non- Major	Total Governmental
Receivables:					
Accounts	\$ 99,395	\$ 28,457	\$ -	\$ 11,387	\$ 139,239
Property taxes	1,043,037	-	120,885	-	1,163,922
Cash with county treasurer	190,456	-	27,202	-	217,658
Assessments	7,158	-	-	37,691	44,849
Total	\$ 1,340,046	\$ 28,457	\$ 148,087	\$49,078	\$ 1,565,668

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2012

III. Detailed Notes on Accounts (Continued)

C. Receivables (Continued)

1. Governmental Activities (Continued)

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

	<u>Total Governmental</u>
Gross revenue	\$ 12,215,195
Less: discounts, etc.	(334,550)
Net revenue	\$ 11,880,645

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

In the fund financial statements, receivables as of year-end for the City's individual major enterprise funds are as follows:

	<u>Wastewater</u>	<u>Ambulance</u>	<u>Total Major Enterprise</u>
Receivables:			
Accounts	\$ 509,381	\$ 694,948	\$ 1,204,329
Less: allowance for uncollectibles	-	(163,727)	(163,727)
Net receivables	\$ 509,381	\$ 531,221	\$ 1,040,602

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

Gross revenue	\$ 6,226,144
Less: change in allowance for uncollectibles	629,388
Less: medical write-off's	(4,141,368)
Net revenue	\$ 2,714,164

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2012

III. Detailed Notes on Accounts (Continued)

C. Receivables (Continued)

3. Non-Cancellable Leases

The City leases certain property with an approximate net capital cost of \$1,690,086 under long-term operating leases. For fiscal year 2011-12, total depreciation expense was \$48,443. As of June 30, 2012, accumulated depreciation was \$1,070,663. The minimum future payments to be received under these non-cancellable leases are as follows:

Year Ending June 30	
2013	\$ 208,970
2014	178,154
2015	178,709
2016	182,401
2017	156,679
Thereafter	<u>1,023,874</u>
Total	<u><u>\$ 1,928,787</u></u>

4. Department

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

Accounts receivable	\$ 3,764,393
Less: allowance for uncollectibles	<u>(32,231)</u>
Net receivables	<u><u>\$ 3,732,162</u></u>

D. Capital Assets

In the government-wide financial statements, the City's governmental activities' capital asset activity for the year ended June 30, 2012 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, 2012

III. Detailed Notes on Accounts (Continued)

D. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable:				
Land	\$ 27,589,106	\$ 11,535	\$ -	\$ 27,600,641
Easements	1,378,903	65,966	-	1,444,869
Public art	138,735	-	-	138,735
Construction in progress	2,309	213,591	(425)	215,475
Total non-depreciable	<u>29,109,053</u>	<u>291,092</u>	<u>(425)</u>	<u>29,399,720</u>
Depreciable:				
Land improvements	18,452,069	-	-	18,452,069
Buildings	32,601,121	4,544	(9,009)	32,596,656
Machinery and equipment	5,742,419	211,961	(201,877)	5,752,503
Vehicles	3,423,123	139,242	(55,340)	3,507,025
Infrastructure	48,657,487	564,049	-	49,221,536
Total depreciable	<u>108,876,219</u>	<u>919,796</u>	<u>(266,226)</u>	<u>109,529,789</u>
Accumulated depreciation:				
Land improvements	(6,163,856)	(854,814)	-	(7,018,670)
Buildings	(13,663,384)	(1,016,297)	7,590	(14,672,091)
Machinery and equipment	(3,310,293)	(560,774)	200,824	(3,670,243)
Vehicles	(2,622,903)	(163,769)	32,929	(2,753,743)
Infrastructure	(33,165,882)	(2,131,614)	-	(35,297,496)
Total accumulated depreciation	<u>(58,926,318)</u>	<u>(4,727,268)</u>	<u>241,343</u>	<u>(63,412,243)</u>
Governmental activities capital assets, net	<u>\$ 79,058,954</u>	<u>\$ (3,516,380)</u>	<u>\$ (25,308)</u>	<u>\$ 75,517,266</u>

At June 30, 2012, the City's government-wide governmental activities construction in progress consisted of costs related to an emergency radio systems improvement project, the park system improvement bond project, and an airport remodel project.

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 198,250
Community development	38,802
Public safety:	
Police	490,216
Fire	162,916
Emergency communications	54,658
Highways and streets	2,134,920
Culture and recreation:	
Parks and recreation	906,871
Library	100,916
Airport	422,681
Internal service fund capital asset depreciation in the government-wide financial statements is charged to the various functions based on their usage of the assets.	<u>188,786</u>
Total governmental activities depreciation expense	<u>4,699,016</u>
Accumulated depreciation on capital assets transferred in from business-type activities	<u>28,252</u>
Increase in governmental activities accumulated depreciation	<u>\$ 4,727,268</u>

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2012

III. Detailed Notes on Accounts (Continued)

D. Capital Assets (Continued)

In the government-wide financial statements, the City's business-type activities' capital asset activity for the year ended June 30, 2012 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	233,622	3,474	-	237,096
Construction in progress	266,442	1,406,525	(169,786)	1,503,181
Total non-depreciable	<u>1,285,287</u>	<u>1,409,999</u>	<u>(169,786)</u>	<u>2,525,500</u>
Depreciable:				
Land improvements	93,808	-	-	93,808
Buildings	41,661,579	218,519	(17,826)	41,862,272
Machinery and equipment	1,384,362	390,361	(23,420)	1,751,303
Vehicles	1,567,240	184,927	(11,749)	1,740,418
Infrastructure	37,590,072	81,996	-	37,672,068
Total depreciable	<u>82,297,061</u>	<u>875,803</u>	<u>(52,995)</u>	<u>83,119,869</u>
Accumulated depreciation:				
Land improvements	(54,969)	(4,665)	-	(59,634)
Buildings	(23,644,465)	(1,588,520)	13,088	(25,219,897)
Machinery and equipment	(890,978)	(85,693)	23,420	(953,251)
Vehicles	(606,392)	(133,083)	5,555	(733,920)
Infrastructure	(8,163,165)	(751,801)	-	(8,914,966)
Total accumulated depreciation	<u>(33,359,969)</u>	<u>(2,563,762)</u>	<u>42,063</u>	<u>(35,881,668)</u>
Business-type activities capital assets, net	<u>\$ 50,222,379</u>	<u>\$ (277,960)</u>	<u>\$ (180,718)</u>	<u>\$ 49,763,701</u>

At June 30, 2012, the City's business-type activities construction in progress consisted of costs related to the Wastewater downtown infiltration and inflow (I & I) project.

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

Building	\$ 15,201
Wastewater	2,460,194
Ambulance	82,812
Total business-type activities depreciation expense	<u>\$ 2,558,207</u>
Accumulated depreciation on capital asset exchange from Building to Wastewater	<u>5,555</u>
Increase in business-type activities accumulated depreciation	<u>\$ 2,563,762</u>

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2012

III. Detailed Notes on Accounts (Continued)

D. Capital Assets (Continued)

The Department's capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable:				
Land and land rights	\$ 2,783,701	\$ 22,210	\$ -	\$ 2,805,911
Construction in progress	3,098,395	2,696,910	(3,035,237)	2,760,068
Total non-depreciable	<u>5,882,096</u>	<u>2,719,120</u>	<u>(3,035,237)</u>	<u>5,565,979</u>
Depreciable:				
Buildings	43,257,282	79,791	-	43,337,073
Machinery and equipment	2,062,766	34,790	-	2,097,556
Vehicles	2,069,274	136,197	(53,246)	2,152,225
Infrastructure	97,767,771	4,675,948	(462,128)	101,981,591
Total depreciable	<u>145,157,093</u>	<u>4,926,726</u>	<u>(515,374)</u>	<u>149,568,445</u>
Accumulated depreciation:				
Electric plant	(17,488,658)	(1,579,013)	215,190	(18,852,481)
Water plant	(17,564,823)	(1,363,530)	104,954	(18,823,399)
Vehicles	(1,321,007)	(180,419)	57,442	(1,443,984)
Total accumulated depreciation	<u>(36,374,488)</u>	<u>(3,122,962)</u>	<u>377,586</u>	<u>(39,119,864)</u>
Department capital assets, net	<u>\$ 114,664,701</u>	<u>\$ 4,522,884</u>	<u>\$ (3,173,025)</u>	<u>\$ 116,014,560</u>

E. 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 2011-12. The balance at June 30, 2012, is as follows:

Receivable Fund	Payable Fund	Balance
Major enterprise fund – Wastewater Fund	Major governmental fund – Airport Maintenance Fund	\$ 140,000

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 \$277,724. When netted with the interfund advance of \$140,000, the internal balance included in the government-wide Statement of Net Assets is \$137,724.

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, 2012

III. Detailed Notes on Accounts (Continued)

E. 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:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Major governmental fund – General Fund	Department	\$ 97,924
Major enterprise fund – Wastewater Fund	Department	602,439
Internal Service Funds	Department	913
		<u>\$ 701,276</u>

Interfund transfers for the year ended June 30, 2012, consisted of the following:

Transfers to Debt Service Fund from:

Non-major governmental funds	\$ 351,444
Total transfers to Debt Service Fund	<u>\$ 351,444</u>

Transfers to non-major governmental funds from:

General Fund	\$ 746,800
Ambulance Fund	70,800
Other non-major governmental funds	300,000
Total transfers to non-major governmental funds	<u>\$ 1,167,600</u>

Transfer to Ambulance Fund from:

General Fund	\$ 300,000
Total transfers to Ambulance Fund	<u>\$ 300,000</u>

Transfer to Building Fund from:

General Fund	\$ 50,000
Total transfers to Ambulance Fund	<u>\$ 50,000</u>

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

F. Renewable Energy Certificates (REC) - Department

As of June 30, 2012, 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 64,803 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, 2012

III. Detailed Notes on Accounts (Continued)

G. 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.

H. 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 with interest rates of 2.00-4.00% for Park System Improvements. These bonds were a current refunding of \$5,835,000 of outstanding 2001 general obligation bonds with interest rates of 4.50-5.00% for Park System Improvements. The net proceeds of \$5,825,547 (including a premium of \$336,316 and after payment of \$100,769 in underwriter's fees and issuance costs) plus an additional \$9,453 of 2001 general obligation bonds reserve were used to redeem the 2001 general obligation debt. This current refunding was undertaken to reduce total debt service payments over the next 10 years by \$1,102,467 and resulted in an economic gain of \$1,018,027.

The Park System Improvement Bonds are subject to federal arbitrage rebate calculations, although there is no contingent rebatable arbitrage liability as of June 30, 2012 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, 2012 is \$11,476.

General obligation bonds payable as of June 30, 2012, 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	\$ 5,590,000
Add: unamortized premium	311,093
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	10,925,000
Add: unamortized premium	140,517
Total general obligation bonds outstanding at June 30, 2012	\$ 16,966,610

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, 2012

III. Detailed Notes on Accounts (Continued)

H. 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
2013	\$ 1,075,000	\$ 556,338
2014	1,070,000	540,175
2015	1,105,000	498,525
2016	1,150,000	459,738
2017	1,190,000	423,938
2018– 2022	6,525,000	1,530,119
2023– 2027	4,400,000	454,000
Total	<u>\$ 16,515,000</u>	<u>\$ 4,462,833</u>

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 (OECD) Special Public Works Fund note. The amount payable for the refunding bonds is presented net of the resultant amount deferred on refunding and the related premium. 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, 2012.

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, 2012

III. Detailed Notes on Accounts (Continued)

H. Long-Term Liabilities (Continued)

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

Revenue bonds payable as of June 30, 2012, 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	\$ 5,610,000
Less: unamortized deferred amount on refunding	(140,278)
Add: unamortized premium	<u>261,807</u>
Total revenue bonds outstanding at June 30, 2012	<u>\$ 5,731,529</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
2013	2,765,000	175,413
2014	<u>2,845,000</u>	<u>92,462</u>
Total	<u>\$ 5,610,000</u>	<u>\$ 267,875</u>

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2012

III. Detailed Notes on Accounts (Continued)

H. Long-Term Liabilities (Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
General obligation bonds:					
Park system improvements	\$ 6,285,000	\$ 5,590,000	\$ (6,285,000)	\$ 5,590,000	\$ 550,000
Add: premium	-	336,316	(25,224)	311,092	-
Public safety civic buildings const	11,425,000	-	(500,000)	10,925,000	525,000
Add: premium	150,292	-	(9,775)	140,517	-
Rebatable arbitrage	11,476	-	-	11,476	-
Other post employment benefits	463,727	112,481	-	576,208	-
Total governmental activities	<u>\$18,335,495</u>	<u>\$ 6,038,797</u>	<u>\$ (6,819,999)</u>	<u>\$17,554,293</u>	<u>\$1,075,000</u>
<u>Business-Type Activities</u>					
Revenue bonds:					
Sewer refunding	\$8,290,000	\$ -	\$(2,680,000)	\$5,610,000	\$2,765,000
Add: premium	422,918	-	(161,111)	261,807	-
Less: deferred amount	(226,603)	-	86,325	(140,278)	-
Other post employment benefits	132,188	36,606	-	168,794	-
Total business-type activities	<u>\$ 8,618,503</u>	<u>\$36,606</u>	<u>\$(2,754,786)</u>	<u>\$5,900,323</u>	<u>\$ 2,765,000</u>
<u>Component Unit</u>					
Notes payable	\$ 24,096	\$ -	\$ (24,096)	\$ -	\$ -
Other post employment benefits	1,215,760	269,912	(113,284)	1,372,388	-
	<u>\$ 1,239,856</u>	<u>\$ 269,912</u>	<u>\$ (346,683)</u>	<u>\$ 1,372,388</u>	<u>\$ -</u>

Internal service funds predominantly serve the governmental funds. Accordingly, internal service funds' long-term liabilities of \$2,457 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, 2012

III. Detailed Notes on Accounts (Continued)

I. Equity

Fund balances by classification for the year ended June 30, 2012 were as follows:

Fund Balances	General Fund	Airport Maintenance	Debt Service	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
In Form	\$ 20,360	\$ 5,788	\$ -	\$ 49	\$ 26,197
Contractual	23,230	-	-	-	23,230
Restricted for:					
Street Maintenance	-	-	-	458,877	458,877
Capital Projects	-	-	-	2,591,109	2,591,109
Debt Service	-	-	1,590,699	-	1,590,699
Committed to:					
Airport Maintenance	-	663,499	-	-	663,499
Assigned to:					
Capital Acquisitions	500,000	-	-	-	500,000
LOSAP Volunteer Benefit Plan	468,301	-	-	-	468,301
Special Assessments	-	-	-	171,295	171,295
Telecommunications	-	-	-	1,581	1,581
Emergency Communications	-	-	-	299,926	299,926
Street Maintenance	-	-	-	623,341	623,341
Capital Projects	-	-	-	130,340	130,340
Unassigned:	6,465,935	-	-	-	6,465,935
Total fund balances	<u>\$ 7,477,826</u>	<u>\$ 669,287</u>	<u>\$1,590,699</u>	<u>\$ 4,276,518</u>	<u>\$ 14,014,330</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.

