

CITY OF MCMINNVILLE, OREGON

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2011

Prepared by:

Finance Department

Marcia T. Baragary, CPA
Finance Director

Julie M. Orth
Accountant



City of McMinnville, Oregon
Comprehensive Annual Financial Report
Year Ended June 30, 2011

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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 20, 2011

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, 2011. The *Comprehensive Annual Financial Report (CAFR)* presents the financial position of the City of McMinnville (City) as of June 30, 2011 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Talbot, Korvola & Warwick, LLP concluded the basic financial statements are free of material misstatement and issued an unqualified opinion 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.

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.

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 2010 stood at 13,925.¹ 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 9.1 percent as of July 2011. This rate matches the national average and is slightly less than the State of Oregon unemployment rate of 9.4 percent. Oregon has been particularly hard hit by the recession due to its dependence on the construction and manufacturing sectors. However, in a report released by the Oregon Office of Economic Analysis (OEA) in July 2011, it was noted that job growth surged in the first quarter of 2011, and that growth over the year was faster than at any time since the first quarter of 2007. Additionally, OEA upwardly revised their forecast for 2011 job growth from their prior report. OEA expects moderate job growth in 2012. Overall, the forecast calls for an increase of 2.4 percent in total employment this year, followed by more of the same in 2012 (2.5 percent).

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, 14 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, the Yamhill County’s population also 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
2002	28,200	6.4%	87,500	1.2%	3,504,700	1.0%
2007	31,665	2.3	93,085	1.5	3,745,455	1.5
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	3,856,815	0.5

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 13,925 residents from its July 2011 population estimate of 32,270.

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 and 2010. This contrasts sharply to years prior to 2009 in which McMinnville experienced steady growth. However, during fiscal year 2010-11, several projects of note were initiated or completed, including the following: groundbreaking for the new Chemeketa Community College campus (\$15.1 million); construction of a recreational water park on the Evergreen Aviation campus, part of a larger project that will include a 75-room lodge (\$27.8 million); initiation of work on an extensive remodel of Northrup Library on the Linfield College campus (\$4.1 million); near 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 \$1.2 million.

In the preceding two fiscal years, the City had no tentative subdivision applications, something not experienced in the two decades preceding 2009. This year, the City did receive an application for a 35-lot residential development, but that project has stalled due to an appeal of the City’s approval by neighboring residents. That appeal is expected to be settled by the end of the calendar year. To contrast, in the period from 2006 through 2008, the City granted approval for the development of 15 residential subdivisions that, when completed, will add 829 lots. For comparison, the 2000 US Census Bureau estimates that there were a total of 9,834 housing units in McMinnville.

Transmittal Letter
Year Ended June 30, 2011

This year's residential permit numbers are remarkably similar to last year and continue to reflect a noticeable decrease from years prior to 2009. The value of residential new construction in 2011 totaled \$9.5 million, the same value reached in 2010. For comparison, in 2009 the City issued residential permits valued at \$12.6 million; \$34.6 million in 2008; and \$48.6 million in 2007. For commercial, public sector, and industrial development, 2011 values were significantly lower than 2010. The value of commercial, public sector, and industrial new construction totaled \$24.9 million in 2011, compared to \$42.9 million in 2010; \$10.8 million in 2009; \$100.6 million in 2008; and \$65.0 million in 2007.

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 65 percent over the last ten years. The tax limitation measure enacted in 1996 rolled back assessed values for taxing purposes two years and limited future growth to three percent except for new construction and major improvements made to existing structures. Over this same ten-year period, real market values increased by 98 percent. The property values table below also illustrates that the City is located in a growing economic region. Yamhill County's real market value grew by 145 percent in the last ten years.

It should be noted that, although the City's real market value decreased in 2010 and 2011 by 0.4 percent and 2.3 percent respectively, maximum assessed value increased in 2010 and 2011 by 4.9 percent and 3.6 percent respectively. Maximum assessed value as a percentage of real market value was 66 percent for 2011 compared to 62 percent for 2010.

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>
2002	\$ 1,275,635	1.2%	\$ 1,610,697	2.3%	\$ 4,162,400	(20.1)%
2007	1,675,907	6.7	2,822,851	27.4	9,138,140	26.6
2008	1,798,841	7.3	3,117,670	10.4	10,321,298	12.9
2009	1,938,724	7.8	3,281,261	5.2	10,751,680	4.2
2010	2,034,616	4.9	3,267,741	(.4)	10,403,609	(3.2)
2011	2,106,858	3.6	3,193,379	(2.3)	10,206,295	(1.9)

Source: Yamhill County Assessor's Office

Property Tax Rates: Since fiscal year 2000-01, the City has levied the entire \$5.02 permanent property tax rate for operations, which was established by the 1996 tax limitation measure. The debt service levy has continued to decrease from 2007 through 2011 as the City did not issue any general obligation bonds during that time.

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>
2002	\$ 5.02	\$ 1.30	\$ 6.32	\$ 17.11
2007	5.02	0.91	5.93	15.43
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

Source: Yamhill County Assessor's Office

Fiscal Policy and Financial Planning:

Fiscal year 2010-11 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 the growing population.

Fortunately, the City Council and Budget Committee have taken a prudent approach to budgeting in the past. As a result, the City's General Fund is in solid financial position, with an ending fund balance which is approximately 47 percent of total General Fund expenditures. Compared to many Oregon cities, McMinnville is in an enviable financial position.

In fiscal year 2010-11, General Fund revenues exceeded expenditures on a modified accrual basis (including transfers to other funds), resulting in a \$0.6 million increase in the General Fund ending fund balance. It should be noted that the General Fund beginning fund balance was restated from \$6,398,541 to \$6,715,538, a difference of \$316,997. This restatement was a result of the inclusion of Length of Service Award Program (LOSAP) plan assets in the General Fund. LOSAP is a non-qualified retirement plan for the City's volunteer firefighters. Because the LOSAP Master Plan does not create a trust, the City determined that the plan assets should be accounted for in the General Fund and included in the assigned fund balance classification. Other factors contributing to the increase in the General Fund fund balance were revenues which were slightly higher than anticipated and savings in expenditures which were achieved across all departments in the General Fund.

Looking to the future, several factors will pose challenges to the City's financial stability. First, we anticipate that the increase in the employer contribution rate for OPERS will increase by 18% beginning in fiscal year 2013-14. With General Fund salaries and wages at approximately \$7.5 million, this increase will have a significant impact. Second, for fiscal year 2010-11, ambulance services operating expenses exceeded operating revenues by \$0.3 million and the General Fund subsidized ambulance operations with a transfer of \$0.2 million. We anticipate that this subsidy will most likely continue to be necessary in the future.

Transmittal Letter
Year Ended June 30, 2011

Also, from fiscal 2005-06 through 2008-09, the increase in maximum assessed property value was six to eight percent. The corresponding increase in property tax revenue enabled the City to maintain the General Fund ending fund balance. However, for fiscal year 2010-11 and 2011-12, maximum assessed value increased by 4.9 percent and 3.6 percent respectively. The rate of growth for maximum assessed values is projected to be approximately one percent for the next several years.

In response, City management will closely monitor revenues and expenditures throughout the year and respond proactively as 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. The financial forecast is an important decision-making tool used by management to evaluate the current fiscal year within the framework of the longer-term financial picture. The City is committed to maintaining adequate fund balances in all funds. Recently, the City Council adopted a formal fund balance policy for the General Fund, which is intended to serve as a guide for important budgetary decisions made by the City Council, Budget Committee, and management. 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.

Major Initiatives:

In fiscal year 2010-11, the City Council continued its commitment to planning for the future by exploring options for alternative ambulance service delivery, from hiring additional full time firefighter/paramedics to outsourcing the ambulance service to a private provider. The model that was adopted included, among other changes, increasing the use of part-time paramedics, which reduced the cost of service delivery somewhat.

During fiscal year 2010-11, the City completed over \$1.0 million in park system improvements. These improvements were funded by the 2001 General Obligation Park System Improvement bonds. In addition, the City completed \$1.2 million in taxiway and runway construction and improvements at the municipal airport. These improvements were funded primarily with Federal Aviation Administration (FAA) grant funds.

In fiscal year 2009-10, the City Council continued its commitment to community outreach and communication with the public by completing an extensive citizen survey. Responses to this survey helped guide the Council in making difficult decisions in fiscal year 2011-12 and will continue to impact budgetary decisions in the next several years. The Council strives to balance the needs of the community with a conservative fiscal policy which ensures that financial reserves are adequate.

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, 2010. The City has received this recognition for 22 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 completing 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*.

We would like to give special recognition to Accountant II Julie M. Orth who provided valuable assistance in the drafting of the City's *CAFR*.

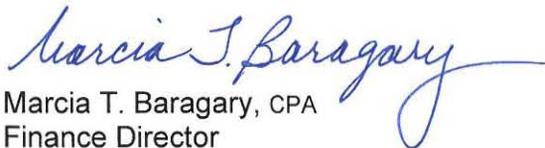
Furthermore, we would like to acknowledge the efforts of all City department personnel who conscientiously adhere to internal controls throughout the year. City department personnel also provide additional information which makes the *CAFR* a meaningful presentation of the City's financial statements.

Special appreciation should also go to the City of McMinnville Mayor and City Councilors 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, 2010

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.



President

Executive Director

CITY OF McMinnville, OREGON

ELECTED OFFICIALS AND PRINCIPAL APPOINTED OFFICERS OF THE CITY

JUNE 30, 2011

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

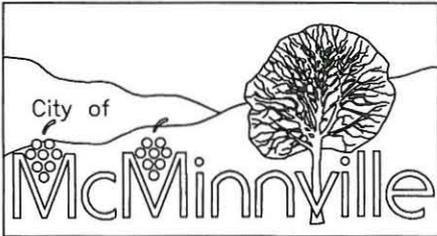
City Manager

Candace A. Haines

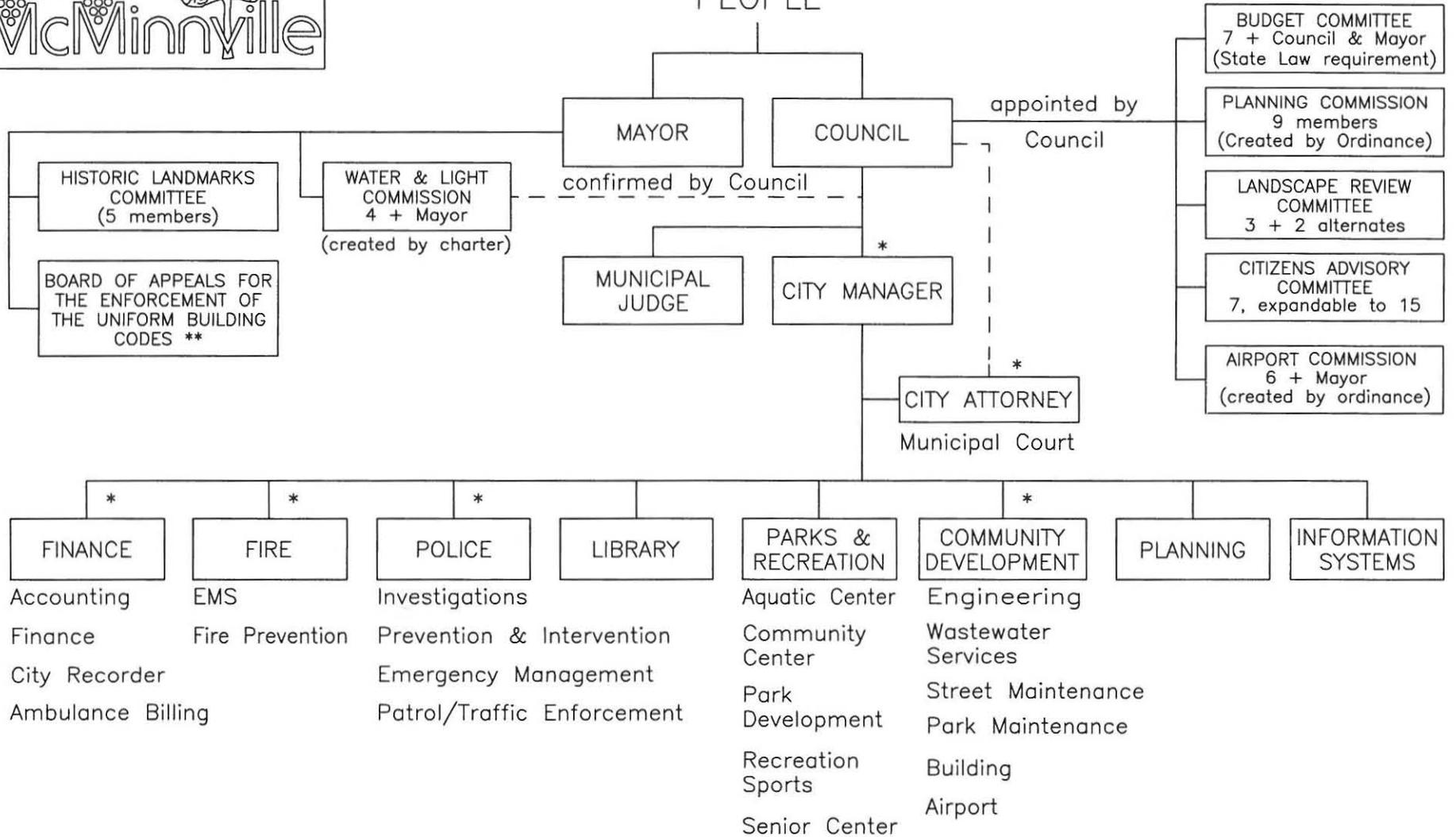
City Attorney

Marcia T. Baragary, CPA

Finance Director



PEOPLE



12

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

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

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

FINANCIAL SECTION

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





**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

4800 SW Macadam Ave, Suite 400
Portland, Oregon 97239-3973

P 503.274.2849
F 503.274.2853

www.tkw.com

INDEPENDENT AUDITOR'S REPORT

December 20, 2011

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 City of McMinnville, Oregon (the City), as of and for the year ended June 30, 2011, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position, the cash flows, where applicable, thereof and the respective budgetary comparisons for the General and Airport Maintenance Funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Honorable Mayor and City Council
City of McMinnville
December 20, 2011
Page 2

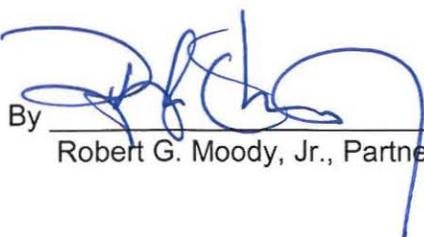
In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual non major fund financial statements and schedules, and other schedules listed in the Table of Contents as Other Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying Introductory and Statistical Sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied by us or the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion 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, 2011. 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 \$136.2 million at June 30, 2011. This compares to \$135.0 million for the prior year.
- The net assets balance of \$136.2 million is comprised of the following:
 - 1) Investments in capital assets, net of related debt, such as buildings, parks and roads (\$104.2 million compared to \$103.2 million in the prior year);
 - 2) Restricted amounts for future capital projects, debt service, and a non-expendable library endowment (\$3.9 million compared to \$3.4 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 (\$28.1 million compared to \$28.3 million in the prior year).