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, 2012

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, which 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, who 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 2011-12, the City contributed \$146,396 consisting of retiree payments. The City has elected to not prefund the actuarially determined future cost amount \$745,002.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2012

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 were as follows for the year ended June 30, 2012:

	<u>General Service Retirees</u>		<u>Police Union Retirees</u>		<u>Fire Union Retirees</u>	
	<u>Medical & Vision Rates</u>	<u>Dental Rates</u>	<u>Medical & Vision Rates</u>	<u>Dental Rates</u>	<u>Medical & Vision Rates</u>	<u>Dental Rates</u>
Single	\$ 499	\$ 52	\$ 508	\$ 52	\$ 508	\$ 52
Two-party	1,047	90	1,059	90	1,059	90
Family	1,405	156	1,415	156	1,415	156

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	\$ 159,809
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	152,335
Annual Required Contribution (ARC)	312,144
Interest on net OPEB obligation	23,837
Adjustment to ARC	(40,498)
Annual OPEB cost	295,483
Contribution	(146,396)
Increase in net OPEB obligation	149,087
Net OPEB obligation, beginning of year	595,915
Net OPEB obligation, end of year	<u>\$ 745,002</u>

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

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Contribution</u>	<u>Percent of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 344,302	\$ 135,177	39%	\$ 410,253
2011	357,764	172,102	48	595,915
2012	295,483	146,396	50	745,002

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2012

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 August 1,	Actuarial Value of Assets(a)	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL)(b - a)	Funded Ratio(a / b)	Covered Payroll(c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
2006	\$ -	\$ 2,119,384	\$ 2,119,384	\$ -	\$ 8,992,913	24%
2008	-	2,344,755	2,344,755	-	9,980,552	23
2010	-	2,084,250	2,084,250	-	10,680,389	20

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, 2010 actuarial valuation were used to prepare GASB Statement 45 accounting results for the fiscal year ending June 30, 2012. In the August 1, 2010 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a four percent investment rate of return and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of five percent. The actuarial valuation includes a future general wage inflation rate of 3.75%. The UAAL is being amortized as a level percentage of payroll over a rolling period of 15 years.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2012

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, 2012, there were 15 retired employees and spouses receiving health insurance coverage provided by the Department. For the fiscal year 2011-12, the Department incurred \$113,284 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)	\$ 221,324
Interest on net OPEB obligation	48,588
Annual OPEB cost	269,912
Contribution	(113,284)
Increase in net OPEB obligation	156,628
Net OPEB obligation, beginning of year	1,215,760
Net OPEB obligation, end of year	\$ 1,372,388

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
2010	\$ 109,218	\$ 114,292	105%	\$ 1,214,625
2011	106,487	105,352	99%	1,215,760
2012	269,912	113,284	42%	1,372,388

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2012

IV. Other Information (Continued)

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

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

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
August 1,	(a)	(b)	(b - a)	(a / b)	(c)	((b - a) / c)
2006	\$ -	\$ 1,146,124	\$ 1,146,124	\$ -	\$ 2,854,677	40%
2008	-	1,191,313	1,191,313	-	2,634,910	45
2010	-	1,338,305	1,338,305	-	2,558,493	52

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, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability has been amortized over a one year period. 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. The actuarial valuation did not include a future general wage inflation rate.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2012

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 2011-12 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 2009-10, 2010-11, and 2011-12 were \$31,000, \$31,000, and \$61,000, which equaled the required contributions each year. The Department's contributions to RHIA for the fiscal years 2009-10, 2010-11, and 2011-12 were \$11,000, \$11,000, and \$25,000 which equaled the required contributions each year.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2012

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, 2012

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>2012</u>	<u>2011</u>	<u>2010</u>
City	OPERF Tier one and two	17.53%	13.64%	13.64%
	OPSRP general service	13.56	12.06	12.06
	OPSRP police and fire	16.27	14.77	14.77
Department	OPERF Tier one and two	18.12	13.93	13.93
	OPSRP general service	14.06	12.25	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 years ended June 30, 2010, 2011, and 2012 were \$2,125,000, \$2,145,000, and \$2,550,000 respectively. The Department's contributions to OPERS for the years ended June 30, 2010, 2011, and 2012 were \$846,000, \$845,000, and \$1,005,000 respectively. The annual pension costs were equal to the required contributions for fiscal years ended June 30, 2010, 2011, and 2012.

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, 2012

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 Assets.

Annual Cost and Net Pension Obligation

Normal Cost	\$ 34,424
Amortization of Unfunded Actuarial Accrual Liability	76,043
Annual Required Contribution	<u>110,467</u>
Interest on Net Pension Obligation	5,637
Adjustment to Annual Required Contribution	<u>(15,280)</u>
Annual Pension Cost	100,823
Contribution	<u>(26,616)</u>
Increase (decrease) in Net Pension Obligation	74,207
Net Pension Obligation, beginning of year	<u>187,887</u>
Net Pension Obligation, end of year	<u>\$ 262,094</u>

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

Fiscal Year End <u>June 30</u>	<u>Annual Pension Cost</u>	<u>Contribution</u>	<u>% of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 53,570	\$ 77,579	145%	\$ 101,571
2011	101,275	14,958	15%	187,887
2012	100,823	26,616	26%	262,094

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2012

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.

Actuarial Valuation <u>Date June 30</u>	Actuarial Value <u>of Assets</u>	Actuarial Accrued <u>Liability (AAL)</u>	Unfunded Actuarial Accrued Liability <u>(UAAL)</u>	Funded <u>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, 2012

IV. Other Information (Continued)

E. Commitments and Contingencies

1. City

At June 30, 2012, the City was committed to four contracts. In the non-major governmental funds, approximately \$52,000 remained on an emergency radio equipment and installation project; \$75,000 remained on the 2012 slurry seal project; and \$417,000 remained on the 2012 street overlay project. In the Wastewater Fund, a business-type activity, approximately \$1,388,000 remained on the Downtown Basin inflow and infiltration project.

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, 2012, the City had three open plan years with a total potential remaining liability of \$875,000. 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 2012, 2011, and 2010 were \$184,000, \$113,000, and \$123,000, respectively.

2. Department

The Department has previously entered into agreements to purchase a portion of the power to be generated from Washington Public Power Supply System, now Energy Northwest Nuclear Projects 1, 2, and 3 ("Projects"). Over the life of the Projects, the agreements provide for the Department to make payments equal to its share of all operating and debt service costs of the Projects whether or not the plants are operable or operating. Projects 1 and 3 have never been completed. Project 2 continues in operation.

The Department has assigned its share of the Projects' power generation to the Bonneville Power Administration (BPA). In return for this assignment, the Department's annual power purchase obligation to BPA is reduced by the amount of payments BPA instructs the Department to make directly to Energy Northwest in connection with the Projects' costs. If such costs exceed the Department's cost of purchased power on an annual basis, BPA will assign to other participants or pay Energy Northwest any of the Department's portion of the Projects' cost in excess of BPA billings to the Department of the purchased power.

The Department's present commitments, based on its present participant's share and representing its share of construction costs based on aggregate outstanding debt issued as of June 30, 2012, approximates \$73,041,000, for Projects 1, 2, and 3. The aggregate amount, including interest and annual operating costs, is payable over the life of Project 2 as part of the cost of power purchased and, for Projects 1 and 3 until the bonded indebtedness for these Projects has been paid. The Department's obligations pursuant to the Agreements are projected to extend beyond the term of the Department's current BPA Power Sales Agreement which expires on September 30, 2028.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2012

IV. Other Information (Continued)

F. Major Customer and Supplier – Department

Department sales of electricity were made to one major commercial customer during the year ended June 30, 2012 in an amount exceeding ten percent of total sales. This customer accounted for approximately \$11,317,200 of revenues during the year ended June 30, 2012. At June 30, 2012, accounts receivable from this same customer amounted to approximately \$993,000.

Department purchases were made from one major supplier of power, including supply, transmission and distribution during the year ended June 30, 2012 in amounts exceeding ten percent of the total of such purchases. The supplier accounted for \$24,014,800 of purchases during the year ended June 30, 2012. At June 30, 2012, amounts due to this same supplier, and included in accounts payable, amounted to \$1,943,300.

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.

Funding for YCOM is based on member contributions using a cost-sharing formula and E-911 excise tax collected on telephone exchange access services distributed to cities and counties by the State of Oregon. By statute, local entities must pass through E-911 distributions to the local public safety answering point. The City paid \$808,127 in member contributions and E-911 pass through distributions. The City received \$25,834 from YCOM for providing operational space within the Police Department.

Entity members receive E-911 public safety answering point dispatch services from YCOM and participate in a proportionate share of YCOM's operating costs, the respective amounts determined by the Executive Board.

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. Cost for associate members is determined by the Executive Board.

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

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2012

IV. Other Information (Continued)

G. Jointly Governed Organization (Continued)

2. Department

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

H. Library Endowment

The City has a \$23,230 non-expendable endowment for which the income is restricted to supporting children's programs at the library. Oregon Revised Statutes 128.322 governs the ability to spend net appreciation. In the government-wide Statement of Net Assets, the endowment is reported within the governmental activities as a restricted net asset. The library director makes spending decisions and authorizations based on the available investment income. For fiscal year 2011-12, there was \$26 of investment income.

I. 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 2011-12 credits for 2002-2006 look back adjustments were \$1,120,000. Future look back credits have not yet been determined.

J. McMinnville Rural Fire Protection District

McMinnville Rural Fire Protection District (MRFPD) contracts with the City for fire protection services. For fiscal year 2011-12, the City received \$299,600 from MRFPD for contract services, which is included in Fire's Charges for Services in the Government Wide Statement of Activities and in the General Fund's Intergovernmental Revenue in the Fund Financial Statement of Revenues, Expenditures, and Changes in Fund Balances.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2012

IV. Other Information (Continued)

K. Implementation of GASB Statement 61

The City early implemented Governmental Accounting Standards Board *Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* (GASB Statement 61). There were no changes to the basic financial statements as a result of this statement.



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, 2012

Special Revenue Funds

	Special Assessment	Telecommuni- cations	Emergency Communica- tions	Street	Total
Assets					
Cash and investments	\$ 172,465	\$ 1,581	\$ 419,319	\$ 1,175,726	\$ 1,769,091
Receivables	37,691	-	10,797	-	48,488
Prepays	-	-	-	49	49
Restricted cash and investments	-	-	-	-	-
Total assets	\$ 210,156	\$ 1,581	\$ 430,116	\$ 1,175,775	\$ 1,817,628
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	1,170	-	130,190	93,508	224,868
Deferred revenue	37,691	-	-	-	37,691
Total liabilities	38,861	-	130,190	93,508	262,559
Fund balances:					
Nonspendable in form	-	-	-	49	49
Restricted	-	-	-	458,877	458,877
Assigned	171,295	1,581	299,926	623,341	1,096,143
Total fund balances	171,295	1,581	299,926	1,082,267	1,555,069
Total liabilities and fund balances	\$ 210,156	\$ 1,581	\$ 430,116	\$ 1,175,775	\$ 1,817,628

Capital Projects Funds

Capital Projects Funds				Total Non-Major Governmental Funds
Public Safety Facilities Construction	Transportation	Park Development	Total	
\$ 723	\$ 1,478,224	\$ 66,250	\$ 1,545,197	\$ 3,314,288
-	590	-	590	49,078
-	-	-	-	49
53,111	-	1,126,874	1,179,985	1,179,985
<u>\$ 53,834</u>	<u>\$ 1,478,814</u>	<u>\$ 1,193,124</u>	<u>\$ 2,725,772</u>	<u>\$ 4,543,400</u>
-	2,403	1,330	3,733	228,601
-	590	-	590	38,281
-	<u>2,993</u>	<u>1,330</u>	<u>4,323</u>	<u>266,882</u>
-	-	-	-	49
53,834	1,351,185	1,186,090	2,591,109	3,049,986
-	124,636	5,704	130,340	1,226,483
<u>53,834</u>	<u>1,475,821</u>	<u>1,191,794</u>	<u>2,721,449</u>	<u>4,276,518</u>
<u>\$ 53,834</u>	<u>\$ 1,478,814</u>	<u>\$ 1,193,124</u>	<u>\$ 2,725,772</u>	<u>\$ 4,543,400</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, 2012

Special Revenue Funds

	Special Assessment	Telecommuni- cations	Emergency Communica- tions	Street	Total
Revenues					
Special assessments	\$ 51,121	\$ -	\$ -	\$ -	\$ 51,121
Licenses and permits	-	237,355	26,019	75	263,449
Intergovernmental	-	-	158,728	1,756,888	1,915,616
Charges for services	-	-	-	-	-
Miscellaneous	1,159	123	1,705	12,523	15,510
Total revenues	52,280	237,478	186,452	1,769,486	2,245,696
Expenditures					
Current:					
General government	58,797	237,355	-	-	296,152
Public safety	-	-	1,023,227	-	1,023,227
Highways and streets	-	-	-	1,398,652	1,398,652
Culture and recreation	-	-	-	-	-
Capital outlay:					
Highways and streets	-	-	-	-	-
Total expenditures	58,797	237,355	1,023,227	1,398,652	2,718,031
Excess (deficiency) of revenues over (under) expenditures	(6,517)	123	(836,775)	370,834	(472,335)
Other Financing Sources (Uses)					
Premium on refunding bonds issued	-	-	-	-	-
Transfers from other funds	-	-	817,600	-	817,600
Transfers to other funds	-	-	-	(300,000)	(300,000)
Total other financing sources (uses)	-	-	817,600	(300,000)	517,600
Net change in fund balances	(6,517)	123	(19,175)	70,834	45,265
Fund balances - beginning	177,812	1,458	319,101	1,011,433	1,509,804
Fund balances - ending	\$ 171,295	\$ 1,581	\$ 299,926	\$ 1,082,267	\$ 1,555,069

Capital Projects Funds

Public Safety Facilities Construction	Transportation	Park Development	Total	Total Non- Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 51,121
-	-	-	-	263,449
-	443,154	-	443,154	2,358,770
-	202,328	140,635	342,963	342,963
250	6,636	6,307	13,193	28,703
<u>250</u>	<u>652,118</u>	<u>146,942</u>	<u>799,310</u>	<u>3,045,006</u>
-	-	-	-	296,152
351	-	-	351	1,023,578
-	73,136	-	73,136	1,471,788
-	-	164,580	164,580	164,580
-	503,781	-	503,781	503,781
<u>351</u>	<u>576,917</u>	<u>164,580</u>	<u>741,848</u>	<u>3,459,879</u>
<u>(101)</u>	<u>75,201</u>	<u>(17,638)</u>	<u>57,462</u>	<u>(414,873)</u>
-	-	100,769	100,769	100,769
-	300,000	-	300,000	1,117,600
-	(251,444)	(100,000)	(351,444)	(651,444)
-	48,556	769	49,325	566,925
(101)	123,757	(16,869)	106,787	152,052
53,935	1,352,064	1,208,663	2,614,662	4,124,466
<u>\$ 53,834</u>	<u>\$ 1,475,821</u>	<u>\$ 1,191,794</u>	<u>\$ 2,721,449</u>	<u>\$ 4,276,518</u>

City of McMinnville, Oregon
Special Assessment Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 60,000	\$ 60,000	\$ 51,121	\$ (8,879)
Miscellaneous	600	600	1,159	559
Total revenues	<u>60,600</u>	<u>60,600</u>	<u>52,280</u>	<u>(8,320)</u>
Expenditures				
General government:				
Materials and services	60,990	60,990	52,050	8,940
Contingencies	80,000	80,000	-	80,000
Total expenditures	<u>140,990</u>	<u>140,990</u>	<u>52,050</u>	<u>88,940</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(80,390)</u>	<u>(80,390)</u>	<u>230</u>	<u>80,620</u>
Other Financing Sources (Uses)				
Transfers to other funds	(6,747)	(6,747)	(6,747)	-
Total other financing sources (uses)	<u>(6,747)</u>	<u>(6,747)</u>	<u>(6,747)</u>	<u>-</u>
Net change in fund balances	(87,137)	(87,137)	(6,517)	80,620
Fund balances, budgetary basis - beginning	177,000	177,000	177,812	812
Fund balances, budgetary basis - ending	<u>\$ 89,863</u>	<u>\$ 89,863</u>	<u>\$ 171,295</u>	<u>\$ 81,432</u>
Reconciliation:				
Expenditures, budgetary basis			\$ 52,050	
Transfers to other funds - services provided			<u>6,747</u>	
Expenditures, modified accrual basis			<u>\$ 58,797</u>	
Other financing sources (uses), budgetary basis			\$ (6,747)	
Transfers to other funds - services provided			<u>6,747</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 256,350	\$ 256,350	\$ 237,355	\$ (18,995)
Miscellaneous	100	100	123	23
Total revenues	256,450	256,450	237,478	(18,972)
Expenditures				
General government:				
Materials and services	256,350	256,350	237,355	18,995
Contingencies	1,400	1,400	-	1,400
Total expenditures	257,750	257,750	237,355	20,395
Excess (deficiency) of revenues over (under) expenditures	(1,300)	(1,300)	123	1,423
Net change in fund balances	(1,300)	(1,300)	123	1,423
Fund balances - beginning	1,500	1,500	1,458	(42)
Fund balances - ending	\$ 200	\$ 200	\$ 1,581	\$ 1,381

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 24,000	\$ 24,000	\$ 26,019	\$ 2,019
Intergovernmental	165,000	205,000	158,728	(46,272)
Miscellaneous	1,000	1,000	1,705	705
Total revenues	<u>190,000</u>	<u>230,000</u>	<u>186,452</u>	<u>(43,548)</u>
Expenditures				
Public safety:				
Materials and services	814,600	892,600	868,233	24,367
Capital outlay	-	195,000	154,994	40,006
Contingencies	75,000	10,000	-	10,000
Total expenditures	<u>889,600</u>	<u>1,097,600</u>	<u>1,023,227</u>	<u>74,373</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(699,600)</u>	<u>(867,600)</u>	<u>(836,775)</u>	<u>30,825</u>
Other Financing Sources (Uses)				
Transfers from other funds	649,600	817,600	817,600	-
Total other financing sources (uses)	<u>649,600</u>	<u>817,600</u>	<u>817,600</u>	<u>-</u>
Net change in fund balances	(50,000)	(50,000)	(19,175)	30,825
Fund balances - beginning	318,000	318,000	319,101	1,101
Fund balances - ending	<u>\$ 268,000</u>	<u>\$ 268,000</u>	<u>\$ 299,926</u>	<u>\$ 31,926</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 50	\$ 50	\$ 75	\$ 25
Intergovernmental	1,750,000	1,750,000	1,756,888	6,888
Miscellaneous	7,300	7,300	12,523	5,223
Total revenues	1,757,350	1,757,350	1,769,486	12,136
Expenditures				
Highways and streets:				
Personal services	616,563	616,563	600,535	16,028
Materials and services	721,095	721,095	593,017	128,078
Capital outlay	62,049	62,049	51,056	10,993
Contingencies	250,000	250,000	-	250,000
Total expenditures	1,649,707	1,649,707	1,244,608	405,099
Excess (deficiency) of revenues over (under) expenditures	107,643	107,643	524,878	417,235
Other Financing Sources (Uses)				
Transfers to other funds	(454,044)	(454,044)	(454,044)	-
Total other financing sources (uses)	(454,044)	(454,044)	(454,044)	-
Net change in fund balances	(346,401)	(346,401)	70,834	417,235
Fund balances, budgetary basis - beginning	946,000	946,000	1,011,433	65,433
Fund balances, budgetary basis - ending	\$ 599,599	\$ 599,599	\$ 1,082,267	\$ 482,668
Reconciliation:				
Expenditures, budgetary basis			\$ 1,244,608	
Transfers to other funds - services provided			154,044	
Expenditures, modified accrual basis			<u>\$ 1,398,652</u>	
Other financing sources (uses), budgetary basis			\$ (454,044)	
Transfers to other funds - services provided			154,044	
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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ -	\$ -	\$ 250	\$ 250
Total revenues	<u>-</u>	<u>-</u>	<u>250</u>	<u>250</u>
Expenditures				
Public safety:				
Materials and services	24,000	24,000	351	23,649
Capital outlay	15,000	15,000	-	15,000
Total expenditures	<u>39,000</u>	<u>39,000</u>	<u>351</u>	<u>38,649</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,000)</u>	<u>(39,000)</u>	<u>(101)</u>	<u>38,899</u>
Net change in fund balances	(39,000)	(39,000)	(101)	38,899
Fund balances, budgetary basis - beginning	55,035	55,035	53,935	(1,100)
Fund balances, budgetary basis - ending	<u>\$ 16,035</u>	<u>\$ 16,035</u>	<u>\$ 53,834</u>	<u>\$ 37,799</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 443,154	\$ 443,154	\$ 443,154	\$ -
Charges for services	150,000	150,000	202,328	52,328
Miscellaneous	2,900	2,900	6,636	3,736
Total revenues	<u>596,054</u>	<u>596,054</u>	<u>652,118</u>	<u>56,064</u>
Expenditures				
Highways and streets:				
Materials and services	40,000	40,000	21,045	18,955
Capital outlay	610,000	610,000	503,781	106,219
Contingencies	250,000	250,000	-	250,000
Total expenditures	<u>900,000</u>	<u>900,000</u>	<u>524,826</u>	<u>375,174</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(303,946)</u>	<u>(303,946)</u>	<u>127,292</u>	<u>431,238</u>
Other Financing Sources (Uses)				
Transfers from other funds	300,000	300,000	300,000	-
Transfers to other funds	(303,535)	(303,535)	(303,535)	-
Total other financing sources (uses)	<u>(3,535)</u>	<u>(3,535)</u>	<u>(3,535)</u>	<u>-</u>
Net change in fund balances	<u>(307,481)</u>	<u>(307,481)</u>	<u>123,757</u>	<u>431,238</u>
Fund balances, budgetary basis - beginning	1,344,016	1,344,016	1,352,064	8,048
Fund balances, budgetary basis - ending	<u>\$ 1,036,535</u>	<u>\$ 1,036,535</u>	<u>\$ 1,475,821</u>	<u>\$ 439,286</u>
Reconciliation:				
Expenditures, budgetary basis			\$ 524,826	
Transfers to other funds - services provided			52,091	
Expenditures, modified accrual basis			<u>\$ 576,917</u>	
Other financing sources (uses), budgetary basis			\$ (3,535)	
Transfers to other funds - services provided			52,091	
Other financing sources (uses), modified accrual basis			<u>\$ 48,556</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 105,000	\$ 105,000	\$ 140,635	\$ 35,635
Miscellaneous	3,000	3,000	6,307	3,307
Total revenues	<u>108,000</u>	<u>108,000</u>	<u>146,942</u>	<u>38,942</u>
Expenditures				
Culture and recreation:				
Materials and services	77,390	190,748	110,548	80,200
Capital outlay	726,000	726,000	4,942	721,058
Contingencies	361,325	361,325	-	361,325
Total expenditures	<u>1,164,715</u>	<u>1,278,073</u>	<u>115,490</u>	<u>1,162,583</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,056,715)</u>	<u>(1,170,073)</u>	<u>31,452</u>	<u>1,201,525</u>
Other Financing Sources (Uses)				
Bond premium	-	113,358	100,769	(12,589)
Transfers to other funds	(149,090)	(149,090)	(149,090)	-
Total other financing sources (uses)	<u>(149,090)</u>	<u>(35,732)</u>	<u>(48,321)</u>	<u>(12,589)</u>
Net change in fund balances	(1,205,805)	(1,205,805)	(16,869)	1,188,936
Fund balances, budgetary basis - beginning	1,205,805	1,205,805	1,208,663	2,858
Fund balances, budgetary basis - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,191,794</u>	<u>\$ 1,191,794</u>
Reconciliation:				
Expenditures, budgetary basis			\$ 115,490	
Transfers to other funds - services provided			49,090	
Expenditures, modified accrual basis			<u>\$ 164,580</u>	
Other financing sources (uses), budgetary basis			\$ (48,321)	
Transfers to other funds - services provided			49,090	
Other financing sources (uses), modified accrual basis			<u>\$ 769</u>	

City of McMinnville, Oregon

Debt Service Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 1,380,000	\$ 1,380,000	\$ 1,438,276	\$ 58,276
Miscellaneous	3,000	3,000	5,242	2,242
Total revenues	<u>1,383,000</u>	<u>1,383,000</u>	<u>1,443,518</u>	<u>60,518</u>
Expenditures				
Debt service	1,712,955	1,786,955	1,688,651	98,304
Excess (deficiency) of revenues over (under) expenditures	<u>(329,955)</u>	<u>(403,955)</u>	<u>(245,133)</u>	<u>158,822</u>
Other Financing Sources (Uses)				
Bond Proceeds	-	5,812,958	5,825,547	12,589
Bond Refunding	-	(5,812,958)	(5,812,957)	1
Transfers from other funds	351,444	351,444	351,444	-
Total other financing sources (uses)	<u>351,444</u>	<u>351,444</u>	<u>364,034</u>	<u>12,590</u>
Net change in fund balances	21,489	(52,511)	118,901	171,412
Fund balances - beginning	1,447,740	1,447,740	1,471,798	24,058
Fund balances - ending	<u>\$ 1,469,229</u>	<u>\$ 1,395,229</u>	<u>\$ 1,590,699</u>	<u>\$ 195,470</u>

Reconciliation:

Expenditures, budgetary basis	\$ 1,688,651
Bond refunding recorded as expenditure	5,835,000
Bond refunding expenditure contributed by City	(22,043)
Expenditures, modified accrual basis	<u>\$ 7,501,608</u>
Other financing sources (uses), budgetary basis	\$ 364,034
Bond refunding recorded as expenditure	5,835,000
Bond refunding expenditure contributed by City	(22,043)
Other financing sources (uses), modified accrual basis	<u>\$ 6,176,991</u>



PROPRIETARY FUNDS

- Combining Statement of Net Assets – Internal Service Funds
- Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – 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



McMinnville

City of McMinnville, Oregon
Combining Statement of Net Assets
Internal Service Funds
June 30, 2012

	Information Systems & Services	Insurance Services	Total Internal Service Funds
Assets			
Current assets:			
Cash and investments	\$ 111,832	\$ 674,669	\$ 786,501
Due from component unit	-	913	913
Prepays	25,061	333,076	358,137
Total current assets	<u>136,893</u>	<u>1,008,658</u>	<u>1,145,551</u>
Non-current assets:			
Capital assets:			
Depreciable capital assets	2,057,203	-	2,057,203
Accumulated depreciation	(1,401,896)	-	(1,401,896)
Total non-current assets	<u>655,307</u>	<u>-</u>	<u>655,307</u>
Total assets	<u>792,200</u>	<u>1,008,658</u>	<u>1,800,858</u>
Liabilities			
Current liabilities:			
Accounts payable	3,809	45,928	49,737
Other liabilities	-	85,802	85,802
Compensated absences	9,777	-	9,777
Total current liabilities	<u>13,586</u>	<u>131,730</u>	<u>145,316</u>
Non-current liabilities:			
Other post employment benefits	12,034	-	12,034
Total non-current liabilities	<u>12,034</u>	<u>-</u>	<u>12,034</u>
Total liabilities	<u>25,620</u>	<u>131,730</u>	<u>157,350</u>
Net Assets			
Invested in capital assets, net of related debt	655,307	-	655,307
Unrestricted	111,273	876,928	988,201
Total net assets	<u>\$ 766,580</u>	<u>\$ 876,928</u>	<u>\$ 1,643,508</u>

City of McMinnville, Oregon
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2012

	Information Systems & Services	Insurance Services	Total Internal Service Funds
Operating revenues			
Charges for services	\$ 853,517	\$ 556,070	\$ 1,409,587
Miscellaneous	-	63,991	63,991
Total operating revenues	<u>853,517</u>	<u>620,061</u>	<u>1,473,578</u>
Operating Expenses			
Personnel services	291,619	-	291,619
Materials and services	434,692	518,304	952,996
Depreciation	188,786	-	188,786
Total operating expenses	<u>915,097</u>	<u>518,304</u>	<u>1,433,401</u>
Operating income (loss)	<u>(61,580)</u>	<u>101,757</u>	<u>40,177</u>
Nonoperating Revenues (Expenses)			
Investment earnings	652	4,416	5,068
Gain/Loss on disposal of assets	(1,419)	-	(1,419)
Total nonoperating revenues (expenses)	<u>(767)</u>	<u>4,416</u>	<u>3,649</u>
Change in net assets	<u>(62,347)</u>	<u>106,173</u>	<u>43,826</u>
Total net assets - beginning	828,927	770,755	1,599,682
Total net assets - ending	<u>\$ 766,580</u>	<u>\$ 876,928</u>	<u>\$ 1,643,508</u>

City of McMinnville, Oregon
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012

	<u>Information Systems & Services</u>	<u>Insurance Services</u>	<u>Total</u>
Cash Flows From Operating Activities			
Receipts from interfund services provided	\$ 853,517	\$ 556,070	\$ 1,409,587
Other operating receipts	-	73,390	73,390
Payments to suppliers	(462,744)	(815,706)	(1,278,450)
Payments to employees	(287,293)	-	(287,293)
Payments for interfund services used	(1,671)	-	(1,671)
Net cash from operating activities	<u>101,809</u>	<u>(186,246)</u>	<u>(84,437)</u>
Cash Flows From Capital and Related Financing Activities			
Additions to capital assets	(131,098)	-	(131,098)
Net cash from capital and related financing activities	<u>(131,098)</u>	<u>-</u>	<u>(131,098)</u>
Cash Flows From Investing Activities			
Interest received	652	4,416	5,068
Net cash flows from investing activities	<u>652</u>	<u>4,416</u>	<u>5,068</u>
Increase (Decrease) in Cash and Investments	(28,637)	(181,830)	(210,467)
Cash and Investments - Beginning	<u>140,469</u>	<u>856,499</u>	<u>996,968</u>
Cash and Investments - Ending	<u>\$ 111,832</u>	<u>\$ 674,669</u>	<u>\$ 786,501</u>
Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities			
Operating income (loss)	\$ (61,580)	\$ 101,757	\$ 40,177
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	188,786	-	188,786
Change in current assets and liabilities:			
Receivables	-	9,540	9,540
Due from component unit	-	(141)	(141)
Prepays	(14,323)	(333,076)	(347,399)
Accounts payable	(14,959)	11,667	(3,292)
Compensated absences	1,428	-	1,428
Other post employment benefits	2,457	-	2,457
Other liabilities	-	24,007	24,007
Net cash from operating activities	<u>\$ 101,809</u>	<u>\$ (186,246)</u>	<u>\$ (84,437)</u>