Fund Level:

- The City's governmental funds report a combined fund balance of \$13.5 million, a decrease of \$0.2 million from last fiscal year. Approximately \$6.4 million of that total is unassigned compared to \$6.0 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 \$0.6 million or almost five percent. 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 property values and new construction.
- The City's proprietary funds report a net assets balance of \$62.5 million, an increase of \$2.2 million over the prior year. The increase was primarily due to a \$2.6 million decrease in non-current liabilities due to principal payments on loans and 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.

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 certain required and 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 reports: These reports provide supplemental communication on City compliance and internal controls as required by Oregon Statutes and Federal Law.

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:

Government-Wide --- Comparative Summary Statement of Net Assets June 30, 2011 and 2010 (in millions)

	City of McMinnville – Primary Government						Component Unit	
	Governmental Activities		Business – Type Activities		Total City		Department	
	Restated		2011	2010	Restated		2011	2010
	2011	2010			2011	2010		
Cash and investments	\$15.0	\$15.4	\$18.1	\$19.3	\$ 33.1	\$ 34.7	\$ 17.3	\$ 17.3
Other assets	2.0	2.0	1.6	1.6	3.6	3.6	8.7	8.4
Capital assets	79.1	81.0	50.2	49.7	129.3	130.7	114.7	113.9
Total assets	96.1	98.4	69.9	70.6	166.0	169.0	140.7	139.6
Other liabilities	1.4	1.8	0.5	0.9	1.9	2.7	3.5	5.3
Non-current liabilities	19.1	19.9	8.8	11.4	27.9	31.3	1.7	1.6
Total liabilities	20.5	21.7	9.3	12.3	29.8	34.0	5.2	6.9
Investment in capital assets, net of related debt	62.4	64.6	41.8	38.6	104.2	103.2	103.5	103.9
Restricted	3.8	3.2	0.1	0.3	3.9	3.5	-	-
Unrestricted	9.4	8.9	18.7	19.4	28.1	28.3	32.0	28.8
Total net assets	75.6	76.7	60.6	58.3	136.2	135.0	135.5	132.7

For the City, assets exceeded liabilities by \$136.2 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 (\$104.2 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 \$3.9 million and represent amounts that are legally restricted for capital expansion, debt service, or other purposes. Finally, the remaining \$28.1 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 \$1.1 million. This resulted from a combination of several factors. Total capital asset additions were offset by an increase in accumulated depreciation, resulting in a net decrease of \$1.9 million. This decrease was partially offset by a \$1.2 decrease in current and non-current liabilities, primarily due to 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 \$2.3 million. Cash and investments decreased by \$1.2 million due to the City's policy of funding capital projects from operating funds. However, the decrease in total assets was offset by a \$3.0 million decrease in current and non-current liabilities, primarily due to principal payments on sewer revenue bonds.
- **Component Unit - Department --- Comparative Summary Statement of Net Assets:** Total net assets for the Department increased by \$2.8 million. Cash and investments remained consistent with the prior year at \$17.3 million, while capital assets increased by \$0.8 million. Liabilities decreased by \$1.7 million, largely due to a reduction in accounts payable from the winding down of several large construction projects.

City of McMinnville - Management's Discussion and Analysis

Statement of Activities:

Total net assets of the City increased by \$1.2 million from the prior fiscal year. Governmental activities net assets decreased by \$1.1 million and business-type activities increased by \$2.3 million.

Government-Wide --- Comparative Summary Statement of Activities
For the Years Ended June 30, 2011 and 2010
(in millions)

	City of McMinnville – Primary Government						Component Unit	
	Governmental Activities		Business – Type Activities		Total City		Department	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:								
Program revenues:								
Charges for services	\$ 4.0	\$ 3.8	\$10.9	\$10.9	\$ 14.9	\$ 14.7	\$ 36.5	\$ 35.3
Operating grants and contributions	2.2	2.6	-	-	2.2	2.6	0.2	0.5
Capital grants and contributions	1.9	1.1	-	-	1.9	1.1	0.3	0.3
General revenues:								
Property taxes	11.9	11.6	-	-	11.9	11.6	-	-
Franchise taxes	2.2	2.2	-	-	2.2	2.2	-	-
Other	<u>0.8</u>	<u>0.7</u>	<u>0.1</u>	<u>0.1</u>	<u>0.9</u>	<u>0.8</u>	<u>3.6</u>	<u>1.8</u>
Total revenues	<u>23.0</u>	<u>22.0</u>	<u>11.0</u>	<u>11.0</u>	<u>34.0</u>	<u>33.0</u>	<u>40.6</u>	<u>37.9</u>
Expenses:								
Governmental activities:								
General government	2.2	2.1	-	-	2.2	2.1	-	-
Community development	1.3	1.3	-	-	1.3	1.3	-	-
Public safety	9.8	9.9	-	-	9.8	9.9	-	-
Highways and streets	3.5	3.5	-	-	3.5	3.5	-	-
Culture and recreation	5.6	5.6	-	-	5.6	5.6	-	-
Airport	0.8	0.5	-	-	0.8	0.5	-	-
Interest on long-term debt	0.8	0.8	-	-	0.8	0.8	-	-
Business-type activities:								
Wastewater	-	-	5.8	5.8	5.8	5.8	-	-
Ambulance	-	-	2.6	2.5	2.6	2.5	-	-
Building	-	-	0.4	0.4	0.4	0.4	-	-
Component unit	-	-	-	-	-	-	37.8	36.1
Total expenses	<u>24.0</u>	<u>23.7</u>	<u>8.8</u>	<u>8.7</u>	<u>32.8</u>	<u>32.4</u>	<u>37.8</u>	<u>36.1</u>
Change in net assets before transfers	(1.0)	(1.7)	2.2	2.3	1.2	0.6	2.8	1.8
Transfers	<u>(0.1)</u>	<u>(0.5)</u>	<u>0.1</u>	<u>0.5</u>	-	-	-	-
Change in net assets	<u>(1.1)</u>	<u>(2.2)</u>	<u>2.3</u>	<u>2.8</u>	<u>1.2</u>	<u>0.6</u>	<u>2.8</u>	<u>1.8</u>
Beginning net assets	76.4	77.2	58.3	55.3	134.7	132.5	132.7	130.9
Restatement – prior period adjustment	-	0.3	-	-	-	0.3	-	-
Restatement – change in accounting principle	-	<u>1.4</u>	-	<u>0.2</u>	-	<u>1.6</u>	-	-
Ending net assets	<u>\$75.6</u>	<u>\$76.7</u>	<u>\$60.6</u>	<u>\$58.3</u>	<u>\$136.2</u>	<u>\$135.0</u>	<u>\$135.5</u>	<u>\$132.7</u>

City of McMinnville - Management's Discussion and Analysis

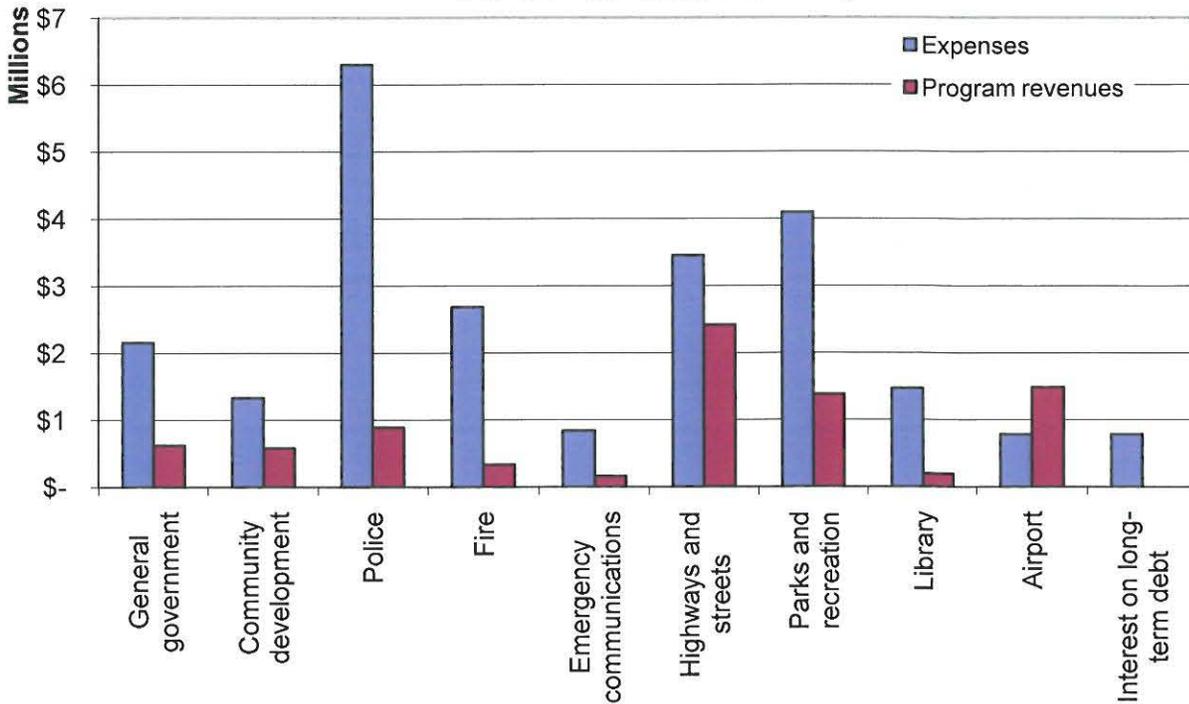
- **City --- Comparative Summary Statement of Activities – Governmental Activities:** Program revenues increased \$0.6 million compared to the prior year. This change is attributable to several offsetting factors. Capital grants and contributions increased by \$0.8 million, primarily due to a \$1.3 million Federal Aviation Administration (FAA) grant for land improvement projects at the airport. Decreases totaling \$0.4 million were seen in the other governmental activities capital grants and contributions.

Operating grants and contributions decreased by \$0.4 million compared to the prior year. Fiscal year 2009-10 operating grants and contributions included \$0.6 million for intergovernmental incentives for an energy efficiency project at the aquatic center.

Total expenses for governmental activities increased approximately \$0.3 million. There were slight increases and similar offsetting decreases in expenses for general government, community development, public safety, highways and streets, and culture and recreation. The most significant increase compared to the prior year was for airport expenses, which increased by \$0.3 million due to land improvement projects, including infield and taxiway improvements.

The following bar chart compares each governmental activity expense with the revenue stream for each activity.

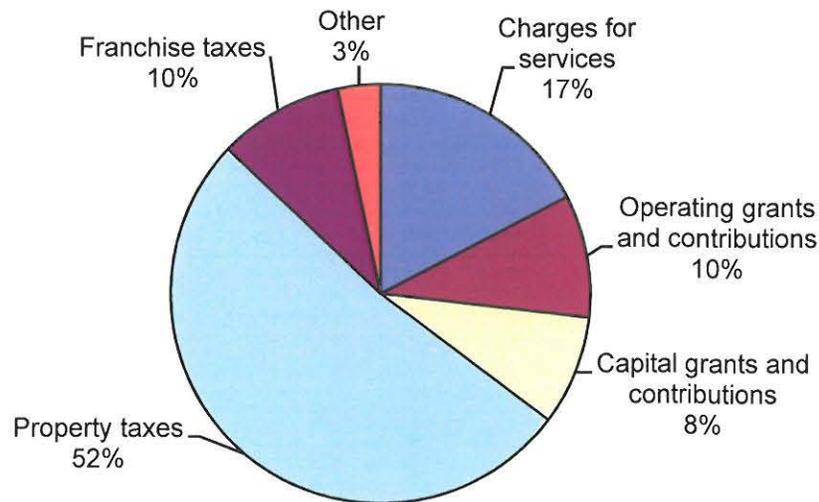
**Governmental Activities
Expenses and Program Revenues by Function
For the Year Ended June 30, 2011**



City of McMinnville - Management's Discussion and Analysis

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

**Governmental Activities
Revenues by Source
For the Year Ended June 30, 2011**



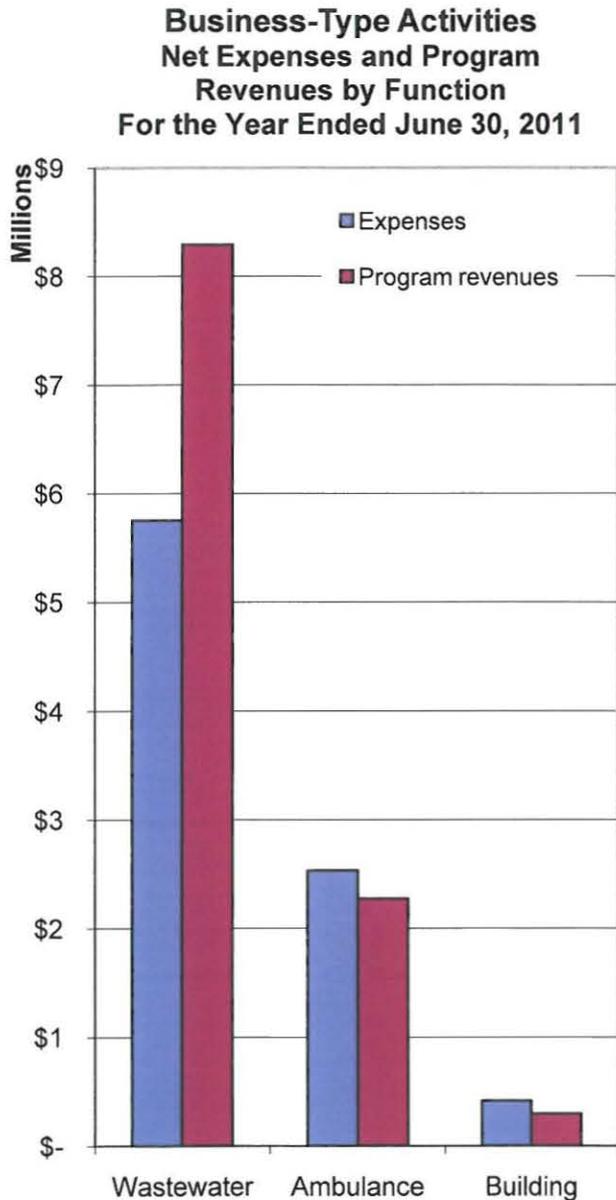
City --- Comparative Summary Statement of Activities – Business-Type Activities: Revenues for business-type activities, primarily consisting of charges for services, remained consistent with the prior fiscal year. There were no rate increases in Wastewater Services. Although ambulance rates were increased by approximately 50% in April 2011, fiscal year 2010-11 ambulance revenue decreased slightly compared to the prior year. This is largely due to a 64% increase in customer accounts turned over to a collection agency.

Total expenses for all business-type activities, Wastewater, Ambulance, and Building, remained consistent with the prior year. There were no significant changes to operations for these activities.

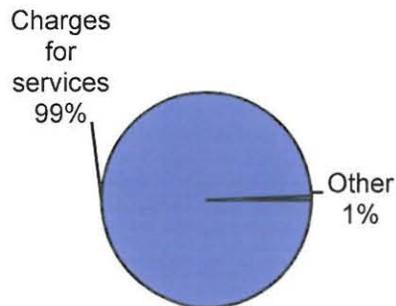
City of McMinnville - Management's Discussion and Analysis

The bar chart on the left below 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 and to build a \$7.5 million reserve.

The pie chart on the right below illustrates the relative size of revenue sources for business-type activities.



**Business-Type Activities
Revenues by Source
For the Year Ended June 30, 2011**



Component Unit - Department --- Comparative Summary Statement of Activities: Revenue for the Department overall increased by \$1.2 million. Although actual consumption of electricity and water was less than the previous year, revenue was higher due to rate increases for both electricity and water. General revenues increased by \$1.8 million, largely due to increased timber sale revenues and Bonneville Power Administration (BPA) conservation reimbursements. Other expenses increased \$0.6 million mainly due to losses from retirements/abandonments of capital assets.

City of McMinnville - Management's Discussion and Analysis

Fund Financial Analysis

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

Governmental Funds – Comparative Ending Fund Balances June 30, 2011 and 2010 Reclassified (in thousands)

	Major Funds								Total	Net Change	
	General		Airport Maintenance		Debt Service		Non-major Funds				
	2011	2010	2011	2010	2011	2010	2011	2010			2011
Nonspendable	\$ 126	\$ 111	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126	\$ 111	\$ 15
Restricted	-	-	-	171	1,472	1,282	3,043	3,856	4,515	5,309	(794)
Committed	-	-	564	500	-	-	-	35	564	535	29
Assigned	801	300	-	-	-	-	1,123	1,111	1,924	1,411	513
Unassigned	6,404	5,987	-	-	-	-	(41)	-	6,363	5,987	376
Total ending fund balance	<u>\$ 7,331</u>	<u>\$ 6,398</u>	<u>\$ 564</u>	<u>\$ 671</u>	<u>\$ 1,472</u>	<u>\$ 1,282</u>	<u>\$ 4,125</u>	<u>\$ 5,002</u>	<u>\$ 13,492</u>	<u>\$ 13,353</u>	<u>\$ 139</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 was \$6.4 million compared to \$6.0 million at prior year end. This increase is attributable to several factors.

Overall, General Fund revenues were consistent with the prior year. However, fiscal year 2010-11 current year property tax revenue increased by approximately five percent compared to the prior year, due to increases in assessed property values and new construction. General Fund revenues, excluding property taxes, decreased seven percent compared to the prior fiscal year. This was primarily due to intergovernmental incentives of \$642,000 for an energy efficiency project at the Aquatic Center that was completed in fiscal year 2009-10. All other revenue classifications, including licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues, were relatively consistent with the prior year.

Another factor related to the increase in General Fund balance is the overall reduction in expenditures for fiscal year 2010-11. In response to current economic uncertainty, General Fund expenditures were reduced by eight percent compared to the prior year. Generally, reductions were seen in personal services, materials and services, and capital outlay expenditures across all General Fund departments.

City of McMinnville - Management's Discussion and Analysis

In the General Fund, the assigned fund balance increased by \$0.5 million over the prior year. This was attributable to two factors. First, the fiscal year 2010-11 ending fund balance includes \$0.4 million of Length of Service Award Program (LOSAP) plan assets. LOSAP is a non-qualified retirement plan for the City's volunteer firefighters. For fiscal year 2010-11, the City determined that assets set aside in an investment account for the LOSAP should be included in General Fund cash and investments. The LOSAP is described in more detail in the notes to the financial statements of the CAFR, Note IV.D.2. The second factor contributing to the change in General Fund assigned fund balance is the increase of the fire equipment reserve. The reserve was \$0.3 million at June 30, 2010 and \$0.4 million at June 30, 2011.

At June 30, 2011, the non-major governmental funds included a deficit unassigned fund balance of \$0.04 million. The deficit balance occurred in the Transportation Fund, where amounts that are assigned generally include interest and transfers from the Street Fund. For fiscal year 2010-11, expenditures exceeded assigned amounts in the Transportation Fund. GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, states that in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, the deficit amount should be classified as unassigned fund balance. Therefore, the negative residual amount in the Transportation Fund is classified as a deficit unassigned fund balance.

The Debt Service Fund balance is increasing as the City builds 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 approximately \$1.3 million are due in August of each fiscal year.

Proprietary Funds – Comparative Ending Net Assets June 30, 2011 and 2010 (in thousands)

Fund:	<u>Unrestricted</u>		<u>Restricted</u>		<u>Invested in Capital Assets Net of Related Debt</u>		<u>Total</u>		<u>Net Change</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Wastewater	\$ 17,935	\$ 18,626	\$ -	\$ -	\$ 40,782	\$ 37,511	\$ 58,717	\$ 56,137	\$ 2,580
Ambulance	1,041	1,117	-	-	625	718	1,666	1,835	(169)
Building	-	-	184	284	329	345	513	629	(116)
Internal Service	885	769	-	-	715	907	1,600	1,676	(76)
Total ending net assets	\$ 19,861	\$ 20,512	\$ 184	\$ 284	\$ 42,450	\$ 39,481	\$ 62,495	\$ 60,277	\$ 2,219

City --- Proprietary Funds: Total ending net assets increased by \$2.2 million over the prior fiscal year, largely due to changes in Wastewater 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 a \$0.6 million increase in capital assets, adjusted for accumulated depreciation, and a decrease of \$2.6 million in the principle outstanding for the sewer revenue bonds.

Ambulance Fund net assets decreased slightly. Reimbursements from Medicare and Medicaid have not kept pace with increasing costs of ambulance service operations. As a result, ambulance transport

City of McMinnville - Management's Discussion and Analysis

fee revenues are not sufficient to cover operating costs and a subsidy from the General Fund is required to maintain an adequate fund balance.

Building Fund net assets decreased due to operating expenses exceeding building permit revenue. Construction activity remains at historically low levels, resulting in operating costs exceeding 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, two resolutions were adopted by the City Council which amended the 2010-11 General Fund budget. These resolutions authorized General Fund contingency transfers totaling \$138,000, as follows:

- \$82,000 for public safety personal services costs
- \$56,000 for a citizens survey and for the purchase of public art

The 2010-11 General Fund budget adopted by the City Council provided for a \$1.1 million decrease in ending fund balance. However, actual ending fund balance increased by \$0.6 million, due to several factors. Actual General Fund revenues exceeded budgeted revenues by \$0.4 million. In addition, actual expenditures were approximately \$1.3 million less than budgeted. This was due to management's conservative budgeting and fiscal policies and the resulting savings in all General Fund departments. It should be noted that the beginning fund balance was restated to include \$0.3 million of Length of Service Award Program (LOSAP) plan assets. The LOSAP is a non-qualified retirement plan for the City's volunteer firefighters. For fiscal year 2010-11, the City determined that assets set aside in an investment account for the LOSAP should be included in General Fund cash and investments. The LOSAP is described in more detail in the notes to the financial statements of the CAFR, Note IV.D.2.

Capital Assets

Government-Wide Capital Assets June 30, 2011 and 2010 (in millions)

	Governmental Activities		Business-Type Activities		Total City	
	2011	2010	2011	2010	2011	2010
Land	\$ 27.6	\$ 27.6	\$ 0.8	\$ 0.9	\$ 28.4	\$ 28.5
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	16.2	0.1	0.1	18.6	16.3
Buildings	32.6	32.6	41.6	41.6	74.2	74.2
Machinery and equipment	5.7	5.6	1.4	1.3	7.1	6.9
Vehicles	3.4	3.4	1.6	1.2	5.0	4.6
Infrastructure	48.7	48.1	37.6	34.7	86.3	82.8
Construction in progress	-	0.4	0.3	1.1	0.3	1.5
Total capital assets	138.0	135.4	83.6	81.1	221.6	216.5
Accumulated depreciation	(58.9)	(54.4)	(33.4)	(31.4)	(92.3)	(85.8)
Net capital assets	\$79.1	\$81.0	\$50.2	\$49.7	\$129.3	\$130.7

City of McMinnville - Management's Discussion and Analysis

- **City --- Capital Assets:** The City's total net capital assets decreased \$1.4 million from the prior fiscal year. An increase of \$5.1 million in total capital assets was offset by a \$6.5 million increase in accumulated depreciation.
- Governmental activities total capital assets increased \$2.6 million. Land improvements increased due to \$0.9 million in park improvements partially funded with proceeds from the 2001 Park Improvement Bonds and \$1.4 million in infield and taxiway improvements at the airport. Net capital assets decreased \$1.9 million due to a \$4.5 million increase in accumulated depreciation.
- For business-type activities, total capital assets increased \$2.5 million. Infrastructure increased by \$2.9 million due to various capital projects in Wastewater Services, primarily inflow and infiltration reduction projects. The increase in total capital assets was offset by a \$2.0 million increase in accumulated depreciation.

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

Debt Administration

Government-Wide Outstanding Debt June 30, 2011 and 2010 (in millions)

	Governmental Activities		Business-Type Activities		Total City	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds	\$17.9	\$18.8	\$ -	\$ -	\$17.9	\$18.8
Revenue bonds	-	-	8.5	11.1	8.5	11.1
Total outstanding debt	<u>\$17.9</u>	<u>\$18.8</u>	<u>\$8.5</u>	<u>\$11.1</u>	<u>\$26.4</u>	<u>\$29.9</u>

City --- Outstanding Debt: At June 30, 2011, the City had \$26.4 million in outstanding debt compared to \$29.9 million last year. Of that total, \$1.7 million of the debt related to governmental activities is due within one year. For business-type activities, \$2.9 million is due within one year. Outstanding debt for governmental and business-type activities decreased as debt service payments reduced principal balances and no new debt was issued.

The \$17.9 million governmental activities general obligation debt is entirely payable from property taxes levied specifically for that purpose. The \$8.5 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 A2 general obligation bond debt rating from Moody's Investor's Services, Inc. when the Public Safety and Civic Buildings Bonds were sold in November 2006. The City received an A3 Sewer Revenue Bond debt rating from Moody's Investor's Services, Inc. in December 2003 during the process of refunding a significant portion of wastewater debt outstanding.

Subsequent to 2010-11 fiscal year end, the City issued \$5.6 million in general obligation refunding bonds. Bond proceeds were used to refund the 2001 General Obligation Park System Improvements bonds and pay bond issuance costs. Moody's Investors Service assigned an Aa3 rating to the City for that bond issuance and affirmed the Aa3 rating on the City's outstanding general obligation debt totaling approximately \$10.9 million. The 2011 Refunding Bonds are discussed in more detail in the notes to the financial statements of the CAFR, Note IV. L.

Economic Factors and Future Operations

Governmental activities: The economic pressures affecting the City's governmental operations continue to be significant. After the 1996 property tax limitation measure, Oregon governmental operating property taxes became rate based and each entity was given a permanent rate depending on the entity's prior property tax levies. With 49 percent of governmental activities funded by property taxes, the City's ability to meet the demand for services is significantly impacted by the rate of increase in assessed value and new construction. Cost pressures exist in all areas of governmental operations, but most notably in increases for salaries, medical insurance, and retirement benefit contributions.