City of McMinnville, Oregon
Wastewater Services Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 8,125,726	\$ 8,125,726	\$ 8,013,223	\$ (112,503)
Miscellaneous	7,700	7,700	14,647	6,947
Total revenues	<u>8,133,426</u>	<u>8,133,426</u>	<u>8,027,870</u>	<u>(105,556)</u>
Expenditures				
Wastewater:				
Wastewater services administration	779,119	779,119	699,154	79,965
Plant	1,380,872	1,380,872	1,283,691	97,181
Environmental services	432,707	432,707	373,482	59,225
Pump stations	238,300	238,300	223,590	14,710
Conveyance systems	702,138	702,138	579,219	122,919
Contingencies	300,000	300,000	-	300,000
Total expenditures	<u>3,833,136</u>	<u>3,833,136</u>	<u>3,159,136</u>	<u>674,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,300,290</u>	<u>4,300,290</u>	<u>4,868,734</u>	<u>568,444</u>
Other Financing Sources (Uses)				
Transfers to other funds	(6,000,142)	(6,000,142)	(6,000,142)	-
Total other financing sources (uses)	<u>(6,000,142)</u>	<u>(6,000,142)</u>	<u>(6,000,142)</u>	<u>-</u>
Net change in fund balances	(1,699,852)	(1,699,852)	(1,131,408)	568,444
Fund balances, budgetary basis - beginning	3,543,000	3,543,000	3,676,657	133,657
Fund balances, budgetary basis - ending	<u>\$ 1,843,148</u>	<u>\$ 1,843,148</u>	<u>\$ 2,545,249</u>	<u>\$ 702,101</u>

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

City of McMinnville, Oregon
Wastewater Capital Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 300,000	\$ 300,000	\$ 429,252	\$ 129,252
Miscellaneous	46,400	46,400	83,237	36,837
Total revenues	<u>346,400</u>	<u>346,400</u>	<u>512,489</u>	<u>166,089</u>
Expenditures				
Wastewater:				
Materials and services	2,915,400	2,915,400	97,246	2,818,154
Capital outlay	2,334,873	2,334,873	1,437,857	897,016
Debt service	2,935,814	2,935,814	2,935,813	1
Contingencies	500,000	500,000	-	500,000
Total expenditures	<u>8,686,087</u>	<u>8,686,087</u>	<u>4,470,916</u>	<u>4,215,171</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,339,687)</u>	<u>(8,339,687)</u>	<u>(3,958,427)</u>	<u>4,381,260</u>
Other Financing Sources (Uses)				
Transfers from other funds	5,815,430	5,815,430	5,815,430	-
Transfers to other funds	(161,095)	(161,095)	(161,095)	-
Total other financing sources (uses)	<u>5,654,335</u>	<u>5,654,335</u>	<u>5,654,335</u>	<u>-</u>
Net change in fund balances	<u>(2,685,352)</u>	<u>(2,685,352)</u>	<u>1,695,908</u>	<u>4,381,260</u>
Fund balances, budgetary basis - beginning	13,906,004	13,906,004	14,215,745	309,741
Fund balances, budgetary basis - ending	<u>\$ 11,220,652</u>	<u>\$ 11,220,652</u>	<u>\$ 15,911,653</u>	<u>\$ 4,691,001</u>

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

City of McMinnville, Oregon
Wastewater Services Fund
Reconciliation of Budgetary Basis to Full Accrual Basis
For the Year Ended June 30, 2012

Reconciliation:

Wastewater Services Fund balances, budgetary basis - ending	\$ 2,545,249
Wastewater Capital Fund balances, budgetary basis - ending	15,911,653
Deferred amount on refunding	140,279
Deferred charges	43,420
Transfers to other funds	350,000
Capital assets	84,165,940
Accumulated depreciation	(35,437,547)
Accrued interest payable	(73,089)
Compensated absences payable	(83,401)
Revenue bonds payable	(5,610,000)
Revenue bonds premium	(261,806)
Other post employment benefits	(66,823)
Transfers from other funds	(210,000)
Net assets, full accrual - ending	<u><u>\$ 61,413,875</u></u>

Wastewater Services charges for services, budgetary basis	8,013,223
Wastewater Capital charges for services, budgetary basis	429,252
Development charges and fees	(429,252)
Other revenue, property rentals	(19,252)
Charges for services, full accrual basis	<u><u>\$ 7,993,971</u></u>

Wastewater Services expenditures, budgetary basis	\$ 3,159,136
Wastewater Capital expenditures, budgetary basis	4,470,916
Change in compensated absences	5,873
Change in other post employment benefits	13,495
Expenditures capitalized	(1,889,617)
Transfers to other funds - services provided	415,807
Depreciation	2,460,194
Debt Service	(2,935,813)
Operating expenses, full accrual basis	<u><u>\$ 5,699,991</u></u>

Wastewater Services other financing sources (uses), budgetary basis	\$ (6,000,142)
Wastewater Capital other financing sources (uses), budgetary basis	5,654,335
Capital contributions	24,920
Transfers to other funds - services provided	415,807
Transfers from other funds - advance to other fund	(70,000)
Total capital contributions and transfers, full accrual basis	<u><u>\$ 24,920</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 7,147,500	\$ 7,147,500	\$ 6,226,144	\$ (921,356)
Miscellaneous	24,050	24,050	29,177	5,127
Total revenues	<u>7,171,550</u>	<u>7,171,550</u>	<u>6,255,321</u>	<u>(916,229)</u>
Expenditures				
Ambulance:				
Personal services	2,459,266	2,459,266	2,389,099	70,167
Materials and services	4,363,472	4,651,472	4,530,661	120,811
Capital outlay	182,287	194,287	191,789	2,498
Contingencies	300,000	-	-	-
Total expenditures	<u>7,305,025</u>	<u>7,305,025</u>	<u>7,111,549</u>	<u>193,476</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(133,475)</u>	<u>(133,475)</u>	<u>(856,228)</u>	<u>(722,753)</u>
Other Financing Sources (Uses)				
Transfers from other funds	300,000	300,000	300,000	-
Transfers to other funds	(248,450)	(248,450)	(248,450)	-
Total other financing sources (uses)	<u>51,550</u>	<u>51,550</u>	<u>51,550</u>	<u>-</u>
Net change in fund balances	<u>(81,925)</u>	<u>(81,925)</u>	<u>(804,678)</u>	<u>(722,753)</u>
Fund balances, budgetary basis - beginning	1,712,000	1,712,000	1,976,667	264,667
Fund balances, budgetary basis - ending	<u>\$ 1,630,075</u>	<u>\$ 1,630,075</u>	<u>1,171,989</u>	<u>\$ (458,086)</u>
Add (deduct):				
Allowance for uncollectibles			(163,727)	
Capital assets			1,097,543	
Accumulated depreciation			(370,196)	
Compensated absences payable			(85,177)	
Other post employment benefits			(86,048)	
Net assets, full accrual - ending			<u>\$ 1,564,384</u>	
Reconciliation:				
Charges for service, budgetary basis			6,226,144	
Medical write-offs			(4,141,368)	
Change in allowance for uncollectibles			629,388	
Charges for services, full accrual basis			<u>\$ 2,714,164</u>	
Expenditures, budgetary basis			\$ 7,111,549	
Change in compensated absences			8,268	
Change in other post employment benefits			20,399	
Medical write-offs			(4,141,368)	
Expenditures capitalized			(185,163)	
Transfers to other funds - services provided			177,650	
Depreciation			82,812	
Operating expenses, full accrual basis			<u>\$ 3,074,147</u>	
Other financing sources (uses), budgetary basis			\$ 51,550	
Capital contributions			23	
Transfers to other funds - services provided			177,650	
Total capital contributions and transfers, full accrual basis			<u>\$ 229,223</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 274,100	\$ 274,100	\$ 296,409	\$ 22,309
Miscellaneous	1,000	1,000	7,812	6,812
Total revenues	<u>275,100</u>	<u>275,100</u>	<u>304,221</u>	<u>29,121</u>
Expenditures				
Building:				
Personal services	363,418	363,418	317,642	45,776
Materials and services	53,498	53,498	43,468	10,030
Capital outlay	3,032	3,032	2,808	224
Contingencies	60,000	60,000	-	60,000
Total expenditures	<u>479,948</u>	<u>479,948</u>	<u>363,918</u>	<u>116,030</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(204,848)</u>	<u>(204,848)</u>	<u>(59,697)</u>	<u>145,151</u>
Other Financing Sources (Uses)				
Transfers from other funds	50,000	50,000	50,000	-
Transfers to other funds	(43,834)	(43,834)	(43,834)	-
Total other financing sources (uses)	<u>6,166</u>	<u>6,166</u>	<u>6,166</u>	<u>-</u>
Net change in fund balances	<u>(198,682)</u>	<u>(198,682)</u>	<u>(53,531)</u>	<u>145,151</u>
Fund balances, budgetary basis - beginning	210,000	210,000	223,222	13,222
Fund balances, budgetary basis - ending	<u>\$ 11,318</u>	<u>\$ 11,318</u>	<u>169,691</u>	<u>\$ 158,373</u>
Add (deduct):				
Capital assets			381,887	
Accumulated depreciation			(73,925)	
Compensated absences payable			(5,724)	
Other post employment benefits			(15,923)	
Net assets, full accrual - ending			<u>\$ 456,006</u>	
Reconciliation:				
Miscellaneous, budgetary basis			\$ 7,812	
Asset sold to Wastewater Services			(6,194)	
Non-operating revenues			(1,618)	
Miscellaneous, full accrual basis			<u>\$ -</u>	
Expenditures, budgetary basis			\$ 363,918	
Change in compensated absences			(20,511)	
Change in other post employment benefits			2,712	
Transfers to other funds - services provided			43,834	
Depreciation			15,201	
Operating expenses, full accrual basis			<u>\$ 405,154</u>	
Other financing sources (uses), budgetary basis			\$ 6,166	
Transfers to other funds - services provided			43,834	
Total capital contributions and transfers, full accrual basis			<u>\$ 50,000</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 590,217	\$ 598,817	\$ 565,789	\$ (33,028)
Miscellaneous	600	600	652	52
Total revenues	<u>590,817</u>	<u>599,417</u>	<u>566,441</u>	<u>(32,976)</u>
Expenditures				
Personal services	287,727	289,227	287,733	1,494
Materials and services	470,265	478,865	434,692	44,173
Capital outlay	134,952	134,952	131,098	3,854
Contingencies	65,000	63,500	-	63,500
Total expenditures	<u>957,944</u>	<u>966,544</u>	<u>853,523</u>	<u>113,021</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(367,127)</u>	<u>(367,127)</u>	<u>(287,082)</u>	<u>80,045</u>
Other Financing Sources (Uses)				
Transfers from other funds	287,728	287,728	287,728	-
Total other financing sources (uses)	<u>287,728</u>	<u>287,728</u>	<u>287,728</u>	<u>-</u>
Net change in fund balances	(79,399)	(79,399)	646	80,045
Fund balances, budgetary basis - beginning	149,000	149,000	132,438	(16,562)
Fund balances, budgetary basis - ending	<u>\$ 69,601</u>	<u>\$ 69,601</u>	<u>133,084</u>	<u>\$ 63,483</u>
Add (deduct):				
Capital assets			2,057,203	
Accumulated depreciation			(1,401,896)	
Compensated absences payable			(9,777)	
Other post employment benefits			(12,034)	
Net assets, full accrual - ending			<u>\$ 766,580</u>	
Reconciliation:				
Charges for services, budgetary basis			\$ 565,789	
Transfers from other funds - services provided			287,728	
Charges for services, full accrual basis			<u>\$ 853,517</u>	
Expenditures, budgetary basis			\$ 853,523	
Change in compensated absences			1,428	
Change in other post employment benefits			2,458	
Expenditures capitalized			(131,098)	
Depreciation			188,786	
Operating expenses, full accrual basis			<u>\$ 915,097</u>	
Other financing sources (uses), budgetary basis			\$ 287,728	
Transfers from other funds - services provided			(287,728)	
Total contributions and transfers, full accrual basis			<u>\$ -</u>	

**City of McMinnville, Oregon
Insurance Services Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 3,500	\$ 3,500	\$ -	\$ (3,500)
Charges for services	603,298	603,298	556,070	(47,228)
Miscellaneous	37,300	37,300	68,407	31,107
Total revenues	<u>644,098</u>	<u>644,098</u>	<u>624,477</u>	<u>(19,621)</u>
Expenditures				
Materials and services	674,180	674,180	453,755	220,425
Contingencies	100,000	100,000	-	100,000
Total expenditures	<u>774,180</u>	<u>774,180</u>	<u>453,755</u>	<u>320,425</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(130,082)</u>	<u>(130,082)</u>	<u>170,722</u>	<u>300,804</u>
Other Financing Sources (Uses)				
Transfers to other funds	(40,542)	(40,542)	(40,542)	-
Total other financing sources (uses)	<u>(40,542)</u>	<u>(40,542)</u>	<u>(40,542)</u>	<u>-</u>
Net change in fund balances	(170,624)	(170,624)	130,180	300,804
Fund balances, budgetary basis - beginning	817,000	817,000	832,550	15,550
Fund balances, budgetary basis - ending	<u>\$ 646,376</u>	<u>\$ 646,376</u>	<u>962,730</u>	<u>\$ 316,354</u>
Deduct:				
Insurance claims payable			(85,802)	
Net assets, full accrual - ending			<u>\$ 876,928</u>	
Reconciliation:				
Expenditures, budgetary basis			\$ 453,755	
Transfers to other funds - services provided			40,542	
Change in insurance claims liability			24,007	
Operating expenses, full accrual basis			<u>\$ 518,304</u>	
Other financing sources (uses), budgetary basis			\$ (40,542)	
Transfers to other funds - services provided			40,542	
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, 2012

Federal Program Title	Federal CFDA Number	Award Description
U.S. Department of Transportation		
National Highway Traffic Safety Administration		
Highway Safety Cluster		
Oregon Association of Chiefs of Police		
State and Community Highway Safety	20.600	Safety Belt/Three Flags Traffic Safety Grant 2011
State and Community Highway Safety	20.600	Safety Belt/Three Flags Traffic Safety Grant 2012
Total State and Community Highway Safety		
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	DUII Traffic Safety Grant 2011
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	DUII Traffic Safety Grant 2012
Total Alcohol Impaired Driving Countermeasures Incentive Grant		
Total Highway Safety Cluster		
U.S. Department of Justice		
JAG Program Cluster		
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG)	16.804	Justice Assistance Grant (JAG) 2009 Recovery Act
Bureau of Justice Assistance		
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 2010
Bulletproof Vest Partnership Program	16.607	Bulletproof Vest Partnership 2011
Total Bulletproof Vest Partnership Program		
U.S. Department of Education		
Office of Educational Research and Improvement		
Oregon Department of Education		
McMinnville School District No. 40		
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

<u>Award Identification Number</u>	<u>Award Period</u>	<u>Total Award</u>	<u>Current Year</u>	<u>Total Project to Date</u>	<u>Unexpended Balance June 30, 2012</u>
OP-11-45-08	10/1/10-9/30/11	8,000	2,780	7,140	860
K2-12-46-08	10/1/10-9/30/12	5,000	4,080	4,080	920
		<u>13,000</u>	<u>6,860</u>	<u>11,220</u>	<u>1,780</u>
K8-11-12-38	10/1/10-9/30/11	10,000	1,600	8,120	1,880
K8-12-12-38	10/1/11-9/30/12	12,000	3,040	3,040	8,960
		<u>22,000</u>	<u>4,640</u>	<u>11,160</u>	<u>10,840</u>
		<u>35,000</u>	<u>11,500</u>	<u>22,380</u>	<u>12,620</u>
2010-SB-B9-0061	10/1/09-9/30/13	39,162	1,576	37,548	1,614
2010-DJ-BX-0478	10/1/09-9/30/13	10,914	1,367	10,893	21
2011-PJ-BX-2674	10/1/10-9/30/14	10,116	-	-	10,116
		<u>60,192</u>	<u>2,943</u>	<u>48,441</u>	<u>11,751</u>
2010BUBX10054271	4/1/10-8/31/12	3,933	2,145	3,932	1
2011BUBX11057165	4/1/11-8/31/13	5,513	4,410	4,410	1,103
		<u>9,446</u>	<u>6,555</u>	<u>8,342</u>	<u>1,104</u>
23399	7/1/11-6/30/13	9,972	9,972	9,972	-
		<u>\$ 114,610</u>	<u>\$ 30,970</u>	<u>\$ 89,135</u>	<u>\$ 25,475</u>