Business-type activities:

- **Wastewater operations** --- In May 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 and to build a reserve of approximately \$7.5 million for future capital projects. The Financial Plan projects that moderate annual rate increases 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 with the reduction in Medicare and Medicaid reimbursement rates. As the City increases the fees charged for ambulance services, the collection rate has trended downward since Medicare and Medicaid reimbursement rates have not increased correspondingly. In fiscal year 2002-03, the collection rate was 68 percent. In fiscal year 2010-11, the collections rate was 40 percent. 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 fiscal year 2010-11 and in the preceding two years, building operations expenses have exceeded revenue due to limited construction activity and the related decrease in permit fee revenue. In fiscal year 2010-11, the Building Fund had an adequate reserve to absorb an operating loss. However, a subsidy from the General Fund will be necessary in fiscal year 2011-12. We anticipate that building construction activity and permit fee revenue will rebound and that a subsidy may not be necessary 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, OR 97128, 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, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Water and Light
Assets				
Cash and investments	\$ 13,602,063	\$ 18,076,797	\$ 31,678,860	\$ 17,267,151
Receivables, net of allowances for uncollectibles	1,612,097	1,054,984	2,667,081	3,130,337
Due from component unit	91,748	596,436	688,184	-
Due from primary government	-	-	-	387
Internal balances	82,186	(82,186)	-	-
Inventories	-	-	-	683,289
Prepays	113,847	3,623	117,470	94,493
Note receivable	-	-	-	1,540,040
Renewable energy certificates	-	-	-	471,116
Deferred charges	111,708	70,140	181,848	2,825,282
Restricted cash and investments	1,381,749	-	1,381,749	-
Capital assets:				
Non-depreciable capital assets	29,109,053	1,285,287	30,394,340	5,882,096
Depreciable capital assets	108,876,219	82,297,061	191,173,280	145,157,093
Accumulated depreciation	(58,926,318)	(33,359,969)	(92,286,287)	(36,374,488)
Total assets	96,054,352	69,942,173	165,996,525	140,676,796
Liabilities				
Accounts payable	380,266	431,249	811,515	1,812,490
Accrued payroll and other payroll liabilities	327,627	-	327,627	264,733
Due to component unit	387	-	387	-
Due to primary government	-	-	-	688,184
Accrued interest payable	326,277	106,589	432,866	-
Advances and deposits	130,798	-	130,798	629,240
Other liabilities	61,795	-	61,795	87,309
Unearned revenue	161,289	1,415	162,704	-
Non-current liabilities:				
Due within one year	1,667,152	2,860,672	4,527,824	451,148
Due in more than one year	17,385,495	5,938,503	23,323,998	1,215,760
Total liabilities	20,441,086	9,338,428	29,779,514	5,148,864
Net Assets				
Invested in capital assets, net of related debt	62,431,482	41,736,064	104,167,546	103,521,631
Restricted for:				
Debt service	1,375,584	-	1,375,584	-
System expansion	1,393,538	-	1,393,538	-
Building division	-	183,776	183,776	-
Highways and streets	952,701	-	952,701	-
Nonexpendable library endowment	23,230	-	23,230	-
Unrestricted	9,436,731	18,683,905	28,120,636	32,006,301
Total net assets	\$ 75,613,266	\$ 60,603,745	\$ 136,217,011	\$ 135,527,932

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, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 2,158,145	\$ 485,866	\$ 1,635	\$ 138,899
Community development	1,328,719	515,582	68,265	-
Public safety:				
Police	6,299,749	817,709	73,240	722
Fire	2,686,012	323,276	10,144	-
Emergency communications	837,736	-	161,453	-
Highways and streets	3,453,560	324,786	1,559,733	532,958
Culture and recreation:				
Parks and recreation	4,095,241	1,217,185	158,374	9,508
Library	1,469,682	55,200	141,790	-
Airport	784,816	233,651	-	1,253,571
Interest on long-term debt	786,277	-	-	-
Total governmental activities	<u>23,899,937</u>	<u>3,973,255</u>	<u>2,174,634</u>	<u>1,935,658</u>
Business-type activities:				
Wastewater	5,753,542	8,292,063	-	-
Ambulance	2,532,569	2,275,122	-	-
Building	415,676	295,934	-	-
Total business-type activities	<u>8,701,787</u>	<u>10,863,119</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 32,601,724</u>	<u>\$ 14,836,374</u>	<u>\$ 2,174,634</u>	<u>\$ 1,935,658</u>
Component Unit				
Water and light	<u>\$ 37,802,141</u>	<u>\$ 36,534,385</u>	<u>\$ 187,233</u>	<u>\$ 334,413</u>

General revenues:
Taxes:
Property taxes
Franchise taxes
Unrestricted state shared revenues
Unrestricted investment earnings
Timber sales, net of related expenses
Other, net
Gain on sale of capital assets
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning - as previously reported
Restatement - Note IV. K.
Net assets - beginning - as restated
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
\$ (1,531,745)	\$ -	\$ (1,531,745)	\$ -
(744,872)	-	(744,872)	-
(5,408,078)	-	(5,408,078)	-
(2,352,592)	-	(2,352,592)	-
(676,283)	-	(676,283)	-
(1,036,083)	-	(1,036,083)	-
(2,710,174)	-	(2,710,174)	-
(1,272,692)	-	(1,272,692)	-
702,406	-	702,406	-
(786,277)	-	(786,277)	-
<u>(15,816,390)</u>	<u>-</u>	<u>(15,816,390)</u>	<u>-</u>
-	2,538,521	2,538,521	-
-	(257,447)	(257,447)	-
-	(119,742)	(119,742)	-
<u>-</u>	<u>2,161,332</u>	<u>2,161,332</u>	<u>-</u>
<u>(15,816,390)</u>	<u>2,161,332</u>	<u>(13,655,058)</u>	<u>-</u>
			<u>(746,110)</u>
11,860,485	-	11,860,485	-
2,202,237	-	2,202,237	-
692,662	-	692,662	-
60,685	66,086	126,771	425,450
-	-	-	1,355,475
-	-	-	1,787,505
4,858	-	4,858	-
(74,148)	74,148	-	-
<u>14,746,779</u>	<u>140,234</u>	<u>14,887,013</u>	<u>3,568,430</u>
(1,069,611)	2,301,566	1,231,955	2,822,320
76,365,880	58,302,179	134,668,059	132,705,612
316,997	-	316,997	-
<u>76,682,877</u>	<u>58,302,179</u>	<u>134,985,056</u>	<u>132,705,612</u>
<u>\$ 75,613,266</u>	<u>\$ 60,603,745</u>	<u>\$ 136,217,011</u>	<u>\$ 135,527,932</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, 2011

	General	Airport Maintenance	Debt Service	Total Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 7,373,663	\$ 813,449	\$ 1,432,328	\$ 2,985,656	\$ 12,605,096
Receivables	1,344,578	24,391	157,825	75,763	1,602,557
Due from other funds	105,926	-	-	-	105,926
Due from component unit	90,976	-	-	-	90,976
Prepays	103,105	-	-	5	103,110
Restricted cash and investments	23,230	-	-	1,358,519	1,381,749
Total assets	\$ 9,041,478	\$ 837,840	\$ 1,590,153	\$ 4,419,943	\$ 15,889,414
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 180,893	\$ 6,298	\$ -	\$ 140,047	\$ 327,238
Accrued payroll and other payroll liabilities	327,627	-	-	-	327,627
Due to component unit	-	-	-	387	387
Advances and deposits	130,798	-	-	-	130,798
Advance from other funds	-	210,000	-	-	210,000
Deferred revenue	1,070,822	57,151	118,355	49,117	1,295,445
Liabilities payable from restricted assets:					
Due to other funds	-	-	-	105,926	105,926
Total liabilities	1,710,140	273,449	118,355	295,477	2,397,421
Fund balances:					
Nonspendable	126,335	-	-	5	126,340
Restricted	-	-	1,471,798	3,043,109	4,514,907
Committed	-	564,391	-	-	564,391
Assigned	801,368	-	-	1,122,826	1,924,194
Unassigned	6,403,635	-	-	(41,474)	6,362,161
Total fund balances	7,331,338	564,391	1,471,798	4,124,466	13,491,993
Total liabilities and fund balances	\$ 9,041,478	\$ 837,840	\$ 1,590,153	\$ 4,419,943	\$ 15,889,414

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, 2011

Total fund balances - governmental funds \$ 13,491,993

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	\$135,891,721	
Accumulated depreciation	<u>(57,547,182)</u>	78,344,539

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	1,082,371	
Other receivables earned but not available	<u>51,784</u>	1,134,155

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

Bonds payable	(17,710,000)	
Bonds premium	(150,292)	
Rebatable arbitrage	(11,476)	
Deferred charges	111,708	
Interest payable	(326,277)	
Other post employment benefits payable	(454,150)	
Compensated absences payable	<u>(708,803)</u>	(19,249,290)

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>1,891,869</u>
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Total net assets - governmental activities \$ 75,613,266

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, 2011

	General	Airport Maintenance	Debt Service	Total Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 10,342,851	\$ -	\$ 1,498,827	\$ -	\$ 11,841,678
Special assessments	-	-	-	54,810	54,810
Licenses and permits	2,039,531	-	-	265,477	2,305,008
Intergovernmental	1,352,015	1,253,571	-	2,253,908	4,859,494
Charges for services	1,938,163	223,585	-	403,614	2,565,362
Fines and forfeitures	761,389	-	-	-	761,389
Miscellaneous	381,435	13,336	3,401	40,946	439,118
Total revenues	<u>16,815,384</u>	<u>1,490,492</u>	<u>1,502,228</u>	<u>3,018,755</u>	<u>22,826,859</u>
Expenditures					
Current:					
General government	1,465,320	-	-	338,669	1,803,989
Community development	1,249,944	-	-	-	1,249,944
Public safety	8,372,155	-	-	890,704	9,262,859
Highways and streets	-	-	-	1,331,764	1,331,764
Culture and recreation	4,397,765	-	-	58,986	4,456,751
Airport	-	1,597,357	-	-	1,597,357
Capital outlay:					
Highways and streets	-	-	-	510,243	510,243
Culture and recreation	-	-	-	991,098	991,098
Debt service:					
Principal	-	-	910,000	-	910,000
Interest	-	-	802,340	-	802,340
Total expenditures	<u>15,485,184</u>	<u>1,597,357</u>	<u>1,712,340</u>	<u>4,121,464</u>	<u>22,916,345</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,330,200</u>	<u>(106,865)</u>	<u>(210,112)</u>	<u>(1,102,709)</u>	<u>(89,486)</u>
Other Financing Sources (Uses)					
Transfers from other funds	-	-	400,000	675,400	1,075,400
Transfers to other funds	(714,400)	-	-	(450,000)	(1,164,400)
Total other financing sources (uses)	<u>(714,400)</u>	<u>-</u>	<u>400,000</u>	<u>225,400</u>	<u>(89,000)</u>
Net change in fund balances	615,800	(106,865)	189,888	(877,309)	(178,486)
Fund balances - beginning as previously reported	6,398,541	671,256	1,281,910	5,001,775	13,353,482
Restatement - Note IV. K.	316,997	-	-	-	316,997
Net assets - beginning - as restated	6,715,538	671,256	1,281,910	5,001,775	13,670,479
Fund balances - ending	<u>\$ 7,331,338</u>	<u>\$ 564,391</u>	<u>\$ 1,471,798</u>	<u>\$ 4,124,466</u>	<u>\$ 13,491,993</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, 2011

Net change in fund balances - governmental funds \$ (178,486)

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	\$ 2,896,576	
Current year depreciation expense	<u>(4,551,600)</u>	(1,655,024)

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>14,852</u>	14,852
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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	27,416	
Change in property taxes earned but not available	18,807	
Change in fire fees earned but not available	(1,414)	
Change in assessments earned but not available	<u>14,520</u>	59,329

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	(356,427)	
Accumulated depreciation	<u>227,227</u>	(129,200)

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	910,000	
Amortization of premium - general obligation bonds	<u>9,775</u>	919,775

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

Rebatable arbitrage	105,758	
Compensated absences change	8,012	
Other post employment benefits change	(140,624)	
Accrued interest change	16,063	
Amortization of issuance costs	<u>(7,266)</u>	(18,057)

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.

(82,800)

Change in net assets - governmental activities \$ (1,069,611)

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 10,002,000	\$ 10,002,000	\$ 10,342,851	\$ 340,851
Licenses and permits	1,768,100	1,768,100	2,039,531	271,431
Intergovernmental	1,386,462	1,386,462	1,352,015	(34,447)
Charges for services	1,141,220	1,164,816	1,038,169	(126,647)
Fines and forfeitures	843,700	843,700	761,389	(82,311)
Miscellaneous	330,264	306,668	381,435	74,767
Total revenues	15,471,746	15,471,746	15,915,390	443,644
Expenditures				
General government:				
Administration	726,939	782,939	746,905	36,034
Finance	721,025	721,025	678,041	42,984
Community development:				
Engineering	693,425	693,425	670,400	23,025
Planning	578,546	578,546	539,170	39,376
Public safety:				
Police	5,544,463	5,544,463	5,380,703	163,760
Municipal court	453,841	453,841	388,538	65,303
Fire	2,552,587	2,634,587	2,542,352	92,235
Culture and recreation:				
Parks and recreation	2,205,257	2,205,257	2,054,639	150,618
Park maintenance	992,117	992,117	970,338	21,779
Library	1,373,419	1,373,419	1,312,225	61,194
Contingencies	750,000	612,000	-	612,000
Total expenditures	16,591,619	16,591,619	15,283,311	1,308,308
Excess (deficiency) of revenues over (under) expenditures	(1,119,873)	(1,119,873)	632,079	1,751,952
Other Financing Sources (Uses)				
Transfers from other funds	899,994	899,994	899,994	-
Transfers to other funds	(916,273)	(916,273)	(916,273)	-
Total other financing sources (uses)	(16,279)	(16,279)	(16,279)	-
Net change in fund balances	(1,136,152)	(1,136,152)	615,800	1,751,952
Fund balances - beginning	5,653,030	5,653,030	6,398,541	745,511
Restatement - prior period adjustment	-	-	316,997	316,997
Fund balances - beginning - as restated	5,653,030	5,653,030	6,715,538	1,062,508
Fund balances - ending	\$ 4,516,878	\$ 4,516,878	\$ 7,331,338	\$ 2,814,460

Reconciliation:

Charges for services, budgetary basis	\$ 1,038,169
Transfers from other funds - services provided	899,994
Charges for services, modified accrual basis	\$ 1,938,163
Expenditures, budgetary basis	\$ 15,283,311
Transfers to other funds - services provided	201,873
Expenditures, modified accrual basis	\$ 15,485,184
Other financing sources (uses), budgetary basis	\$ (16,279)
Transfers from other funds - services provided	(899,994)
Transfers to other funds - services provided	201,873
Other financing sources (uses), modified accrual basis	\$ (714,400)

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,729,523	\$ 1,729,523	\$ 1,253,571	\$ (475,952)
Charges for services	218,778	218,778	223,585	4,807
Miscellaneous	11,500	11,500	13,336	1,836
Total revenues	1,959,801	1,959,801	1,490,492	(469,309)
Expenditures				
Airport:				
Materials and services	401,466	401,466	327,955	73,511
Capital outlay	1,860,000	1,860,000	1,235,166	624,834
Contingencies	300,000	300,000	-	300,000
Total expenditures	2,561,466	2,561,466	1,563,121	998,345
Excess (deficiency) of revenues over (under) expenditures	(601,665)	(601,665)	(72,629)	529,036
Other Financing Sources (Uses)				
Transfers to other funds	(104,236)	(104,236)	(104,236)	-
Total other financing sources (uses)	(104,236)	(104,236)	(104,236)	-
Net change in fund balances	(705,901)	(705,901)	(176,865)	529,036
Fund balances, budgetary basis - beginning	945,900	945,900	951,256	5,356
Fund balances, budgetary basis - ending	\$ 239,999	\$ 239,999	774,391	\$ 534,392
Add (deduct):				
Advance from other funds			(210,000)	
Fund balance, modified accrual - ending			\$ 564,391	
Reconciliation:				
Expenditures, budgetary basis			\$ 1,563,121	
Transfers to other funds - services provided			34,236	
Expenditures, modified accrual basis			\$ 1,597,357	
Other financing sources (uses), budgetary basis			\$ (104,236)	
Transfers to other funds - advance from other funds			70,000	
Transfers to other funds - services provided			34,236	
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, 2011

	Business-Type Activities				Governmental Activities
	Enterprise Funds				Internal Service Funds
	Wastewater	Ambulance	Non-Major Building	Total	
Assets					
Current assets:					
Cash and investments	\$ 17,174,190	\$ 683,075	\$ 219,532	\$ 18,076,797	\$ 996,968
Receivables, net of allowance for uncollectibles	533,959	516,129	4,896	1,054,984	9,540
Due from component unit	596,436	-	-	596,436	772
Prepays	2,038	1,583	2	3,623	10,738
Total current assets	<u>18,306,623</u>	<u>1,200,787</u>	<u>224,430</u>	<u>19,731,840</u>	<u>1,018,018</u>
Non-current assets:					
Advance to other funds	210,000	-	-	210,000	-
Deferred charges	70,140	-	-	70,140	-
Capital assets:					
Non-depreciable capital assets	1,284,602	685	-	1,285,287	-
Depreciable capital assets	80,991,752	911,673	393,636	82,297,061	2,093,550
Accumulated depreciation	<u>(33,008,306)</u>	<u>(287,384)</u>	<u>(64,279)</u>	<u>(33,359,969)</u>	<u>(1,379,135)</u>
Total non-current assets	<u>49,548,188</u>	<u>624,974</u>	<u>329,357</u>	<u>50,502,519</u>	<u>714,415</u>
Total assets	<u>67,854,811</u>	<u>1,825,761</u>	<u>553,787</u>	<u>70,234,359</u>	<u>1,732,433</u>
Liabilities					
Current liabilities:					
Accounts payable	412,921	17,120	1,208	431,249	53,030
Accrued interest payable	106,589	-	-	106,589	-
Other liabilities	-	-	-	-	61,795
Unearned revenue	1,300	115	-	1,415	-
Compensated absences	77,528	76,909	26,235	180,672	8,349
Revenue bonds payable	<u>2,680,000</u>	<u>-</u>	<u>-</u>	<u>2,680,000</u>	<u>-</u>
Total current liabilities	<u>3,278,338</u>	<u>94,144</u>	<u>27,443</u>	<u>3,399,925</u>	<u>123,174</u>
Non-current liabilities:					
Revenue bonds payable, net of unamortized premium & deferred amount on refunding	5,806,315	-	-	5,806,315	-
Other post employment benefits	53,328	65,649	13,211	132,188	9,577
Total non-current liabilities	<u>5,859,643</u>	<u>65,649</u>	<u>13,211</u>	<u>5,938,503</u>	<u>9,577</u>
Total liabilities	<u>9,137,981</u>	<u>159,793</u>	<u>40,654</u>	<u>9,338,428</u>	<u>132,751</u>
Net Assets					
Invested in capital assets, net of related debt	40,781,733	624,974	329,357	41,736,064	714,415
Restricted for:					
Building	-	-	183,776	183,776	-
Unrestricted	<u>17,935,097</u>	<u>1,040,994</u>	<u>-</u>	<u>18,976,091</u>	<u>885,267</u>
Total net assets	<u>\$ 58,716,830</u>	<u>\$ 1,665,968</u>	<u>\$ 513,133</u>	<u>60,895,931</u>	<u>\$ 1,599,682</u>
Deduct:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(292,186)	
Total net assets, business-type activities				<u>\$ 60,603,745</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, 2011

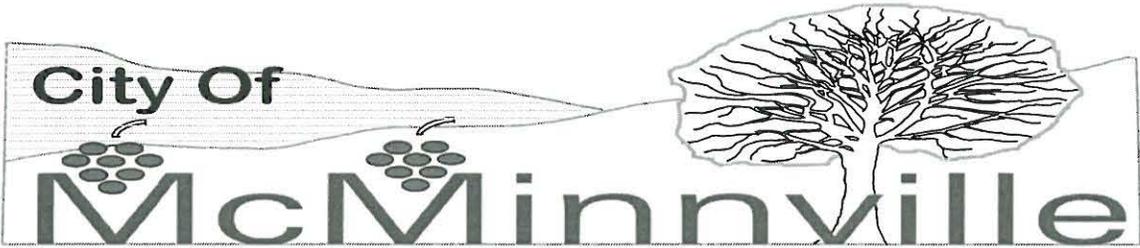
	Business-Type Activities				Governmental Activities
	Enterprise Funds				Internal Service Funds
	Wastewater	Ambulance	Non-Major Building	Total	
Operating Revenues					
Charges for services	\$ 7,940,854	\$ 2,249,641	\$ 295,888	\$ 10,486,383	\$ 1,253,190
Miscellaneous	-	-	-	-	62,449
Total operating revenues	<u>7,940,854</u>	<u>2,249,641</u>	<u>295,888</u>	<u>10,486,383</u>	<u>1,315,639</u>
Operating Expenses					
Personal services	1,535,626	1,948,395	323,567	3,807,588	274,452
Materials and services	1,592,049	493,080	72,987	2,158,116	888,928
Capital outlay	4,230	2,030	761	7,021	-
Depreciation	2,389,249	78,184	15,594	2,483,027	232,156
Total operating expenses	<u>5,521,154</u>	<u>2,521,689</u>	<u>412,909</u>	<u>8,455,752</u>	<u>1,395,536</u>
Operating income (loss)	<u>2,419,700</u>	<u>(272,048)</u>	<u>(117,021)</u>	<u>2,030,631</u>	<u>(79,897)</u>
Nonoperating Revenues (Expenses)					
Investment earnings	62,151	2,843	1,092	66,086	3,274
Interest expense, net of capitalized interest	(347,986)	-	-	(347,986)	-
Amortization of debt premiums and issuance costs	134,392	-	-	134,392	-
Development charges and fees	328,615	-	-	328,615	-
Other revenue	22,593	25,481	46	48,120	62
Capital assets transferred to other funds	(14,852)	-	-	(14,852)	-
Gain/Loss on disposal of assets	(25,201)	(13,482)	-	(38,683)	-
Total non-operating revenues (expenses)	<u>159,712</u>	<u>14,842</u>	<u>1,138</u>	<u>175,692</u>	<u>3,336</u>
Income (loss) before contributions and transfers	2,579,412	(257,206)	(115,883)	2,206,323	(76,561)
Transfers					
Transfers from other funds	-	150,000	-	150,000	-
Transfers to other funds	-	(61,000)	-	(61,000)	-
Total transfers	<u>-</u>	<u>89,000</u>	<u>-</u>	<u>89,000</u>	<u>-</u>
Change in net assets	2,579,412	(168,206)	(115,883)	2,295,323	(76,561)
Total net assets - beginning	56,137,418	1,834,174	629,016		1,676,243
Total net assets - ending	<u>\$ 58,716,830</u>	<u>\$ 1,665,968</u>	<u>\$ 513,133</u>		<u>\$ 1,599,682</u>
Deduct					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				6,243	
Change in net assets, business-type activities				<u>\$ 2,301,566</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, 2011

	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	\$ 7,976,021	\$ 2,139,024	\$ 290,992	\$ 10,406,037	\$ -
Receipts from interfund services provided	-	-	-	-	1,253,190
Other operating receipts	22,593	25,596	45	48,234	52,276
Payments to suppliers	(1,523,430)	(461,800)	(65,333)	(2,050,563)	(857,415)
Payments to employees	(1,458,672)	(1,894,966)	(328,516)	(3,682,154)	(275,009)
Payments for interfund services used	(125,434)	(71,586)	(12,740)	(209,760)	(1,622)
Net cash from operating activities	<u>4,891,078</u>	<u>(263,732)</u>	<u>(115,552)</u>	<u>4,511,794</u>	<u>171,420</u>
Cash Flows From Non-Capital Financing Activities					
Transfers from other funds	70,000	150,000	-	220,000	-
Transfers to other funds	-	(61,000)	-	(61,000)	-
Net cash from non-capital financing activities	<u>70,000</u>	<u>89,000</u>	<u>-</u>	<u>159,000</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities					
Additions to capital assets	(3,350,087)	(15,824)	-	(3,365,911)	(39,613)
Interest paid on capital debt	(383,563)	-	-	(383,563)	-
Principal paid on capital debt	(2,555,000)	-	-	(2,555,000)	-
Proceeds on the disposition of capital assets	-	4,744	-	4,744	-
Development charges and fees	328,615	-	-	328,615	-
Net cash from capital and related financing activities	<u>(5,960,035)</u>	<u>(11,080)</u>	<u>-</u>	<u>(5,971,115)</u>	<u>(39,613)</u>
Cash Flows From Investing Activities					
Interest received	62,151	2,843	1,092	66,086	3,274
Net cash flows from investing activities	<u>62,151</u>	<u>2,843</u>	<u>1,092</u>	<u>66,086</u>	<u>3,274</u>
Increase (decrease) in cash and investments	(936,806)	(182,969)	(114,460)	(1,234,235)	135,081
Cash and investments - beginning	18,110,995	866,044	333,992	19,311,031	861,887
Cash and investments - ending	<u>\$ 17,174,190</u>	<u>\$ 683,075</u>	<u>\$ 219,532</u>	<u>\$ 18,076,797</u>	<u>\$ 996,968</u>
Reconciliation of Operating Income (Loss) to					
Net Cash From Operating Activities					
Operating income (loss)	\$ 2,419,700	\$ (272,048)	\$ (117,021)	\$ 2,030,631	\$ (79,897)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	2,389,249	78,184	15,594	2,483,027	232,156
Other revenues	22,593	25,481	45	48,119	62
Change in current assets and liabilities:					
Receivables	(15,955)	(110,617)	(4,896)	(131,468)	(9,540)
Due from component unit	51,122	-	-	51,122	(695)
Prepays	(888)	(853)	(2)	(1,743)	5,045
Accounts payable	26,747	3,676	(999)	29,424	(4,963)
Retainage payable	(36,844)	-	-	(36,844)	-
Compensated absences	18,644	(9,234)	(11,969)	(2,559)	(4,022)
Other post employment benefits	16,710	21,564	3,696	41,970	3,068
Other liabilities	-	-	-	-	30,206
Unearned revenue	-	115	-	115	-
Net cash from operating activities	<u>\$ 4,891,078</u>	<u>\$ (263,732)</u>	<u>\$ (115,552)</u>	<u>\$ 4,511,794</u>	<u>\$ 171,420</u>
Non-Cash Investing, Capital, and Financing Activities					
Capital assets transferred to other funds	\$ (14,852)	\$ -	\$ -	\$ (14,852)	\$ -
Capital assets accrued in accounts payable	308,663	-	-	308,663	-

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



NOTES TO BASIC FINANCIAL STATEMENTS

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City of McMinnville, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2011

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, form a management team to lead and direct the administrative and service functions of the City and carry out City Council policy.

The accompanying basic financial statements present the City and its component 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, 2011

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.

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, 2011

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, 2011

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 including the City's Special Assessment Fund, Telecommunications Fund, Emergency Communications Fund, and Street Fund.
- Capital Projects Funds – account for the acquisition and construction of major capital projects other than those being financed by proprietary funds. The City's non-major capital projects funds are the Public Safety Facilities Construction Fund, the Transportation Fund, and the Park Development Fund.

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 the Insurance Services Fund which accounts for the City's property, liability, and workers' compensation insurance premiums and charges; and the Information Systems & Services Fund which accounts for the City's computer support including personal 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, 2011

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, 2011

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. 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 on the weighted average method 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.

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.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

I. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Equity (Continued)

5. Capital Assets (Continued)

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

The Department receives Renewable Energy Certificates (REC or Certificate) as part of the purchase agreement with Bonneville Power Administration for buying Green Energy Premium Wind. REC 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.

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. In the governmental fund financial statements, a liability for compensated absences is reported only if they have matured and thus become due.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

I. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Equity (Continued)

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. 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.

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.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

I. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Equity (Continued)

9. Fund Balance (Continued)

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.

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.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

II. Stewardship, Compliance, and Accountability (Continued)

A. Budgetary Information (Continued)

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 2010-11. 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 2010-11. 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.

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, 2011 was unqualified. The fair value of the City's position in the Pool at June 30, 2011 was 100.00 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.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

III. Detailed Notes on Accounts (Continued)

A. Cash and Investments (Continued)

At year end, the City's total book balance for deposits with financial institutions was \$481,680 and the bank balance was \$979,182. The City's bank balances were covered by \$250,000 Federal Depository Insurance. At year end, the Department's book balance for deposits with financial institutions was \$523,421 and the bank balance was \$635,908. 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, 2011, the City's cash and investment balances were as follows:

	Fair Value
Cash held in city offices	\$ 3,035
Deposits with financial institutions	476,972
Deposits with financial institutions, money market account	4,708
Fixed group annuity contract	401,368
Oregon State Local Government Investment Pool – City's general account	30,816,007
Oregon State Local Government Investment Pool – Park System Improvement Bond proceeds	1,198,658
Oregon State Local Government Investment Pool – Public Safety and Civic Buildings Bond proceeds	159,861
Total City cash and investments	\$ 33,060,609

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

Cash and investments:	
Unrestricted	\$ 31,678,860
Restricted	1,381,749
Total cash and investments	\$ 33,060,609

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

III. Detailed Notes on Accounts (Continued)

A. Cash and Investments (Continued)

At June 30, 2011, the Department's cash and investment balances were as follows:

	Fair Value
Cash on hand	\$ 1,400
Deposits with financial institutions	523,421
Oregon State Local Government Investment Pool	16,742,330
Total Department cash and investments	\$ 17,267,151

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, 2011, 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, 2011, were 125 days.