City of McMinnville, Oregon
Schedule of Future Debt Service Requirements
June 30, 2012

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
	2012-13	\$ 525,000	\$ 444,975	\$ 550,000	\$ 111,363	\$ 1,075,000
2013-14	555,000	415,275	515,000	124,900	1,070,000	540,175
2014-15	585,000	383,925	520,000	114,600	1,105,000	498,525
2015-16	615,000	355,538	535,000	104,200	1,150,000	459,738
2016-17	640,000	330,438	550,000	93,500	1,190,000	423,938
2017-18	665,000	305,169	555,000	82,500	1,220,000	387,669
2018-19	690,000	278,900	570,000	71,400	1,260,000	350,300
2019-20	720,000	251,150	580,000	60,000	1,300,000	311,150
2020-21	750,000	222,200	600,000	42,600	1,350,000	264,800
2021-22	780,000	191,600	615,000	24,600	1,395,000	216,200
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>\$ 10,925,000</u>	<u>\$ 3,633,170</u>	<u>\$ 5,590,000</u>	<u>\$ 829,663</u>	16,515,000	<u>\$ 4,462,833</u>

Add:

General obligation bond premium - public safety buildings construction	140,517
General obligation bond premium - park system improvements	311,093
Sewer system revenue refunding bond premium	-

Less:

Deferred amount on sewer revenue bond refunding	-
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\$ 16,966,610

CITY OF MCMINNVILLE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
Year Ended June 30, 2012

	<u>Tax Year</u>	<u>Uncollected July 1, 2011</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts Allowed</u>
Current year	2011-12	\$ -	\$ 12,215,194	\$ (298,789)
Prior years	2010-11	607,459	-	-
	2009-10	308,213	-	-
	2008-09	126,076	-	-
	2007-08	48,955	-	-
	2006-07	16,811	-	-
	2005-06 and prior years	<u>53,082</u>	<u>-</u>	<u>-</u>
Total prior years		<u>1,160,596</u>	<u>-</u>	<u>-</u>
		<u>\$ 1,160,596</u>	<u>\$ 12,215,194</u>	<u>\$ (298,789)</u>
Reconciliation of property taxes receivable by fund:				
General Fund				\$ 1,043,037
Debt Service Fund				<u>120,885</u>
				<u>\$ 1,163,922</u>
Reconciliation of property tax collections to revenue on the fund financial statements:				
Collections				\$ 11,877,333
Adjustment to modified accual basis				<u>67,116</u>
Total property tax revenue				<u>\$ 11,944,449</u>

<u>Interest</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Uncollected June 30, 2012</u>
\$ 8,242	\$ (57,575)	\$ (11,323,050)	\$ 544,022
23,138	(60,771)	(251,370)	318,456
24,540	(11,400)	(150,156)	171,197
24,748	(1,991)	(97,810)	51,023
11,558	(519)	(40,962)	19,032
2,248	(126)	(6,440)	12,493
<u>3,460</u>	<u>(1,297)</u>	<u>(7,546)</u>	<u>47,699</u>
<u>89,692</u>	<u>(76,104)</u>	<u>(554,284)</u>	<u>619,900</u>
<u>\$ 97,934</u>	<u>\$ (133,679)</u>	<u>\$ (11,877,333)</u>	<u>\$ 1,163,922</u>

City of McMinnville, Oregon
Schedule of Accountability for Independently Elected Officials
June 30, 2012

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 Assets by Component
Last Ten Fiscal Years
(full accrual basis of accounting)

	Fiscal Year Ended June 30,			
	2003	2004	2005	2006
Primary Government:				
Governmental activities:				
Invested in capital assets, net of related debt	\$ 46,778,788	\$ 50,703,023	\$ 56,795,878	\$ 59,476,033
Restricted (b)	1,236,614	2,662,699	2,082,235	2,507,360
Unrestricted (d)	7,495,821	8,694,120	8,526,428	9,320,862
Total governmental activities net assets (c)	<u>\$ 55,511,223</u>	<u>\$ 62,059,842</u>	<u>\$ 67,404,541</u>	<u>\$ 71,304,255</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 23,728,608	\$ 26,396,032	\$ 29,353,385	\$ 30,714,356
Restricted (a) (b)	1,245,894	-	-	-
Unrestricted	8,984,425	10,314,249	10,363,595	12,290,008
Total business-type activities net assets (c)	<u>\$ 33,958,927</u>	<u>\$ 36,710,281</u>	<u>\$ 39,716,980</u>	<u>\$ 43,004,364</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 70,507,396	\$ 77,099,055	\$ 86,149,263	\$ 90,190,389
Restricted	2,482,508	2,662,699	2,082,235	2,507,360
Unrestricted	16,480,246	19,008,369	18,890,023	21,610,870
Total primary government net assets (c)	<u>\$ 89,470,150</u>	<u>\$ 98,770,123</u>	<u>\$ 107,121,521</u>	<u>\$ 114,308,619</u>
Component unit:				
Water and Light:				
Invested in capital assets, net of related debt	\$ 71,369,959	\$ 74,137,354	\$ 75,324,660	\$ 75,969,725
Unrestricted	18,215,358	20,373,958	25,041,388	33,233,236
Total component unit	<u>\$ 89,585,317</u>	<u>\$ 94,511,312</u>	<u>\$ 100,366,048</u>	<u>\$ 109,202,961</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 assets 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 assets 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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010 Restated</u>	<u>2011</u>	<u>2012</u>
\$ 62,898,370	\$ 65,247,969	\$ 64,720,490	\$ 64,577,951	\$ 62,431,482	\$ 59,972,233
2,876,332	3,827,337	3,011,121	3,223,454	3,745,053	4,034,072
10,696,218	10,479,495	9,478,673	8,881,472	9,436,731	9,550,700
<u>\$ 76,470,920</u>	<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>
\$ 32,603,644	\$ 33,806,347	\$ 35,556,686	\$ 38,573,448	\$ 41,736,064	\$ 43,935,314
-	-	374,891	284,065	183,776	148,044
14,664,424	17,833,067	19,339,695	19,444,666	18,683,904	19,073,182
<u>\$ 47,268,068</u>	<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>
\$ 95,502,014	\$ 99,054,316	\$ 100,277,176	\$ 103,151,399	\$ 104,167,546	\$ 103,907,547
2,876,332	3,827,337	3,386,012	3,507,519	3,928,829	4,182,116
25,360,642	28,312,562	28,818,368	28,326,138	28,120,635	28,623,882
<u>\$ 123,738,988</u>	<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>
\$ 78,018,533	\$ 83,072,182	\$ 97,147,985	\$ 103,852,317	\$ 103,521,631	\$ 106,683,105
39,601,674	42,264,683	33,751,837	28,853,295	32,006,301	33,671,841
<u>\$ 117,620,207</u>	<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>

City of McMinnville, Oregon

Changes in Net Assets

Last Ten Fiscal Years

(full accrual basis of accounting)

Functions/Programs	Fiscal Year Ended June 30,		
	2003	2004	2005
Expenses			
Primary government:			
Governmental activities:			
General government (a)	\$ 1,570,184	\$ 1,610,048	\$ 1,937,929
Community development (e)	1,430,581	1,292,046	1,390,389
Public safety:			
Police	4,240,720	3,921,582	4,241,725
Fire	1,161,926	1,056,490	1,137,362
Emergency communications	500,283	596,664	702,777
Highways and streets	2,490,461	2,519,192	3,069,313
Culture and recreation:			
Parks and recreation	2,586,603	2,371,878	2,515,824
Library	1,291,047	1,134,410	1,249,009
Airport	302,009	433,376	281,802
Interest on long-term debt	756,097	692,732	582,373
Total governmental activities expenses	<u>16,329,911</u>	<u>15,628,418</u>	<u>17,108,503</u>
Business-type activities:			
Wastewater	5,853,475	5,713,472	5,544,512
Ambulance	1,816,065	1,823,716	1,982,940
Building (e)	-	-	-
Total business-type activities expenses	<u>7,669,540</u>	<u>7,537,188</u>	<u>7,527,452</u>
Total primary government expenses	<u>\$ 23,999,451</u>	<u>\$ 23,165,606</u>	<u>\$ 24,635,955</u>
Component unit:			
Water and Light	<u>\$ 34,524,249</u>	<u>\$ 36,808,963</u>	<u>\$ 35,274,135</u>
Indirect expense allocation (f)			
Primary government:			
Governmental activities:			
General government	\$ (644,960)	\$ (667,830)	\$ (560,848)
Community development	(323,006)	(332,018)	(325,211)
Public safety:			
Police	80,863	66,390	46,615
Fire	315,126	322,457	318,896
Emergency communications	7,525	7,634	5,986
Highways and streets	151,077	166,667	160,958
Culture and recreation:			
Parks and recreation	141,705	164,756	150,774
Library	67,476	84,020	52,328
Airport	32,854	30,980	31,110
Total governmental activities indirect expenses	<u>(171,340)</u>	<u>(156,944)</u>	<u>(119,392)</u>
Business-type activities:			
Wastewater	285,854	266,110	237,178
Ambulance	(114,514)	(109,166)	(117,786)
Total business-type activities indirect expenses	<u>171,340</u>	<u>156,944</u>	<u>119,392</u>
Total primary government indirect expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 3,849,409	\$ 2,655,004	\$ 1,984,604	\$ 2,347,704	\$ 2,060,894	\$ 2,158,145	\$ 1,918,406
1,514,566	1,607,780	1,811,174	1,246,693	1,299,144	1,328,719	1,289,638
4,853,641	5,123,969	5,690,199	6,455,520	6,548,127	6,299,749	6,722,412
1,220,577	1,658,654	1,704,098	2,522,183	2,544,874	2,686,012	2,466,866
725,927	754,142	760,164	809,875	818,172	837,736	1,077,885
2,871,564	3,302,674	3,137,661	3,616,479	3,478,409	3,453,560	3,347,084
3,190,485	3,432,363	3,528,723	3,985,158	4,014,812	4,095,241	4,174,915
1,402,779	1,440,647	1,488,868	1,534,563	1,567,266	1,469,682	1,507,964
351,884	325,485	590,710	640,968	517,465	784,816	552,179
504,474	773,903	915,543	871,822	826,167	786,277	613,154
<u>20,485,306</u>	<u>21,074,621</u>	<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>
5,771,040	5,855,037	6,052,599	5,873,978	5,811,243	5,753,542	5,859,492
2,117,649	2,241,064	2,264,966	2,373,384	2,449,268	2,532,569	3,068,413
-	-	-	596,800	446,236	415,676	406,630
<u>7,888,689</u>	<u>8,096,101</u>	<u>8,317,565</u>	<u>8,844,162</u>	<u>8,706,747</u>	<u>8,701,787</u>	<u>9,334,535</u>
<u>\$ 28,373,995</u>	<u>\$ 29,170,722</u>	<u>\$ 29,929,309</u>	<u>\$ 32,875,127</u>	<u>\$ 32,382,077</u>	<u>\$ 32,601,724</u>	<u>\$ 33,005,038</u>
<u>\$ 36,289,752</u>	<u>\$ 38,592,365</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>
\$ (637,830)	\$ (626,919)	\$ (703,624)	\$ -	\$ -	\$ -	\$ -
(351,034)	(346,209)	(339,846)	-	-	-	-
54,151	61,234	95,954	-	-	-	-
363,879	390,355	429,429	-	-	-	-
-	-	-	-	-	-	-
180,688	188,744	187,281	-	-	-	-
206,701	197,256	177,972	-	-	-	-
58,488	65,222	59,720	-	-	-	-
33,095	27,949	26,608	-	-	-	-
<u>(91,862)</u>	<u>(42,368)</u>	<u>(66,506)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
236,907	230,064	269,875	-	-	-	-
<u>(145,045)</u>	<u>(187,696)</u>	<u>(203,369)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>91,862</u>	<u>42,368</u>	<u>66,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

City of McMinnville, Oregon

Changes in Net Assets

Last Ten Fiscal Years

(full accrual basis of accounting)

Functions/Programs	Fiscal Year Ended June 30,		
	2003	2004	2005
Program revenues			
Primary government:			
Governmental activities:			
Charges for services:			
General government	\$ 389,560	\$ 454,861	\$ 517,309
Community development (e)	685,626	897,659	907,236
Public safety:			
Police	502,250	586,740	724,749
Fire	311,482	324,936	296,462
Highways and streets (c)	614,444	672,668	510,838
Culture and recreation:			
Parks and recreation	1,270,228	1,285,034	1,277,942
Library	40,859	38,769	45,398
Airport	170,673	173,291	184,017
Operating grants and contributions (g)	1,558,859	1,631,202	1,872,621
Capital grants and contributions (d)	2,489,840	4,581,992	4,232,161
Total governmental activities program revenues	<u>8,033,821</u>	<u>10,647,152</u>	<u>10,568,733</u>
Business-type activities:			
Charges for services:			
Wastewater	7,523,995	7,714,893	7,873,138
Ambulance	1,684,809	1,618,557	1,737,964
Building (e)	-	-	-
Operating grants and contributions	-	-	-
Capital grants and contributions (d)	733,206	1,056,689	866,904
Total business-type activities program revenues	<u>9,942,010</u>	<u>10,390,139</u>	<u>10,478,006</u>
Total primary government program revenues	<u>\$ 17,975,831</u>	<u>\$ 21,037,291</u>	<u>\$ 21,046,739</u>
Component unit:			
Water and Light:			
Charges for services	\$ 35,594,684	\$ 37,407,608	\$ 36,763,506
Operating grants and contributions	399,350	363,801	417,307
Capital grants and contributions	1,277,387	884,729	1,227,259
Total component unit program revenues	<u>\$ 37,271,421</u>	<u>\$ 38,656,138</u>	<u>\$ 38,408,072</u>
Net revenue (expense)			
Primary government:			
Governmental activities	(8,124,750)	(4,824,322)	(6,420,378)
Business-type activities	2,101,130	2,696,007	2,831,162
Total primary government net revenue (expense)	<u>\$ (6,023,620)</u>	<u>\$ (2,128,315)</u>	<u>\$ (3,589,216)</u>
Component unit:			
Water and Light	<u>\$ 2,747,172</u>	<u>\$ 1,847,175</u>	<u>\$ 3,133,937</u>

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	522,980	\$ 448,876	\$ 389,323	\$ 540,622	\$ 496,923	\$ 485,866	\$ 482,333
	915,385	999,440	957,770	503,816	488,288	515,582	524,366
	794,308	905,620	1,011,006	981,277	956,903	817,709	824,755
	287,128	288,870	286,520	278,779	295,593	323,276	313,154
	696,055	469,354	883,058	131,051	169,585	324,786	194,534
	1,360,020	1,373,159	1,265,177	1,071,145	1,073,688	1,217,185	1,223,292
	59,492	58,578	54,006	54,417	58,820	55,200	56,719
	198,701	211,823	218,171	188,858	220,329	233,651	237,082
	1,892,095	2,039,741	1,966,268	1,764,579	2,554,203	2,174,634	2,263,584
	<u>5,014,859</u>	<u>6,658,636</u>	<u>3,889,300</u>	<u>3,278,780</u>	<u>1,087,252</u>	<u>1,935,658</u>	<u>674,099</u>
	<u>11,741,023</u>	<u>13,454,097</u>	<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>
	8,376,517	8,706,664	8,999,557	8,351,447	8,244,213	8,292,062	8,453,886
	1,726,397	1,758,899	2,120,051	2,390,286	2,320,010	2,275,122	2,739,983
	-	-	-	201,002	334,380	295,934	303,398
	1,108	4,841	-	3,065	33,979	-	-
	865,871	973,666	672,870	-	34,704	-	24,943
	<u>10,969,893</u>	<u>11,444,070</u>	<u>11,792,478</u>	<u>10,945,800</u>	<u>10,967,286</u>	<u>10,863,118</u>	<u>11,522,210</u>
	<u>\$ 22,710,916</u>	<u>\$ 24,898,167</u>	<u>\$ 22,713,077</u>	<u>\$ 19,739,124</u>	<u>\$ 18,368,870</u>	<u>\$ 18,946,665</u>	<u>\$ 18,316,128</u>
	\$ 38,279,420	\$ 40,193,347	\$ 41,198,256	\$ 34,620,277	\$ 35,302,190	\$ 36,534,385	\$ 41,122,520
	740,157	746,201	441,624	187,957	510,961	187,233	400,388
	1,181,578	1,760,168	1,592,616	364,500	254,723	334,413	242,183
	<u>\$ 40,201,155</u>	<u>\$ 42,699,716</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>
	(8,652,421)	(7,578,156)	(10,624,639)	(15,237,641)	(16,273,746)	(15,816,390)	(16,876,585)
	2,989,342	3,305,601	3,408,407	2,101,638	2,260,539	2,161,331	2,187,675
	<u>\$ (5,663,079)</u>	<u>\$ (4,272,555)</u>	<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>\$ 3,911,403</u>	<u>\$ 4,107,351</u>	<u>\$ 3,423,067</u>	<u>\$ 1,845,798</u>	<u>\$ 5,779</u>	<u>\$ (746,110)</u>	<u>\$ 1,138,456</u>

(Continued)

City of McMinnville, Oregon

Changes in Net Assets

Last Ten Fiscal Years

(full accrual basis of accounting)

Functions/Programs	Fiscal Year Ended June 30,		
	2003	2004	2005
General revenues and other changes in net assets			
Primary government:			
Governmental activities:			
Taxes			
Property taxes	\$ 8,274,444	\$ 8,475,816	\$ 8,656,934
Franchise taxes	2,029,551	2,089,836	2,155,329
Unrestricted state shared revenues	567,477	619,641	677,861
Unrestricted investment earnings (h)	157,263	134,774	255,068
Gain (loss) on disposal of capital assets	1,919	(8,076)	-
Transfers (b)	52,813	60,950	19,885
Total governmental activities	<u>11,083,467</u>	<u>11,372,941</u>	<u>11,765,077</u>
Business-type activities:			
Unrestricted investment earnings (h)	138,057	126,498	195,422
Gain (loss) on disposal of capital assets	(3,102)	(10,201)	-
Transfers (b)	(52,813)	(60,950)	(19,885)
Total business-type activities	<u>82,142</u>	<u>55,347</u>	<u>175,537</u>
Total primary government	<u>\$ 11,165,609</u>	<u>\$ 11,428,288</u>	<u>\$ 11,940,614</u>
Component unit:			
Water and Light:			
Unrestricted investment earnings (h)	\$ 369,800	\$ 294,435	\$ 552,704
Gain sale of capital assets	-	-	-
Timber sales, net of related expenses	1,340,995	1,765,081	1,394,775
Other, net	1,015,474	1,019,304	773,320
Total component unit	<u>\$ 2,726,269</u>	<u>\$ 3,078,820</u>	<u>\$ 2,720,799</u>
Change in net assets			
Primary government:			
Governmental activities	\$ 2,958,717	\$ 6,548,619	\$ 5,344,699
Business-type activities	<u>2,183,272</u>	<u>2,751,354</u>	<u>3,006,699</u>
Total primary government	<u>\$ 5,141,989</u>	<u>\$ 9,299,973</u>	<u>\$ 8,351,398</u>
Component unit:			
Water and Light	<u>\$ 5,473,441</u>	<u>\$ 4,925,995</u>	<u>\$ 5,854,736</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.

(b) During fiscal years 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 and 2011-12, the City subsidized the Ambulance business-type activity by \$300,000, \$300,000, \$155,000, \$500,000, \$150,000 and \$300,000 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.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 8,996,764	\$ 9,435,904	\$ 10,350,548	\$ 11,053,039	\$ 11,573,566	\$ 11,860,485	\$ 11,880,645
2,224,711	2,320,014	2,376,220	2,140,723	2,191,818	2,202,237	2,441,291
686,613	588,482	662,919	672,334	685,444	692,662	683,388
517,062	709,041	614,480	235,839	57,829	60,685	85,988
-	-	2,740	-	-	4,858	3,475
126,985	(308,620)	(298,387)	(1,208,811)	(451,403)	(74,148)	(274,463)
<u>12,552,135</u>	<u>12,744,821</u>	<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>
425,027	649,483	664,552	321,409	87,887	66,086	90,657
-	-	-	-	-	-	-
(126,985)	308,620	298,387	1,208,811	451,403	74,148	274,463
298,042	958,103	962,939	1,530,220	539,290	140,234	365,120
<u>\$ 12,850,177</u>	<u>\$ 13,702,924</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>
\$ 1,213,320	\$ 1,831,449	\$ 1,712,036	\$ 872,186	\$ 323,950	\$ 425,450	\$ 422,467
-	-	94,862	-	-	-	-
3,210,353	2,158,598	1,460,202	1,726,608	832,598	1,355,475	2,605,898
501,837	319,848	1,026,491	1,118,365	643,463	1,787,505	660,193
<u>\$ 4,925,510</u>	<u>\$ 4,309,895</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>
\$ 3,899,714	\$ 5,166,665	\$ 3,083,881	\$ (2,344,517)	\$ (2,216,492)	\$ (1,069,611)	\$ (2,056,261)
3,287,384	4,263,704	4,371,346	3,631,858	2,799,829	2,301,565	2,552,795
<u>\$ 7,187,098</u>	<u>\$ 9,430,369</u>	<u>\$ 7,455,227</u>	<u>\$ 1,287,341</u>	<u>\$ 583,337</u>	<u>\$ 1,231,954</u>	<u>\$ 496,534</u>
\$ 8,836,913	\$ 8,417,246	\$ 7,716,658	\$ 5,562,957	\$ 1,805,790	\$ 2,822,320	\$ 4,827,014

(Continued)

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

(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 2011-12, 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 2011-12, 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 2011-12, 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)

	<u>June 30,</u>			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund:				
Reserved (a)	\$ 121,980	\$ 389,187	\$ 587,408	\$ 524,469
Unreserved (e)	2,621,180	3,443,974	4,149,603	3,651,135
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>\$ 2,743,160</u>	<u>\$ 3,833,161</u>	<u>\$ 4,737,011</u>	<u>\$ 4,175,604</u>
Airport Maintenance Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	106,357	144,373	156,307	231,143
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>\$ 106,357</u>	<u>\$ 144,373</u>	<u>\$ 156,307</u>	<u>\$ 231,143</u>
Improvements Fund: (d)				
Reserved	\$ -	\$ -	\$ -	\$ 92,167
Unreserved	1,135,560	1,405,015	1,183,005	1,774,125
Total Improvements Fund	<u>\$ 1,135,560</u>	<u>\$ 1,405,015</u>	<u>\$ 1,183,005</u>	<u>\$ 1,866,292</u>
Fire Fund: (d)				
Unreserved	\$ 801,741	\$ 1,101,307	\$ 1,263,916	\$ 1,241,632
Total Fire Fund	<u>\$ 801,741</u>	<u>\$ 1,101,307</u>	<u>\$ 1,263,916</u>	<u>\$ 1,241,632</u>
Parks & Recreation Fund: (d)				
Unreserved	\$ 944,630	\$ 1,298,420	\$ 1,623,980	\$ 1,606,806
Total Parks & Recreation Fund	<u>\$ 944,630</u>	<u>\$ 1,298,420</u>	<u>\$ 1,623,980</u>	<u>\$ 1,606,806</u>
Debt Service Fund:				
Reserved	\$ 840,790	\$ 902,167	\$ 687,407	\$ 585,474
Assigned	n/a	n/a	n/a	n/a
Total Debt Service Fund	<u>\$ 840,790</u>	<u>\$ 902,167</u>	<u>\$ 687,407</u>	<u>\$ 585,474</u>
All other governmental funds: (b) (c) (e)				
Reserved	\$ 8,646,934	\$ 8,684,718	\$ 5,195,081	\$ 6,060,221
Unreserved, reported in:				
Special revenue funds	510,786	453,125	448,729	457,115
Capital projects funds	1,264,505	526,754	175,715	111,429
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>\$ 10,422,225</u>	<u>\$ 9,664,597</u>	<u>\$ 5,819,525</u>	<u>\$ 6,628,765</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Restated 2010</u>	<u>2011</u>	<u>2012</u>
\$ 580,991	\$ 786,210	\$ 97,022	\$ 111,314	n/a	n/a	n/a
3,955,141	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
n/a	n/a	n/a	n/a	300,000	801,368	968,301
n/a	n/a	n/a	n/a	5,987,227	6,403,635	6,465,935
<u>\$ 4,536,132</u>	<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>
\$ -	\$ 319	\$ -	\$ -	n/a	n/a	n/a
672,908	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	n/a	170,883	-	-
n/a	n/a	n/a	n/a	500,373	564,391	663,499
<u>\$ 672,908</u>	<u>\$ 799,799</u>	<u>\$ 567,087</u>	<u>\$ 671,256</u>	<u>\$ 671,256</u>	<u>\$ 564,391</u>	<u>\$ 669,287</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,570,206	1,174,359	-	-	-	-	-
<u>\$ 1,570,206</u>	<u>\$ 1,174,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,602,173	\$ 2,038,274	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ 1,602,173</u>	<u>\$ 2,038,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,637,836	\$ 1,583,721	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ 1,637,836</u>	<u>\$ 1,583,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 657,448	\$ 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
<u>\$ 657,448</u>	<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>
\$ 19,734,767	\$ 10,777,250	\$ 6,932,482	\$ 4,428,471	n/a	n/a	n/a
486,579	472,592	474,482	510,378	n/a	n/a	n/a
264,444	278,907	277,286	62,926	n/a	n/a	n/a
n/a	n/a	n/a	n/a	\$ -	\$ 5	\$ 49
n/a	n/a	n/a	n/a	3,855,990	3,043,109	3,049,986
n/a	n/a	n/a	n/a	35,000	-	-
n/a	n/a	n/a	n/a	1,110,785	1,122,826	1,266,483
n/a	n/a	n/a	n/a	-	(41,474)	-
<u>\$ 20,485,790</u>	<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>\$ 4,316,518</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)

	Fiscal Year Ended June 30,			
	2003	2004	2005	2006
Revenues:				
Property taxes	\$ 8,389,919	\$ 8,475,852	\$ 8,697,174	\$ 8,731,613
Special assessments	144,755	49,426	55,998	51,058
Licenses and permits (k)	2,697,389	2,927,976	2,979,620	3,088,929
Intergovernmental (l) (o)	2,642,658	3,235,127	3,934,190	4,001,667
Charges for services	2,171,331	2,289,725	2,166,580	2,411,435
Fines and forfeitures	436,526	527,944	624,649	699,022
Miscellaneous (d) (f) (m)	537,552	380,504	642,888	1,754,346
Total revenues	<u>17,020,130</u>	<u>17,886,554</u>	<u>19,101,099</u>	<u>20,738,070</u>
Expenditures:				
Current:				
General government (e)	2,573,990	2,422,322	2,815,773	5,597,739
Community development (g)	-	-	-	-
Public safety	6,854,662	5,447,270	5,987,485	6,741,156
Highways and streets	936,239	908,153	1,015,867	1,003,627
Culture and recreation (o)	3,365,280	3,009,361	3,290,313	3,774,741
Airport (a) (l)	264,024	83,255	536,675	86,563
Capital outlay:				
General government (i)	-	-	-	-
Public safety (j)	-	-	-	-
Highways and streets	515,826	830,756	739,857	337,223
Culture and recreation (c)	1,965,336	1,385,938	3,958,449	239,088
Debt service:				
Principal (b) (h)	1,598,748	1,697,218	3,023,028	1,624,079
Interest (h)	767,769	708,644	598,249	518,454
Bond refunding (p)	-	-	-	-
Total expenditures	<u>18,841,874</u>	<u>16,492,917</u>	<u>21,965,696</u>	<u>19,922,670</u>
Other financing sources (uses):				
Bond proceeds - par/premium	-	-	-	-
Refunding bonds issued (p)	-	-	-	-
Premium on refunding bonds issued	-	-	-	-
Proceeds from certificate of participation	1,307,078	-	-	-
Transfers from other funds (n)	2,478,842	2,172,603	3,300,131	2,621,824
Police vehicles - lease purchase	-	-	-	-
Transfers to other funds (n)	(2,521,225)	(2,211,663)	(3,313,423)	(2,572,659)
Total other financing sources (uses)	<u>1,264,695</u>	<u>(39,060)</u>	<u>(13,292)</u>	<u>49,165</u>
Net change in fund balances	<u>\$ (557,049)</u>	<u>\$ 1,354,577</u>	<u>\$ (2,877,889)</u>	<u>\$ 864,565</u>
Non-capital expenditures:				
Total expenditures	\$ 18,841,874	\$ 16,492,917	\$ 21,965,696	\$ 19,922,670
Less: capital asset expenditures	(3,974,501)	(2,205,058)	(5,071,312)	(2,087,894)
Non-capital expenditures	<u>\$ 14,867,373</u>	<u>\$ 14,287,859</u>	<u>\$ 16,894,384</u>	<u>\$ 17,834,776</u>
Debt service as a percentage of non-capital expenditures (p)	15.9%	16.8%	21.4%	12.0%

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 9,741,059	\$ 10,221,234	\$ 10,876,161	\$ 11,280,695	\$ 11,841,678	\$ 11,944,449
53,209	55,997	55,139	49,479	54,810	51,121
3,259,273	3,338,571	2,252,979	2,297,980	2,305,008	2,551,413
3,491,568	3,383,652	5,760,900	3,783,213	4,859,494	3,658,577
2,160,123	2,470,408	2,319,771	2,370,147	2,565,362	2,615,582
801,939	909,071	862,073	858,474	761,389	761,046
<u>2,771,566</u>	<u>1,487,483</u>	<u>557,474</u>	<u>299,817</u>	<u>439,118</u>	<u>243,314</u>
<u>22,278,737</u>	<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>
4,147,566	2,163,364	1,943,082	1,853,247	1,803,989	1,703,755
-	1,720,377	1,254,944	1,248,671	1,249,944	1,236,352
7,605,719	7,695,976	9,072,067	9,291,156	9,262,859	9,658,834
1,200,855	1,171,346	1,460,403	1,398,891	1,331,764	1,471,788
4,057,945	4,207,624	4,678,701	5,352,686	4,456,751	4,737,874
175,110	337,342	3,004,101	161,128	1,597,357	136,289
-	218,256	3,231,395	211,037	-	-
685,091	9,444,023	159,798	79,561	-	-
432,815	170,828	391,442	232,857	510,243	503,781
40,410	917,603	446,908	2,280,916	991,098	-
1,693,888	906,976	1,073,748	907,046	910,000	950,000
443,925	1,045,195	887,418	840,332	802,340	716,608
-	-	-	-	-	5,835,000
<u>20,483,324</u>	<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>
13,315,502	-	-	-	-	-
-	-	-	-	-	5,590,000
-	-	-	-	-	336,316
-	-	-	-	-	-
3,248,827	3,012,242	5,922,648	987,133	1,075,400	1,469,044
28,177	-	-	-	-	-
<u>(3,561,142)</u>	<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>13,031,364</u>	<u>(578,581)</u>	<u>(852,076)</u>	<u>(408,627)</u>	<u>(89,000)</u>	<u>5,647,116</u>
<u>\$ 14,826,777</u>	<u>\$ (8,711,075)</u>	<u>\$ (5,771,586)</u>	<u>\$ (3,326,350)</u>	<u>\$ (178,486)</u>	<u>\$ 522,337</u>
\$ 20,483,324	\$ 29,998,910	\$ 27,604,007	\$ 23,857,528	\$ 22,916,345	\$ 26,950,281
<u>(1,703,810)</u>	<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>\$ 18,779,514</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>
11.4%	10.4%	9.6%	8.8%	8.6%	28.8%