B. Restricted Assets

The City's restricted assets consist of the following at June 30, 2011:

Governmental activities:	
Park System Improvement Bond unspent proceeds	\$ 1,198,658
Public Safety and Civic Buildings Bond unspent proceeds	159,861
Non-expendable library endowment	23,230
Total governmental activities and primary government	\$ 1,381,749

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	\$ 109,507	\$ 24,391	\$ -	\$ 42,234	\$ 176,132
Property taxes	1,040,575	-	129,797	-	1,170,372
Cash with county treasurer	187,338	-	28,028	-	241,528
Assessments	7,158	-	-	33,529	40,687
Total	\$ 1,344,578	\$ 24,391	\$ 157,825	\$75,763	\$ 1,602,557

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

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>General</u>	<u>Debt Service</u>	<u>Total Governmental</u>
Gross revenue	\$ 10,583,863	\$ 1,522,000	\$ 12,105,863
Less: discounts, etc.	(216,655)	(28,723)	(245,378)
Net revenue	<u>\$ 10,367,208</u>	<u>\$ 1,493,277</u>	<u>\$ 11,860,485</u>

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 income.

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	\$ 533,959	\$ 1,309,244	\$ 1,843,203
Less: allowance for uncollectibles	-	(793,115)	(793,115)
Net receivables	<u>\$ 533,959</u>	<u>\$ 516,129</u>	<u>\$ 1,050,088</u>

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

Gross revenue	\$ 5,396,492
Less: change in allowance for uncollectibles	(367,512)
Less: medical write-off's	(2,779,339)
Net revenue	<u>\$ 2,249,641</u>

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

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 \$1,370,158 under long-term operating leases. For fiscal year 2010-11, total depreciation expense was \$48,433. As of June 30, 2011, accumulated depreciation was \$1,030,591. The minimum future payments to be received under these non-cancellable leases are as follows:

Year Ending June 30	
2012	\$ 199,135
2013	176,063
2014	170,926
2015	171,197
2016	170,252
Thereafter	<u>1,128,606</u>
Total	<u>\$ 2,016,179</u>

4. Department

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

Accounts receivable	\$ 3,162,687
Less: allowance for uncollectibles	<u>(32,350)</u>
Net receivables	<u>\$ 3,130,337</u>

D. Capital Assets

In the government-wide financial statements, the City's governmental activities' capital asset activity for the year ended June 30, 2011 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, 2011

III. Detailed Notes on Accounts (Continued)

D. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable:				
Land	\$ 27,589,106	\$ -	\$ -	\$ 27,589,106
Easements	1,375,043	3,860	-	1,378,903
Public art	88,575	50,160	-	138,735
Construction in progress	417,058	425	(415,174)	2,309
Total non-depreciable	<u>29,469,782</u>	<u>54,445</u>	<u>(415,174)</u>	<u>29,109,053</u>
Depreciable:				
Land improvements	16,206,297	2,245,772	-	18,452,069
Buildings	32,611,193	136,664	(146,736)	32,601,121
Machinery and equipment	5,629,381	256,219	(143,181)	5,742,419
Vehicles	3,407,988	190,370	(175,235)	3,423,123
Infrastructure	48,126,842	530,645	-	48,657,487
Total depreciable	<u>105,981,701</u>	<u>3,359,670</u>	<u>(465,152)</u>	<u>108,876,219</u>
Accumulated depreciation:				
Land improvements	(5,345,691)	(818,165)	-	(6,163,856)
Buildings	(12,653,826)	(1,095,870)	86,312	(13,663,384)
Machinery and equipment	(2,845,269)	(603,101)	138,077	(3,310,293)
Vehicles	(2,552,889)	(181,577)	111,563	(2,622,903)
Infrastructure	(31,060,356)	(2,105,526)	-	(33,165,882)
Total accumulated depreciation	<u>(54,458,031)</u>	<u>(4,804,239)</u>	<u>335,952</u>	<u>(58,926,318)</u>
Governmental activities capital assets, net	<u>\$ 80,993,452</u>	<u>\$ (1,390,124)</u>	<u>\$ (544,376)</u>	<u>\$ 79,058,952</u>

At June 30, 2011, the City's government-wide governmental activities construction in progress consisted of costs related to the park system improvement bond projects and a street maintenance project.

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 197,747
Community development	38,802
Public safety:	
Police	483,743
Fire	160,766
Emergency communications	54,658
Highways and streets	2,123,166
Culture and recreation:	
Parks and recreation	962,741
Library	103,354
Airport	426,622
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>232,156</u>
Total governmental activities depreciation expense	<u>\$ 4,783,756</u>

The above summary of depreciation expense does not include transfers in of capital assets of \$20,483 and the related accumulated depreciation between governmental and business-type activities.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

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, 2011 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	\$ 871,888	\$ -	\$ (86,665)	\$ 785,223
Easements	233,622	-	-	233,622
Construction in progress	1,099,793	266,443	(1,099,794)	266,442
Total non-depreciable	<u>2,205,303</u>	<u>266,443</u>	<u>(1,186,459)</u>	<u>1,285,287</u>
Depreciable:				
Land improvements	93,808	-	-	93,808
Buildings	41,594,157	67,422	-	41,661,579
Machinery and equipment	1,276,834	161,645	(54,117)	1,384,362
Vehicles	1,212,235	515,247	(160,242)	1,567,240
Infrastructure	34,714,167	3,215,742	(339,837)	37,590,072
Total depreciable	<u>78,891,201</u>	<u>3,960,056</u>	<u>(554,196)</u>	<u>82,297,061</u>
Accumulated depreciation:				
Land improvements	(50,304)	(4,665)	-	(54,969)
Buildings	(22,022,669)	(1,621,796)	-	(23,644,465)
Machinery and equipment	(872,897)	(66,241)	48,160	(890,978)
Vehicles	(652,368)	(46,040)	92,016	(606,392)
Infrastructure	(7,808,716)	(694,285)	339,836	(8,163,165)
Total accumulated depreciation	<u>(31,406,954)</u>	<u>(2,433,027)</u>	<u>480,012</u>	<u>(33,359,969)</u>
Business-type activities capital assets, net	<u>\$ 49,689,550</u>	<u>\$ 1,793,472</u>	<u>\$ (1,260,643)</u>	<u>\$ 50,222,379</u>

At June 30, 2011, the City's business-type activities construction in progress consisted of costs related to Wastewater oxidation ditch improvements and downtown infiltration and inflow (I & I) project.

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

Building	\$ 15,594
Wastewater	2,389,249
Ambulance	78,184
Total business-type activities depreciation expense	<u>\$ 2,483,027</u>

The above summary of depreciation expense does not include transfers of capital assets and related depreciation between governmental and business-type activities or the donation of fully depreciated sewer equipment with an estimated original cost of \$50,000.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

III. Detailed Notes on Accounts (Continued)

D. Capital Assets (Continued)

The Department's capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable:				
Land and land rights	\$ 2,716,736	\$ 67,188	\$ (223)	\$ 2,783,701
Construction in progress	4,139,862	2,486,773	(3,528,240)	3,098,395
Total non-depreciable	<u>6,856,598</u>	<u>2,553,961</u>	<u>(3,528,463)</u>	<u>5,882,096</u>
Depreciable:				
Buildings	41,974,587	1,282,696	-	43,257,282
Machinery and equipment	1,956,202	106,564	-	2,062,766
Vehicles	1,901,532	167,742	-	2,069,274
Infrastructure	94,921,535	3,606,442	(760,205)	97,767,771
Total depreciable	<u>140,753,856</u>	<u>5,163,444</u>	<u>(760,205)</u>	<u>145,157,093</u>
Accumulated depreciation:				
Electric plant	(16,358,296)	(1,443,833)	313,471	(17,488,658)
Water plant	(16,171,881)	(1,392,942)	-	(17,564,823)
Vehicles	(1,149,073)	(171,965)	31	(1,321,007)
Total accumulated depreciation	<u>(33,679,250)</u>	<u>(3,008,740)</u>	<u>313,502</u>	<u>(36,374,488)</u>
Department capital assets, net	<u>\$ 113,931,202</u>	<u>\$4,708,665</u>	<u>\$ (3,975,166)</u>	<u>\$ 114,664,701</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 2010-11. The balance at June 30, 2011, is as follows:

Receivable Fund	Payable Fund	Balance
Major enterprise fund – Wastewater Fund	Major governmental fund – Airport Maintenance Fund	\$ 210,000

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

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

Receivable Entity	Payable Entity	Amount
Major governmental fund – General Fund	Department	\$ 90,976
Major enterprise fund – Wastewater Fund	Department	596,436
Internal Service Funds	Department	772
		<u>\$ 688,184</u>
Department	Non-major Governmental Funds	\$ 387
		<u>\$ 387</u>

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

III. Detailed Notes on Accounts (Continued)

E. Interfund Balances and Transfers (Continued)

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Transfers to Debt Service Fund from:

Non-major governmental funds	\$ 400,000
Total transfers to Debt Service Fund	\$ 400,000

Transfers to non-major governmental funds from:

General Fund	\$ 564,400
Ambulance Fund	61,000
Total transfers to non-major governmental funds	\$ 625,400

Transfer to Ambulance Fund from:

General Fund	\$ 150,000
Total transfers to Ambulance Fund	\$ 150,000

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, 2011, the Department has 69,795 RECs banked in its Western Renewable Energy Generation Information System (WREGIS) account, valued at \$6.75 per REC, for a total value of \$471,116.

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 commencing, 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.

The Park System Improvement Bonds are subject to federal arbitrage rebate calculations, although there is no contingent rebatable arbitrage liability as of June 30, 2011.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

III. Detailed Notes on Accounts (Continued)

H. Long-Term Liabilities (Continued)

1. General Obligation Bonds – Governmental Activities (Continued)

The Public Safety and Civic Buildings Bonds are subject to federal arbitrage rebate calculations. The contingent rebatable arbitrage liability as of June 30, 2011 is \$11,476.

General obligation bonds payable as of June 30, 2011, consist of the following:

Park System Improvements:		
Issued August 1, 2001		
Original issue \$9,500,000		
Interest rates 4.50 – 5.00%		
Final maturity August 1, 2021	\$	6,285,000
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	11,425,000	
Add: unamortized premium	150,292	
		11,425,000
		150,292
		17,860,292
Total general obligation bonds outstanding at June 30, 2011		\$ 17,860,292

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

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

Year Ending June 30,	Principal	Interest
2012	\$ 950,000	\$ 762,941
2013	995,000	717,803
2014	1,045,000	666,258
2015	1,095,000	611,653
2016	1,150,000	558,441
2017 – 2021	6,575,000	1,970,298
2022 – 2026	4,950,000	644,600
2027	950,000	19,000
Total	\$ 17,710,000	\$ 5,950,994

2. Revenue Bonds – Business-Type Activities

In February 2004, the City issued sewer system revenue refunding bonds. These bonds refunded the 1994 sewer revenue bonds and the 1993 Oregon Economic and Community Development Department (OECDD) Special Public Works Fund note. The amount payable for the refunding bonds is presented net of the 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.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

III. Detailed Notes on Accounts (Continued)

H. Long-Term Liabilities (Continued)

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

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, 2011.

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.

Revenue bonds payable as of June 30, 2011, 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	\$ 8,290,000
Less: unamortized deferred amount on refunding	(226,603)
Add: unamortized premium	422,918
Total revenue bonds outstanding at June 30, 2011	\$ 8,486,315

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
2012	\$ 2,680,000	\$ 255,812
2013	2,765,000	175,413
2014	2,845,000	92,462
Total	\$ 8,290,000	\$ 523,687

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

III. Detailed Notes on Accounts (Continued)

H. Long-Term Liabilities (Continued)

3. Notes Payable – Department

During fiscal year 2009, the Department entered into two notes payable for the acquisition of land for a future reservoir site and substation site.

Long-term notes payable as of June 30, 2011, consisted of the following:

Water property for reservoir:	
Issued October 23, 2008	
Original note \$60,000	
Interest rate 4%	
Final maturity October 23, 2011	\$ 24,096
Total notes payable outstanding at June 30, 2011	\$ 24,096

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
General obligation bonds:					
Park system improvements	\$ 6,715,000	\$ -	\$ (430,000)	\$ 6,285,000	\$ 450,000
Public safety civic buildings const	11,905,000	-	(480,000)	11,425,000	500,000
Add: premium	160,067	-	(9,775)	150,292	-
Rebatable arbitrage	117,233	-	(105,757)	11,476	-
Compensated absences	729,187	1,018,410	(1,030,445)	717,152	717,152
Other post employment benefits	320,035	143,692	-	463,727	-
Total governmental activities	\$19,946,522	\$ 1,162,102	\$ (2,055,977)	\$ 19,052,647	\$ 1,667,152
<u>Business-Type Activities</u>					
Revenue bonds:					
Sewer refunding	\$ 10,845,000	\$ -	\$ (2,555,000)	\$ 8,290,000	\$ 2,680,000
Add: premium	584,030	-	(161,112)	422,918	-
Less: deferred amount	(312,928)	-	86,325	(226,603)	-
Compensated absences	183,231	253,071	(255,629)	180,672	180,672
Other post employment benefits	90,218	41,970	-	132,188	-
Total business-type activities	\$ 11,389,551	\$ 231,468	\$ (2,885,416)	\$ 8,799,175	\$ 2,860,672
<u>Component Unit</u>					
Notes payable	\$ 54,320	\$ -	\$ (30,224)	\$ 24,096	\$ 24,096
Compensated absences	368,232	269,927	(211,107)	427,052	427,052
Other post employment benefits	1,214,625	106,487	(105,352)	1,215,760	-
Total component unit	\$ 1,637,177	\$ 376,414	\$ (346,683)	\$ 1,666,908	\$ 451,148

Internal service funds predominantly serve the governmental funds. Accordingly, internal service funds' long-term liabilities of \$8,349 for compensated absences and of \$3,068 for other post employment benefits are included as part of the totals for governmental activities.

For governmental activities, compensated absences and other post employment benefits are generally liquidated by the fund that incurred the liability.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

III. Detailed Notes on Accounts (Continued)

I. Equity

Fund balances by classification for the year ended June 30, 2011 were as follows:

Fund Balances	General Fund	Airport Maintenance	Debt Service	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
In Form	\$ 103,105	\$ -	\$ -	\$ 5	\$ 103,110
Contractual	23,230	-	-	-	23,230
Restricted for:					
Street Maintenance	-	-	-	400,636	400,636
Capital Projects	-	-	-	2,642,473	2,642,473
Debt Service	-	-	1,471,798	-	1,471,798
Committed to:					
Airport Maintenance	-	564,391	-	-	564,391
Assigned to:					
Capital Acquisitions	400,000	-	-	-	400,000
LOSAP Volunteer Benefit Plan	401,368	-	-	-	401,368
Special Assessments	-	-	-	177,812	177,812
Telecommunications	-	-	-	1,458	1,458
Emergency Communications	-	-	-	319,101	319,101
Street Maintenance	-	-	-	610,792	610,792
Capital Projects	-	-	-	13,663	13,663
Unassigned:	<u>6,403,635</u>	<u>-</u>	<u>-</u>	<u>(41,474)</u>	<u>6,362,161</u>
Total fund balances	<u>\$ 7,331,338</u>	<u>\$ 564,391</u>	<u>\$1,471,798</u>	<u>\$ 4,124,466</u>	<u>\$ 13,491,993</u>

At June 30, 2011, the non-major governmental funds included a deficit unassigned fund balance of \$0.04 million. The deficit balance occurred in the Transportation Fund, where amounts that are assigned generally include interest and transfers from the Street Fund. For fiscal year 2010-11, expenditures exceeded the assigned amounts; therefore, the negative residual amount is classified as a deficit unassigned fund balance.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

IV. Other Information

A. Risk Management

1. City

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees. The City is covered for comprehensive liability, property, auto liability and physical damage, employer's liability, and workers' compensation insurance through City County Insurance Services (CIS), a public entity risk pool. The pooling agreement does not permit the pool to make additional assessments to its members in the event of unanticipated losses. CIS partially self-insures the liability, property and workers' compensation programs and purchases reinsurance through commercial companies. CIS has the financial capacity to meet all its obligations and all lines of coverage have sufficient reserves.

In 1989, the City established an internal service Insurance Services Fund to pay annual insurance premiums as well as to fund deferred insurance premiums, potential deductible losses, and uninsured losses. Charges for services are paid to the Insurance Services Fund by the operating funds.

2. Property and Liability Insurance

Liability insurance is carried for general and auto liability, employer's liability, and property damage. The liability coverage includes a per occurrence limit of \$5,000,000 and annual aggregate limit of \$15,000,000. Property coverage is replacement value of the property less the deductible. For vehicle losses, a \$500 collision deductible and a \$250 comprehensive deductible is carried; and for property and mobile equipment losses, a \$1,000 deductible per property incident is carried.

Property and liability claims are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an accrued amount for general and automobile liability claims that have been incurred but not reported (IBNR). Property and liability claims are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of claims paid, and other economic and social factors. The City is liable for actual claim costs up to 133 percent of the liability aggregate deductible credit. During fiscal year 2010-11, the City's credit was \$37,500 and the City was liable for an aggregate deductible of up to \$50,000. Generally, liability coverage years are open indefinitely until the deductible limit is met.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

IV. Other Information (Continued)

A. Risk Management (Continued)

2. Property and Liability Insurance (Continued)

Liability claims are generally paid within one year. Amounts paid in more than one year are not identifiable, therefore all amounts are considered current. Liability claims outstanding were as follows:

	2011	2010	2009
Claims liability, July 1	\$ 20,061	\$ 4,000	\$ 44,385
Incurred claims	136,488	38,970	17,547
Changes in estimates of prior period claims	(81,553)	(4,000)	52,245
Payments on claims	(29,992)	(18,909)	(110,177)
Claims liability, June 30	<u>\$ 45,004</u>	<u>\$ 20,061</u>	<u>\$ 4,000</u>

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

3. Workers' Compensation Insurance

Workers' compensation liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an accrued amount for workers' compensation claims that have been incurred but not reported (IBNR). Workers' compensation claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of claims paid, and other economic and social factors. For years ended June 30 2009, 2010, and 2011 the City purchased paid loss retrospective plans. CIS calculates a minimum and maximum contribution based on the City's projected payroll, operations, and paid loss history. Throughout the year, CIS invoices the City for paid losses plus an administrative fee of 20 percent of the paid loss, up to the maximum contribution amount. Workers' compensation retrospective plans have a mandatory final close-out at 60 months from plan inception.

Workers' compensation claims are generally paid within one year. Amounts paid in more than one year are not identifiable, therefore all amounts are considered current. Workers' compensation claims outstanding were as follows:

	2011	2010	2009
Claims liability, July 1	\$ 11,528	\$ 37,081	\$ 37,468
Incurred claims	43,423	39,863	86,081
Changes in estimates of prior period claims	(2,242)	(18,465)	(23,463)
Payments on claims	(35,918)	(46,951)	(63,005)
Claims liability, June 30	<u>\$ 16,791</u>	<u>\$ 11,528</u>	<u>\$ 37,081</u>

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, 2011

IV. Other Information (Continued)

A. Risk Management (Continued)

4. 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 three deferred compensation plans and the Department offers employees two deferred compensation plans 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 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 2010-11, the City contributed \$172,102 consisting of retiree payments. The City has elected to not prefund the actuarially determined future cost amount \$595,915.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

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, 2011:

	<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	\$ 485	\$ 48	\$ 494	\$ 48	\$ 494	\$ 48
Two-party	1,018	84	1,030	84	1,028	84
Family	1,381	145	1,391	145	1,374	145

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	\$ 179,195
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	189,066
Annual Required Contribution (ARC)	368,261
Interest on net OPEB obligation	18,461
Adjustment to ARC	(28,958)
Annual OPEB cost	357,764
Contribution	(172,102)
Increase in net OPEB obligation	185,662
Net OPEB obligation, beginning of year	410,253
Net OPEB obligation, end of year	<u>\$ 595,915</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>
2009	\$ 320,124	\$ 118,996	37%	\$ 201,128
2010	344,302	135,177	39	410,253
2011	357,764	172,102	48	595,915

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

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 Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
August 1, 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, 2011. 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.

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.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

IV. Other Information (Continued)

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

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

Funding Policy

At June 30, 2011, there were 15 retired employees and spouses receiving health insurance coverage provided by the Department. For the fiscal year 2010-11, the Department incurred \$105,352 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)	\$	51,829
Interest on net OPEB obligation		54,658
Annual OPEB cost		106,487
Contribution		(105,352)
Increase in net OPEB obligation		1,135
Net OPEB obligation, beginning of year		1,214,625
Net OPEB obligation, end of year		\$ 1,215,760

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
2009	\$ 1,306,655	\$ 86,956	7%	\$ 1,219,699
2010	109,218	114,292	105%	1,214,625
2011	106,487	105,352	99%	1,215,760

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.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

IV. Other Information (Continued)

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

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

Funded Status and Funding Progress (Continued)

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 (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)
August 1, 2006	-	\$ 1,146,124	\$ 1,146,124	-	\$ 2,498,491	46%
2008	-	1,191,313	1,191,313	-	3,293,582	36
2010	-	1,338,305	1,338,305	-	2,634,910	51

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.

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.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

IV. Other Information (Continued)

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

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

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 2010-11 were 0.29 percent for Tier 1 and 2 members and 0.19 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 2008-09, 2009-10, and 2010-11 were \$37,000, \$31,000, and \$31,000, which equaled the required contributions each year. The Department's contributions to RHIA for the fiscal years 2008-09, 2009-10, and 2010-11 were \$12,000, \$11,000, and \$11,000 which equaled the required contributions each year.

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.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

IV. Other Information (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

1. Oregon Public Employees Retirement System (Continued)

Plan Description (Continued)

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.

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. The rates for the year ended June 30, 2011 are as follows:

	Effective <u>July 1, 2010</u>
OPERF Tier one and two	13.64%
OPSRP general service	12.06
OPSRP police and fire	14.77

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, 2009, 2010, and 2011 were \$2,339,000, \$2,125,000, and \$2,145,000 respectively. The Department's contributions to OPERS for the years ended June 30, 2009, 2010, and 2011 were \$855,000, \$846,000, and \$845,000 respectively. The annual pension costs were equal to the required contributions for fiscal years ended June 30, 2009, 2010, and 2011.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

IV. Other Information (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

2. McMinnville Fire Department Length of Service Awards Program

Plan Description

Effective July 1, 1994, the City established the McMinnville Fire Department Length of Service Awards Program (LOSAP), a non-qualified retirement plan for the City's volunteer fire fighters. The LOSAP is a length of service award plan as provided for in Internal Revenue Code Section 457(e)(11)(A)(ii). The purpose of the LOSAP is to provide a retirement income for volunteers in recognition of their service to the City. The obligation of the City to pay any benefits under the LOSAP is unfunded and unsecured. However, the City has set aside assets and/or purchased annuities to discharge all or part of its obligations under the LOSAP. The assets set aside remain in the name of the City. Under the provision of the LOSAP Master Plan, it is not intended that any trust for the benefit of participants is to be created by setting aside assets and/or purchasing annuities.

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.

Funding Policy

Although the City maintains a separate account to fund the payment of LOSAP benefits, these assets do not qualify as plan assets under the relevant provisions of the GASB Statement 27. Therefore, the funds in this account have not been considered in calculating the Annual Required Contribution (ARC) and other disclosures under GASB Statement 27. Because the LOSAP Master Plan does not require the City to guarantee the pay out of benefits nor to continue the plan, the City does not report a liability for the LOSAP net pension obligation.

Annual Cost and Net Pension Obligation

Normal Cost	\$ 35,705
Amortization of Unfunded Actuarial Accrual Liability	70,782
Annual Required Contribution	106,488
Interest on Net Pension Obligation	3,047
Adjustment to Annual Required Contribution	(8,260)
Annual Pension Cost	101,275
Contribution	(14,958)
Increase (decrease) in Net Pension Obligation	86,317
Net Pension Obligation, beginning of year	101,571
Net Pension Obligation, end of year	<u>\$ 187,887</u>

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

IV. Other Information (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Funding Policy (Continued)

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

Fiscal Year End <u>June 30</u>	<u>Annual Pension Cost</u>	<u>Contribution</u>	<u>% of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 71,119	\$ 12,727	18%	\$ 125,579
2010	53,570	77,579	145%	101,571
2011	101,275	14,958	15%	187,887

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 Date <u>June 30</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability <u>(AAL)</u>	Unfunded Actuarial Accrued Liability <u>(UAAL)</u>	Funded <u>Ratio</u>
2007	\$ -	\$ 264,746	\$ 264,746	-
2009	-	658,279	658,279	-
2011	-	870,353	870,353	-

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 includes 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, 2011 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 5.1% discount rate for the first 30 years after annuity purchase; a 3.5% discount rate thereafter; mortality rate per the 1994 Group Annuity Mortality (GAM) table projected to 2010; 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 2009 Oregon PERS valuation for Fire employees. Withdrawal rates reflect the Fire Department's historical experience. All participants are assumed to retire when they reach entitlement age.

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

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

IV. Other Information (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Actuarial Methods and Assumptions (Continued)

Because of the "terminal funding" nature of the LOSAP (due to purchase of annuities at termination of employment), the UAAL is funded over a 15-year closed amortization period.

E. Commitments and Contingencies

1. City

At June 30, 2011, the City was committed to two contracts for street maintenance totaling \$425,981.

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 (WPPSS) Nuclear Projects 1, 2, and 3 and from the Trojan Nuclear Project (Trojan). 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 WPPSS Projects and its share of 0.4% of operating and debt service costs of Trojan whether or not the plants are operable or operating. Trojan ceased operation in 1994. WPPSS Nuclear Projects 1 and 3 have never been completed. WPPSS Nuclear Project 2 continues in operation.

The Department has assigned its share of the WPPSS and Trojan 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 WPPSS and Trojan 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 WPPSS and Trojan 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, 2011, approximates \$78,848,000, for Projects 1, 2, and 3 and approximates zero for Trojan. The aggregate amount, including interest and annual operating costs, is payable over the life of the projects as part of the cost of power purchased.

The Department also purchases power from Priest Rapids Development and Wanapum Development. Costs associated with these contracts for the year ended June 30, 2011 were approximately \$583,000. The Department has entered into a contract with Delta Star to acquire three transformers totaling \$1,740,000.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

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, 2011 in an amount exceeding ten percent of total sales. This customer accounted for approximately \$9,394,600 of revenues during the year ended June 30, 2011. At June 30, 2011, accounts receivable from this same customer amounted to approximately \$578,000.

Department purchases were made from one major supplier of power, including supply, transmission and distribution during the year ended June 30, 2011 in amounts exceeding ten percent of the total of such purchases. The supplier accounted for \$21,541,182 of purchases during the year ended June 30, 2011. At June 30, 2011, amounts due to this same supplier, and included in accounts payable, amounted to \$1,121,851.

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 \$783,078 in member contributions and E-911 pass through distributions. The City received \$17,309 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, 2011

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 2010-11, there was \$85 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 2010-11 credits for 2002-2006 lookback adjustments were \$1,265,000. For fiscal year 2011-12, the credit will be approximately \$1,120,000. Although future lookback adjustments are anticipated, the actual amounts have not yet been determined.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2011

IV. Other Information (Continued)

J. McMinnville Rural Fire Protection District

McMinnville Rural Fire Protection District (MRFPD) contracts with the City for fire protection services. For fiscal year 2010-11, the City received \$290,847 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.