(Continued)

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

- (a) During fiscal year 2004-05, the City improved and expanded apron and safety areas at McMinnville Municipal Airport financed by capital grants from the Federal Aviation Administration.
- (b) During fiscal 2004-05, the City paid off a \$1,250,000 note payable used to finance the property purchase of Discovery Meadows Community Park.
- (c) During fiscal years 2002-03, 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 2011-12, 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)

<u>Functions/Programs</u>	<u>Fiscal Year Ended June 30,</u>			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Primary government:				
Governmental activities:				
General government (e)	\$ 470,771	\$ 548,874	\$ 776,017	\$ 2,782,125
Community development (h)	728,906	941,159	951,386	960,725
Public safety:				
Police (f)	633,996	690,663	820,955	932,483
Fire	319,890	337,650	386,462	290,173
Emergency communications (a)	86,268	208,339	229,980	236,218
Highways and streets (b) (i) (l) (m) (n)	3,713,217	5,975,693	4,475,629	4,347,662
Culture and recreation:				
Parks and recreation (c) (i) (k)	1,665,312	1,621,942	2,113,913	1,670,625
Library	119,336	124,113	189,440	186,731
Airport (d) (g) (j)	296,125	198,719	624,951	334,281
Total governmental activities	<u>8,033,821</u>	<u>10,647,152</u>	<u>10,568,733</u>	<u>11,741,023</u>
Business-type activities:				
Wastewater (i)	8,257,201	8,771,582	8,740,042	9,242,388
Ambulance	1,684,809	1,618,557	1,737,964	1,727,505
Building (h)	-	-	-	-
Total business-type activities	<u>9,942,010</u>	<u>10,390,139</u>	<u>10,478,006</u>	<u>10,969,893</u>
Total primary government	<u>\$ 17,975,831</u>	<u>\$ 21,037,291</u>	<u>\$ 21,046,739</u>	<u>\$ 22,710,916</u>
Component unit:				
Water and light	<u>\$ 37,271,421</u>	<u>\$ 38,656,138</u>	<u>\$ 38,408,072</u>	<u>\$ 40,201,155</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 1,268,607	\$ 497,521	\$ 625,093	\$ 617,801	\$ 626,400	\$ 639,086
1,046,050	1,005,640	564,006	539,378	583,847	576,426
1,613,682	1,648,392	1,084,767	1,008,654	891,671	853,089
290,436	287,018	280,264	386,813	333,420	313,471
181,058	160,995	171,242	166,906	161,453	158,728
6,481,738	5,029,028	1,807,909	2,264,864	2,417,477	2,463,150
1,780,725	1,670,571	1,325,613	1,946,469	1,385,067	1,349,716
162,959	161,640	173,587	199,667	196,990	203,170
<u>628,842</u>	<u>459,794</u>	<u>2,760,843</u>	<u>271,032</u>	<u>1,487,222</u>	<u>237,082</u>
<u>13,454,097</u>	<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>
9,681,571	9,672,427	8,352,547	8,303,950	8,292,062	8,478,806
1,762,499	2,120,051	2,392,251	2,328,956	2,275,122	2,740,006
-	-	201,002	334,380	295,934	303,398
<u>11,444,070</u>	<u>11,792,478</u>	<u>10,945,800</u>	<u>10,967,286</u>	<u>10,863,118</u>	<u>11,522,210</u>
<u>\$ 24,898,167</u>	<u>\$ 22,713,077</u>	<u>\$ 19,739,124</u>	<u>\$ 18,368,870</u>	<u>\$ 18,946,665</u>	<u>\$ 18,316,128</u>
<u>\$ 42,699,716</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>

(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 2011-12 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
2003	\$ 1,202,423,259	\$ 2,617,680	\$ 1,199,805,579	\$ 37,918,142	\$ 864,894	\$ 37,053,248
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

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	Total Direct Tax Rate
Maximum Assessed Value	Maximum Assessed Value (b)	Maximum Assessed Value (a)	Estimated Real Market Value	Percentage of Estimated Real Market Value	
\$ 60,853,536	\$ 25,379,134	\$ 1,323,091,497	\$ 1,716,334,030	77.1 %	\$ 6.29
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

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
2003	\$ 5.02	\$ 1.27	\$ 6.29	\$ 2.57	\$ -	\$ 2.57
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

Source: Yamhill County Assessor's Office

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

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

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

Overlapping Rates						Total Direct and Overlapping Rates
McMinnville School District No. 40			Other Taxing Districts (a)			
Operating	Debt Service	Total	Operating & Local Option	Debt Service	Total	
\$ 4.15	\$ 3.00	\$ 7.15	\$ 1.15	\$ 0.14	\$ 1.29	\$ 17.30
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

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

Taxpayer	Type of Business	Fiscal Year Ended June 30, 201	
		Assessed Value	Percentage
Cascade Steel Rolling Mills, Inc. (a)	Steel production	\$ 60,145,861	2.81 %
Willamette Valley Medical Center, LLC	Health care	57,192,253	2.67
Frontier Communications (b)	Telephone communication	17,836,000	0.83
BRE/SW Hillside LLC (e)	Retirement community	17,589,157	0.82
Evergreen Vintage Aircraft Inc	Museum/water park	16,195,646	0.76
Lowes Home Improvement Warehouse, Inc.	Home improvement retail store	14,788,866	0.69
Comcast Corporation	Cable television	12,850,000	0.60
Northwest Natural Gas Co.	Natural gas distributor	12,168,400	0.57
Reef McMinnville Plaza OPCO LLC (d)	Commercial real estate management	10,480,448	0.49
Air Liquide Industrial U S, LP (c)	Liquid oxygen, nitrogen, argon	8,692,508	0.41
Verizon, Inc. (b)	Telephone communication	-	-
Hillside Manor (e)	Retirement community	-	-
LAI Properties, Inc (c)	Liquid oxygen, nitrogen, argon	-	-
Diane Foods, Inc.	Mexican food preparation	-	-
Homette Corporation	Mobile home and RV manufacturing	-	-
CEP Investors XV LLC (d)	Commercial real estate management	-	-
Leslie A. Toth, Inc.	Mobile home parks	-	-
Total principal property tax payers		227,939,139	10.65
All other property tax payers		1,912,339,309	89.35
Total		\$ 2,140,278,448	100.00 %

Source: Yamhill County Assessor's Office

(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.

<u>12</u> <u>Fiscal Year Ended June 30, 2003</u>				
<u>Rank</u>	<u>Assessed</u>	<u>Value</u>	<u>Percentage</u>	<u>Rank</u>
1	\$	39,139,214	2.96 %	1
2		28,148,930	2.13	2
3		-	-	-
4		-	-	-
5		-	-	-
6		-	-	-
7		-	-	-
8		5,427,600	0.41	10
9		-	-	-
10		-	-	-
-		16,866,567	1.27	3
-		15,566,000	1.18	4
-		13,190,385	1.00	5
-		8,071,060	0.61	6
-		7,908,442	0.60	7
-		7,626,545	0.58	8
-		6,702,011	0.51	9
		<u>148,646,754</u>	<u>11.25</u>	
		<u>1,174,444,743</u>	<u>88.75</u>	
	<u>\$</u>	<u>1,323,091,497</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
2003	\$ 8,607,553	\$ (428,767)	\$ 8,178,787	\$ 7,904,078	91.8 %
2004	8,664,344	(194,833)	8,469,511	8,101,768	93.5
2005	8,845,913	(217,614)	8,628,299	8,259,966	93.4
2006	9,316,566	(543,398)	8,773,168	8,489,244	91.1
2007	9,978,850	(381,095)	9,597,755	9,258,334	92.8
2008	10,588,854	(233,069)	10,355,785	9,889,138	93.4
2009	11,343,510	(268,913)	11,074,597	10,482,923	92.4
2010	11,873,607	(282,720)	11,590,887	10,896,434	91.8
2011	12,105,863	(343,558)	11,762,305	11,193,766	92.5
2012	12,215,194	(348,121)	11,867,073	11,323,050	92.7

Source: Yamhill County Assessor's Office

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

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Adjusted Levy
\$ 270,294	\$ 8,174,372	99.95 %
363,796	8,465,564	99.95
360,062	8,620,028	99.90
276,521	8,765,765	99.92
326,933	9,585,267	99.87
447,328	10,336,466	99.81
540,117	11,023,040	99.53
521,499	11,417,933	98.51
251,370	11,445,136	97.30
-	11,323,050	95.42

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

<u>Customer Type</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Water consumption (e) (f):				
Residential	73,639,347	76,336,502	77,071,650	77,646,131
Commercial - no average (b)	60,342,284	63,210,554	57,720,582	57,666,869
Commercial - with average (c)	10,938,833	10,791,136	10,943,621	10,567,004
Total	<u>144,920,464</u>	<u>150,338,192</u>	<u>145,735,853</u>	<u>145,880,004</u>
 Residential sewer rates: (a)				
Service charge per residential unit	\$ 17.86	\$ 17.86	\$ 17.60	\$ 17.40
Volume charge per 100 cubic feet of water used (d)	3.67	3.67	3.83	3.98
Commercial and industrial sewer rates:				
Service charge per account	18.46	18.46	17.60	17.40
Volume charge per 100 cubic feet of water used	4.14	4.14	4.40	4.68

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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
77,388,017	77,053,217	77,035,569	76,504,331	74,859,499	75,685,450
64,372,500	67,676,406	57,137,000	50,828,300	53,747,000	50,717,903
10,909,218	10,798,667	10,111,714	9,585,906	9,363,800	8,999,000
<u>152,669,735</u>	<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>

\$	16.59	\$	17.05	\$	17.05	\$	17.05	\$	17.05	\$	17.05
	4.35		4.47		4.47		4.47		4.47		4.59
	16.59		17.05		17.05		17.05		17.05		17.05
	5.31		5.46		5.46		5.46		5.46		5.62

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		
2003	\$ 17.86	\$ 3.67	\$ 18.46	\$ 4.14	\$ 6,600,438	5.94 %
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

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
2003	10,301	1,089	11,390
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

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)
2003	\$ 13,585,000	\$ 485,000	\$ 13,100,000	0.76 %	\$ 453
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	21,010,000	375,000	20,635,000	0.73	652
2008	20,325,000	655,000	19,670,000	0.63	607
2009	19,490,000	850,000	18,640,000	0.57	569
2010	18,620,000	910,000	17,710,000	0.54	549
2011	17,710,000	950,000	16,760,000	0.52	519
2012	16,515,000	1,075,000	15,440,000	0.55	476

Note: Debt amounts presented above are exclusive of applicable premiums and discounts. Details regarding the City's outstanding debt can be found in the notes to the basic financial statements (Note III. H.).

(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>				
\$ 1,285,000	\$ 1,418,847	\$ 108,538	\$ 20,005,000	\$ 9,488,153	\$ 45,405,538	6.10 %	\$ 1,572	
1,070,000	1,398,183	60,978	23,690,000	2,371,025	40,250,186	5.10	1,378	
850,000	126,461	9,671	21,895,000	2,023,167	35,254,299	4.09	1,174	
625,000	103,628	3,425	19,895,000	1,657,272	31,249,325	3.25	1,010	
395,000	79,627	21,717	17,795,000	1,273,181	40,199,525	3.93	1,270	
205,000	54,397	14,970	15,590,000	870,725	36,405,092	3.44	1,124	
-	27,877	7,743	13,275,000	444,727	32,395,347	3.01	989	
-	-	-	10,845,000	-	28,555,000	2.70	886	
-	-	-	8,290,000	-	25,050,000	n/a	776	
-	-	-	5,610,000	-	21,050,000	n/a	649	



City of McMinnville, Oregon
Direct and Overlapping Governmental Activities Debt
June 30, 2012

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
Direct:			
General obligation bonded debt - City	\$ 16,515,000	100.00 %	\$ 16,515,000
Total direct debt			<u>16,515,000</u>
Overlapping:			
General obligation bonded debt:			
Chemeketa Community College	81,375,000	7.03	5,720,663
McMinnville School District No. 40	63,805,000	79.07	50,450,614
Other governmental activities debt:			
Chemeketa Community College	46,310,619	7.03	3,255,637
Willamette Education Service District	19,636,603	6.48	1,272,452
Yamhill County	805,000	30.54	245,847
Housing Authority of Yamhill County	1,910,000	30.54	<u>583,314</u>
Total overlapping debt			<u>61,528,525</u>
Total direct and overlapping debt			<u>\$ 78,043,525</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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Total estimated real market value	\$ 1,716,334,030	\$ 1,760,704,384	\$ 2,020,287,465	\$ 2,215,609,959
Debt limitation:				
3% of estimated real market value	51,490,021	52,821,132	60,608,624	66,468,299
Debt applicable to limitation:				
Total general obligation bonded debt	13,585,000	12,170,000	10,690,000	9,320,000
Less amount available for payment of general obligation principal	<u>(485,000)</u>	<u>(510,000)</u>	<u>(340,000)</u>	<u>(355,000)</u>
Net debt applicable to limitation	<u>13,100,000</u>	<u>11,660,000</u>	<u>10,350,000</u>	<u>8,965,000</u>
Total remaining debt limit	<u>\$ 38,390,021</u>	<u>\$ 41,161,132</u>	<u>\$ 50,258,624</u>	<u>\$ 57,503,299</u>
Total net debt applicable to limitation as a percentage of debt limit	25.44%	22.07%	17.08%	13.49%

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 2,822,850,527	\$ 3,117,670,189	\$ 3,281,260,714	\$ 3,267,741,423	\$ 3,193,379,293	\$ 2,806,089,205
84,685,516	93,530,106	98,437,821	98,032,243	95,801,379	84,182,676
21,010,000	20,325,000	19,490,000	18,620,000	17,710,000	16,515,000
(375,000)	(655,000)	(850,000)	(910,000)	(950,000)	(1,075,000)
<u>20,635,000</u>	<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>\$ 64,050,516</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>
24.37%	21.03%	18.94%	18.07%	17.49%	18.34%

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	
2003	\$ 2,473,629	\$ 2,081,815	\$ 755,229	\$ 5,310,673	\$ 2,131,910	\$ 1,561,954	\$ 3,693,864	1.44
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

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

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

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

Fiscal Year Ended June 30,	Population	Personal Income (a)	Per Capita Personal Income (b)	School Enrollment	PMSA Unemployment Rate (c)
2003	28,890	\$ 743,946,390	\$ 25,751	5,690	8.0 %
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	n/a	n/a	6,126	8.8
2012	32,435	n/a	n/a	6,492	8.5

Sources: Population information is provided by Portland State University certified yearly estimates. The current fiscal year population is based on the preliminary Oregon population estimate. Per capita personal income is provided by Office of Economic Analysis. School enrollment is provided by McMinnville School District No. 40. 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, 2012		
		Number of Employees	Percentage	Rank
McMinnville School District #40	Education	644	4.80 %	1
Willamette Valley Medical Center, LLC	Health care	552	4.12	2
Evergreen Enterprises, Inc.	Air freight, helicopters, agriculture	463	3.45	3
Yamhill County	County government	454	3.39	4
Cascade Steel Rolling Mills, Inc.	Steel production	433	3.23	5
Linfield College (a)	Higher education - liberal arts	330	2.46	6
Meggitt Polymer	Sealing solutions manufacturing	218	1.63	7
Oregon Mutual Insurance Company	Insurance products and services	211	1.57	8
City of McMinnville	City government	203	1.51	9
Betty Lou's Inc	Healthy snacks	123	0.92	10
Wal-Mart Stores, Inc.	Retail merchandise	119	0.89	
Skyline Corporation (Homette and Nomad)	Mobile home and RV manufacturing		-	-
Total principal employers		3,750	27.98	
All other employers (estimated)		<u>9,653</u>	<u>72.02</u>	
Total		<u>13,403</u>	<u>100.00</u> %	

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

(a) Prior to fiscal year 2010-11, the number of employees for Linfield College included all locations, not just the McMinnville campus.

Fiscal Year Ended June 30, 2003

<u>Number of</u> <u>Employees</u>	<u>Percentage</u>	<u>Rank</u>
571	3.87 %	1
400	2.71	5
453	3.07	4
375	2.54	6
455	3.08	3
482	3.26	2
-	-	-
270	1.83	8
193	1.31	10
-	-	-
240	1.63	9
<u>303</u>	<u>2.05</u>	<u>7</u>
3,742	25.35	
<u>11,021</u>	<u>74.65</u>	
<u><u>14,763</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
2003	155	\$ 16,150,217	340	\$ 33,778,488
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	128	11,586,050	125	29,802,629
2012	113	29,242,652	101	11,698,859

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,					
	2003	2004	2005	2006	2007	2008
Primary government:						
Governmental activities:						
General government	15.30	14.49	13.59	14.31	13.20	19.84
Community development (a)	15.65	14.80	14.80	16.00	16.90	17.12
Public safety:						
Police:						
Sworn	34.00	30.00	32.00	35.00	35.00	35.00
Non-sworn	12.80	14.03	12.29	11.14	14.41	14.84
Fire (b) (c)	6.77	6.54	6.64	6.79	10.38	11.00
Highways and streets	9.64	8.18	8.35	8.85	9.60	9.69
Culture and recreation:						
Parks and recreation:						
Full-time	15.00	11.00	13.00	14.00	14.00	14.00
Part-time	29.64	25.43	22.29	23.08	25.21	23.60
Library	16.90	13.36	14.59	15.65	16.42	16.51
Total governmental activities	<u>155.70</u>	<u>137.83</u>	<u>137.55</u>	<u>144.82</u>	<u>155.12</u>	<u>161.60</u>
Business-type activities:						
Wastewater	18.71	20.07	19.68	19.41	18.76	18.91
Ambulance (b) (c)	18.44	19.12	17.45	17.66	21.07	21.16
Building (a)	-	-	-	-	-	-
Total business-type activities	<u>37.15</u>	<u>39.19</u>	<u>37.13</u>	<u>37.07</u>	<u>39.83</u>	<u>40.07</u>
Total primary government	<u>192.85</u>	<u>177.02</u>	<u>174.68</u>	<u>181.89</u>	<u>194.95</u>	<u>201.67</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
15.48	15.32	14.84	14.49
11.20	11.35	11.35	10.35
36.00	35.00	34.00	35.00
14.92	14.92	13.45	13.57
16.75	16.99	16.40	14.95
9.15	8.84	8.83	8.90
15.00	15.00	15.00	15.00
27.89	29.61	29.26	29.18
<u>17.93</u>	<u>17.93</u>	<u>17.31</u>	<u>17.01</u>
<u>164.32</u>	<u>164.96</u>	<u>160.44</u>	<u>158.45</u>
19.04	19.22	19.46	20.46
16.04	15.72	16.32	20.72
<u>5.90</u>	<u>3.75</u>	<u>3.65</u>	<u>3.65</u>
<u>40.98</u>	<u>38.69</u>	<u>39.43</u>	<u>44.83</u>
<u>205.30</u>	<u>203.65</u>	<u>199.87</u>	<u>203.28</u>

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

Functions/Programs	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Primary government:					
Community development:					
Building division: (b)					
Building permits issued	429	491	453	517	463
Plumbing permits issued	296	281	272	374	261
Mechanical permits issued	114	96	106	189	188
Demolition permits issued	11	16	14	25	25
Fire life safety permits issued	59	44	22	53	22
Miscellaneous permits issued	76	48	45	69	57
Manufactured home permits issued	8	10	21	35	34
Total permits issued	<u>993</u>	<u>986</u>	<u>933</u>	<u>1,262</u>	<u>1,050</u>
Police:					
Calls for service (a) (h)	29,315	29,190	27,801	26,349	30,609
Crimes: (a)					
Part I (incidents & arrests reported to FBI)	1,525	1,217	1,240	958	1,006
Part II (arrests reported to FBI)	3,075	2,946	2,915	2,541	2,452
Part III (not reported to FBI)	1,085	1,178	1,077	1,075	1,218
Total crimes	<u>5,685</u>	<u>5,341</u>	<u>5,232</u>	<u>4,574</u>	<u>4,676</u>
Traffic crashes	335	278	302	336	250
Traffic citations/warnings	7,226	11,660	10,549	7,391	12,636
Fire:					
Self fire inspections conducted	1,242	1,308	1,329	1,330	1,390
On-site fire inspections conducted	380	392	671	560	610
Fire responses	n/a	n/a	788	1,070	1,063
Fire/rescue responses	n/a	n/a	1,682	2,603	2,839
Level of insurance service	Class 3	Class 3	Class 3	Class 3	Class 3
Parks and recreation:					
Aquatic center attendance:					
General recreation programs (d)	60,397	55,001	54,388	53,420	60,586
Fitness classes	16,923	15,475	17,485	17,535	17,190
Swim instruction	12,555	12,521	12,911	15,073	15,274
School district #40 programs	8,911	10,933	11,114	10,744	9,504
Rental attendance (d)	17,177	13,700	15,557	16,298	15,308
Total attendance	<u>115,963</u>	<u>107,630</u>	<u>111,455</u>	<u>113,070</u>	<u>117,862</u>

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
332	-	-	-	-
247	-	-	-	-
180	-	-	-	-
11	-	-	-	-
40	-	-	-	-
48	-	-	-	-
32	-	-	-	-
<u>890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
29,128	28,401	29,133	27,848	n/a
1,143	1,093	1,302	1,404	n/a
2,846	2,975	2,784	2,949	n/a
<u>1,100</u>	<u>1,138</u>	<u>1,070</u>	<u>1,032</u>	n/a
<u>5,089</u>	<u>5,206</u>	<u>5,156</u>	<u>5,385</u>	
245	228	297	265	n/a
11,569	9,559	7,090	5,754	n/a
-	-	-	-	-
120	230	320	375	450
838	869	815	800	923
2,933	3,120	3,212	3,303	2,823
Class 3	Class 3	Class 3	Class 3	Class 3
71,575	71,877	79,998	84,094	70,629
18,303	16,830	19,801	19,852	19,487
15,227	14,790	14,381	15,318	15,312
8,593	8,759	5,949	6,179	5,323
<u>16,452</u>	<u>14,651</u>	<u>13,747</u>	<u>13,857</u>	<u>24,245</u>
<u>130,150</u>	<u>126,907</u>	<u>133,876</u>	<u>139,300</u>	<u>134,996</u>

(Continued)

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

Functions/Programs	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Primary government (continued):					
Community center and recreation programs:					
Facility reservations	n/a	n/a	n/a	1,002	1,144
Children's programs (children per session):					
Kids on the block (after school) (e)	n/a	n/a	n/a	530	434
STARS (summer)	n/a	n/a	n/a	98	120
Recreational sports:					
Soccer:					
Participants	n/a	n/a	n/a	1,500	1,720
Teams	n/a	n/a	n/a	107	118
Matches	n/a	n/a	n/a	1,190	1,220
Baseball/softball:					
Participants	n/a	n/a	n/a	1,170	1,380
Teams	n/a	n/a	n/a	92	106
Games	n/a	n/a	n/a	645	720
Other sports:					
Participants	n/a	n/a	n/a	570	600
Games/matches	n/a	n/a	n/a	340	375
Senior center:					
Attendance (g)	n/a	n/a	n/a	3,920	10,000
Facility rentals	n/a	n/a	n/a	52	62
Senior meals served	n/a	n/a	n/a	31,827	27,388
Day trips taken	n/a	n/a	n/a	27	10
Day trip attendance	n/a	n/a	n/a	568	191
Overnight trips taken	n/a	n/a	n/a	8	9
Overnight trip attendance	n/a	n/a	n/a	102	93
Park maintenance:					
Picnic reservations (a)	n/a	n/a	n/a	107	129
Library:					
Items circulated (c)	289,811	289,800	298,822	306,808	325,197
Resources	82,655	82,650	86,916	82,308	83,446
Uses of online databases, library website, and internet computers at the library	n/a	n/a	116,971	143,721	169,596
Service hours per week	57	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

2008	2009	2010	2011	2012
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1,200	1,373	1,932	1,944	1,960
500	648	781	950	594
130	114	57	60	60

1,750	2,443	2,039	1,907	2,054
120	201	187	169	173
1,250	1,279	1,190	910	857

1,400	1,230	920	1,188	1,067
110	96	87	105	89
740	643	590	588	577

550	443	472	560	486
360	354	377	394	378

9,750	16,950	17,800	16,838	27,782
55	123	130	208	327
27,000	22,890	22,000	19,500	19,250
8	12	12	24	16
240	212	220	276	163
2	5	8	9	16
100	77	120	70	50

130	135	116	145	160
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334,960	363,204	378,061	381,814	382,344
93,398	104,059	112,461	117,016	192,766

191,897	195,105	197,451	234,403	245,640
47	51	51	51	51
n/a	n/a	73,699	81,798	83,376
n/a	n/a	187,920	209,564	212,187

(Continued)

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

Functions/Programs	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Primary government (continued):					
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)	2,820,000	2,867,000	3,072,000	3,217,000	2,951,000
Service connections:					
Residential	10,301	10,468	10,742	11,380	12,431
General services/commercial	1,089	1,126	1,182	1,452	1,284
Ambulance:					
Emergency Medical Service (EMS) calls	3,531	4,346	3,239	4,268	4,330
EMS patients transported	2,809	3,711	2,874	3,225	3,193
Component unit:					
Water and light:					
Water system:					
Daily average consumption in gallons	5,000,000	5,200,000	5,200,000	5,200,000	4,900,000
Service connections:					
Residential	10,567	10,833	11,102	11,276	11,520
General services/commercial	1,286	1,317	1,379	1,447	1,500
Electric system:					
Type	public power	public power	public power	public power	public power
Service connections:					
Residential	11,641	11,940	12,209	12,350	12,748
General services/small industrial	2,438	2,474	2,543	3,332	2,603
Large industrial	2	2	2	2	2

Source: City of McMinnville departments

(a) Calendar year

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

(c) Library items circulated for fiscal year 2009-10 was restated from 383,963 to 378,061 in fiscal year 2010-11 due to an error in the circulation amount.

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

(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.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
-	222	207	192	119
-	224	269	298	132
-	241	266	197	103
-	11	10	5	5
-	41	21	33	12
-	48	41	40	28
-	7	22	17	4
-	794	836	782	403
3,287,000	2,948,000	2,937,000	3,461,000	2,960,000
11,319	11,398	11,319	11,768	11,664
1,316	1,326	1,199	1,246	1,170
4,806	5,185	5,480	5,603	5,713
3,528	4,163	4,001	4,100	4,204
5,000,000	5,000,000	4,200,000	4,400,000	4,324,000
11,674	11,718	11,617	12,063	11,886
1,562	1,573	1,424	1,521	1,479
public power	public power	public power	public power	public power
12,917	13,027	13,000	13,051	13,116
2,691	2,689	2,158	2,182	2,184
2	2	2	2	2

(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,			
	2003	2004	2005	2006
Primary government:				
General government:				
Computers - desktops and laptops	n/a	159	163	163
Computers - physical servers	n/a	15	16	17
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	-	-	-	-
Motorcycles	-	-	-	-
Fire:				
Stations	1	1	1	1
Training facility	1	1	1	1
Vehicles	18	18	18	18
Highways and streets:				
Miles of streets	94	97	99	100
Miles of storm drain sewers	67	69	71	72
Number of street lights (f)	2,135	2,136	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	4	5	5
Linear park (c)	1	1	2	2
Mini parks and play lots	7	7	7	7
Nature parks (a)	1	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	3	7	7
Skate parks(b)	1	1	2	2
Library:				
Facility	1	1	1	1
Bookmobile	1	1	1	1

2007	2008	2009	2010	2011	2012
165	204	210	251	264	264
18	20	21	33	21	14
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
15	15	15	15	15	16
1	1	1	1	1	2
1	1	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
18	18	16	16	16	16
102	103	103	103	103	103
74	75	75	75	75	75
n/a	n/a	n/a	n/a	2,677	2,684
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	2	2	2	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
15	15	15	15	15	15
335	343	347	353	353	353
4	4	4	4	4	4
10	11	11	11	11	11
11	11	11	11	11	11
7	7	7	7	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,			
	2003	2004	2005	2006
Primary government (continued):				
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	62	71	73	83
Corporate	1	1	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	134	137	141	144
Ambulance:				
Vehicles	3	3	3	3
Component unit:				
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	1.5	3.5	3.5	3.5
Miles of water mains	135	137	137	140
Fire hydrants	870	912	919	944
Electric system:				
Substations	7	7	7	7
Miles of distribution	296	302	302	307

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 aquired. 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.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
2	2	2	2	2	2
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
2	2	2	2	2	2
1	1	-	-	-	-
2	2	2	2	2	2
27	27	27	27	27	27
83	83	83	83	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
149	152	152	152	152	152
3	3	3	3	4	5
13,300,000	13,300,000	13,300,000	13,300,000	22,000,000	22,000,000
3.5	3.5	3.5	3.5	3.5	3.5
152	154	154	154	172	172
1,012	1,014	1,017	1,023	1,023	1,023
7	7	7	8	7	7
315	318	318	318	314	320

(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



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



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December 19, 2012

Honorable Mayor and City Council
City of McMinnville, Oregon
McMinnville, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of McMinnville, Oregon (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.
- Programs funded from outside sources.

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

Page 2

COMPLIANCE (Continued)

- 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).

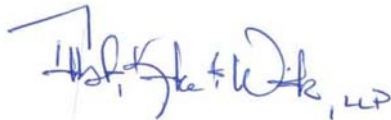
In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000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

OAR 162-10-230 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.

* * * * *

This report is intended solely for the information and use of the Audit Committee, Council members, 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.



Certified Public Accountants