K. Restatement

For fiscal year 2010-11, the City determined that assets set aside in an investment account for the Length of Services Awards Program (LOSAP), a non-qualified retirement plan for the City's volunteer firefighters, should be included in General fund cash and investments. The assets set aside remain in the name of the City. Therefore, General Fund beginning net assets for fiscal year 2010-11 are restated to account for the Length of Service Awards Program plan assets of \$316,997. Benefit payments from plan assets, annuity purchases, and life insurance policy purchases are recorded as expenditures in the Fire Department. Interest earned and contributions from the cash values of canceled life insurance policies are recorded in the General Fund as interest income and other income, respectively. During the fiscal year, contributions set aside by the City to purchase annuities or for benefit payments from plan assets are recorded as an increase in LOSAP investments and a decrease in the City's general investment account. LOSAP plan assets at June 30, 2011 were \$401,368.

L. Subsequent Event

In October 2011, the City issued General Obligation refunding bonds in the par amount of \$5,590,000. Proceeds from the sale of the bonds were used to refund the 2001 Park System Improvement bonds issued in August 2001 in order to achieve debt service savings and pay the costs of issuance. Sources of funds included the par amount of the bonds, a premium of \$336,316, and \$74,000 contributed by the City from the Debt Service Fund reserve. The funds were used to redeem \$5,835,000 principal outstanding on the 2001 Park System Improvement Bonds and to pay \$51,957 in accrued interest. The True Interest Cost on the bonds is 1.65%. The Net Present Value Savings resulting from the redemption is \$956,000.



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, 2011

	Special Revenue Funds				
	Special Assessment	Telecommuni- cations	Emergency Communi- cations	Street	Total
Assets					
Cash and investments	\$ 178,644	\$ 1,458	\$ 370,903	\$ 1,056,387	\$ 1,607,392
Receivables	33,529	-	-	-	33,529
Prepays	-	-	-	5	5
Restricted cash and investments	-	-	-	-	-
Total assets	\$ 212,173	\$ 1,458	\$ 370,903	\$ 1,056,392	\$ 1,640,926
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 832	\$ -	\$ 51,802	\$ 44,572	\$ 97,206
Due to component unit	-	-	-	387	387
Deferred revenue	33,529	-	-	-	33,529
Liabilities payable from restricted assets:					
Due to other funds	-	-	-	-	-
Total liabilities	34,361	-	51,802	44,959	131,122
Fund balances:					
Nonspendable in form	-	-	-	5	5
Restricted	-	-	-	400,636	400,636
Committed	-	-	-	-	-
Assigned	177,812	1,458	319,101	610,792	1,109,163
Unassigned	-	-	-	-	-
Total fund balances	177,812	1,458	319,101	1,011,433	1,509,804
Total liabilities and fund balances	\$ 212,173	\$ 1,458	\$ 370,903	\$ 1,056,392	\$ 1,640,926

Capital Projects Funds

Public Safety Facilities Construction	Transportation	Park Development	Total	Total Non-Major Governmental Funds
\$ -	\$ 1,330,700	\$ 47,564	\$ 1,378,264	\$ 2,985,656
-	39,719	2,515	42,234	75,763
-	-	-	-	5
159,861	-	1,198,658	1,358,519	1,358,519
<u>\$ 159,861</u>	<u>\$ 1,370,419</u>	<u>\$ 1,248,737</u>	<u>\$ 2,779,017</u>	<u>\$ 4,419,943</u>
\$ -	\$ 2,767	\$ 40,074	\$ 42,841	\$ 140,047
-	-	-	-	387
-	15,588	-	15,588	49,117
105,926	-	-	105,926	105,926
<u>105,926</u>	<u>18,355</u>	<u>40,074</u>	<u>164,355</u>	<u>295,477</u>
-	-	-	-	5
53,935	1,393,538	1,195,000	2,642,473	3,043,109
-	-	-	-	-
-	-	13,663	13,663	1,122,826
-	(41,474)	-	(41,474)	(41,474)
<u>53,935</u>	<u>1,352,064</u>	<u>1,208,663</u>	<u>2,614,662</u>	<u>4,124,466</u>
<u>\$ 159,861</u>	<u>\$ 1,370,419</u>	<u>\$ 1,248,737</u>	<u>\$ 2,779,017</u>	<u>\$ 4,419,943</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, 2011

Special Revenue Funds

	Special Assessment	Telecommuni- cations	Emergency Communica- tions	Street	Total
Revenues					
Special assessments	\$ 54,810	\$ -	\$ -	\$ -	\$ 54,810
Licenses and permits	-	241,329	24,114	34	265,477
Intergovernmental	-	-	161,453	1,559,733	1,721,186
Charges for services	-	-	-	-	-
Miscellaneous	1,310	88	1,236	23,453	26,087
Total revenues	<u>56,120</u>	<u>241,417</u>	<u>186,803</u>	<u>1,583,220</u>	<u>2,067,560</u>
Expenditures					
Current:					
General government	62,340	276,329	-	-	338,669
Public safety	-	-	783,078	-	783,078
Highways and streets	-	-	-	1,184,896	1,184,896
Culture and recreation	-	-	-	-	-
Capital outlay:					
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Total expenditures	<u>62,340</u>	<u>276,329</u>	<u>783,078</u>	<u>1,184,896</u>	<u>2,306,643</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,220)</u>	<u>(34,912)</u>	<u>(596,275)</u>	<u>398,324</u>	<u>(239,083)</u>
Other Financing Sources (Uses)					
Transfers from other funds	-	-	625,400	-	625,400
Transfers to other funds	-	-	-	(50,000)	(50,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>625,400</u>	<u>(50,000)</u>	<u>575,400</u>
Net change in fund balances	(6,220)	(34,912)	29,125	348,324	336,317
Fund balances - beginning	184,032	36,370	289,976	663,109	1,173,487
Fund balances - ending	<u>\$ 177,812</u>	<u>\$ 1,458</u>	<u>\$ 319,101</u>	<u>\$ 1,011,433</u>	<u>\$ 1,509,804</u>

Capital Projects Funds

Capital Projects Funds				Total Non-Major Governmental Funds
Public Safety Facilities Construction	Transportation	Park Development	Total	
\$ -	\$ -	\$ -	\$ -	\$ 54,810
-	-	-	-	265,477
-	532,722	-	532,722	2,253,908
-	289,242	114,372	403,614	403,614
723	4,578	9,558	14,859	40,946
<u>723</u>	<u>826,542</u>	<u>123,930</u>	<u>951,195</u>	<u>3,018,755</u>
-	-	-	-	338,669
107,626	-	-	107,626	890,704
-	146,868	-	146,868	1,331,764
-	-	58,986	58,986	58,986
-	510,243	-	510,243	510,243
-	-	991,098	991,098	991,098
<u>107,626</u>	<u>657,111</u>	<u>1,050,084</u>	<u>1,814,821</u>	<u>4,121,464</u>
<u>(106,903)</u>	<u>169,431</u>	<u>(926,154)</u>	<u>(863,626)</u>	<u>(1,102,709)</u>
-	50,000	-	50,000	675,400
-	(300,000)	(100,000)	(400,000)	(450,000)
-	(250,000)	(100,000)	(350,000)	225,400
<u>(106,903)</u>	<u>(80,569)</u>	<u>(1,026,154)</u>	<u>(1,213,626)</u>	<u>(877,309)</u>
160,838	1,432,633	2,234,817	3,828,288	5,001,775
<u>\$ 53,935</u>	<u>\$ 1,352,064</u>	<u>\$ 1,208,663</u>	<u>\$ 2,614,662</u>	<u>\$ 4,124,466</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 60,000	\$ 60,000	\$ 54,810	\$ (5,190)
Miscellaneous	1,000	1,000	1,310	310
Total revenues	<u>61,000</u>	<u>61,000</u>	<u>56,120</u>	<u>(4,880)</u>
Expenditures				
General government:				
Materials and services	60,980	60,980	55,719	5,261
Contingencies	80,000	80,000	-	80,000
Total expenditures	<u>140,980</u>	<u>140,980</u>	<u>55,719</u>	<u>85,261</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(79,980)</u>	<u>(79,980)</u>	<u>401</u>	<u>80,381</u>
Other Financing Sources (Uses)				
Transfers to other funds	(6,621)	(6,621)	(6,621)	-
Total other financing sources (uses)	<u>(6,621)</u>	<u>(6,621)</u>	<u>(6,621)</u>	<u>-</u>
Net change in fund balances	(86,601)	(86,601)	(6,220)	80,381
Fund balances, budgetary basis - beginning	184,370	184,370	184,032	(338)
Fund balances, budgetary basis - ending	<u>\$ 97,769</u>	<u>\$ 97,769</u>	<u>\$ 177,812</u>	<u>\$ 80,043</u>
Reconciliation:				
Expenditures, budgetary basis			\$ 55,719	
Transfers to other funds - services provided			6,621	
Expenditures, modified accrual basis			<u>\$ 62,340</u>	
Other financing sources (uses), budgetary basis			\$ (6,621)	
Transfers to other funds - services provided			6,621	
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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 241,000	\$ 241,000	\$ 241,329	\$ 329
Miscellaneous	300	300	88	(212)
Total revenues	<u>241,300</u>	<u>241,300</u>	<u>241,417</u>	<u>117</u>
Expenditures				
General government:				
Materials and services	276,000	277,000	276,329	671
Contingencies	1,200	200	-	200
Total expenditures	<u>277,200</u>	<u>277,200</u>	<u>276,329</u>	<u>871</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,900)</u>	<u>(35,900)</u>	<u>(34,912)</u>	<u>988</u>
Net change in fund balances	<u>(35,900)</u>	<u>(35,900)</u>	<u>(34,912)</u>	<u>988</u>
Fund balances - beginning	36,400	36,400	36,370	(30)
Fund balances - ending	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 1,458</u>	<u>\$ 958</u>

City of McMinnville, Oregon
Emergency Communications Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 30,000	\$ 30,000	\$ 24,114	\$ (5,886)
Intergovernmental	170,000	170,000	161,453	(8,547)
Miscellaneous	1,100	1,100	1,236	136
Total revenues	201,100	201,100	186,803	(14,297)
Expenditures				
Public safety:				
Materials and services	795,348	795,348	783,078	12,270
Contingencies	75,000	75,000	-	75,000
Total expenditures	870,348	870,348	783,078	87,270
Excess (deficiency) of revenues over (under) expenditures	(669,248)	(669,248)	(596,275)	72,973
Other Financing Sources (Uses)				
Transfers from other funds	625,400	625,400	625,400	-
Total other financing sources (uses)	625,400	625,400	625,400	-
Net change in fund balances	(43,848)	(43,848)	29,125	72,973
Fund balances - beginning	290,300	290,300	289,976	(324)
Fund balances - ending	\$ 246,452	\$ 246,452	\$ 319,101	\$ 72,648

City of McMinnville, Oregon
Street Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 50	\$ 50	\$ 34	\$ (16)
Intergovernmental	1,275,000	1,275,000	1,559,733	284,733
Miscellaneous	7,500	7,500	17,472	9,972
Total revenues	<u>1,282,550</u>	<u>1,282,550</u>	<u>1,577,239</u>	<u>294,689</u>
Expenditures				
Highways and streets:				
Personal services	599,630	599,630	574,975	24,655
Materials and services	585,510	585,510	473,304	112,206
Capital outlay	771	771	761	10
Contingencies	100,000	100,000	-	100,000
Total expenditures	<u>1,285,911</u>	<u>1,285,911</u>	<u>1,049,040</u>	<u>236,871</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,361)</u>	<u>(3,361)</u>	<u>528,199</u>	<u>531,560</u>
Other Financing Sources (Uses)				
Transfers from other funds	5,981	5,981	5,981	-
Transfers to other funds	(185,856)	(185,856)	(185,856)	-
Total other financing sources (uses)	<u>(179,875)</u>	<u>(179,875)</u>	<u>(179,875)</u>	<u>-</u>
Net change in fund balances	(183,236)	(183,236)	348,324	531,560
Fund balances, budgetary basis - beginning	575,495	575,495	663,109	87,614
Fund balances, budgetary basis - ending	<u>\$ 392,259</u>	<u>\$ 392,259</u>	<u>\$ 1,011,433</u>	<u>\$ 619,174</u>
Reconciliation:				
Miscellaneous, budgetary basis			\$ 17,472	
Transfers from other funds - services provided			5,981	
Miscellaneous, modified accrual basis			<u>\$ 23,453</u>	
Expenditures, budgetary basis			\$ 1,049,040	
Transfers to other funds - services provided			135,856	
Expenditures, modified accrual basis			<u>\$ 1,184,896</u>	
Other financing sources (uses), budgetary basis			\$ (179,875)	
Transfers from other funds - services provided			(5,981)	
Transfers to other funds - services provided			135,856	
Other financing sources (uses), modified accrual basis			<u>\$ (50,000)</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Miscellaneous	\$ 400	\$ 400	\$ 723	\$ 323
Total revenues	400	400	723	323
Expenditures				
Public safety:				
Materials and services	140,500	140,500	107,626	32,874
Contingencies	20,900	20,900	-	20,900
Total expenditures	161,400	161,400	107,626	53,774
Excess (deficiency) of revenues over (under) expenditures	(161,000)	(161,000)	(106,903)	54,097
Net change in fund balances	(161,000)	(161,000)	(106,903)	54,097
Fund balances, budgetary basis - beginning	161,000	161,000	160,838	(162)
Fund balances, budgetary basis - ending	\$ -	\$ -	\$ 53,935	\$ 53,935

City of McMinnville, Oregon
Transportation Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 618,000	\$ 618,000	\$ 532,722	\$ (85,278)
Charges for services	150,000	150,000	289,242	139,242
Miscellaneous	7,400	7,400	4,578	(2,822)
Total revenues	<u>775,400</u>	<u>775,400</u>	<u>826,542</u>	<u>51,142</u>
Expenditures				
Highways and streets:				
Materials and services	30,000	45,000	35,629	9,371
Capital outlay	545,000	545,000	510,243	34,757
Contingencies	100,000	85,000	-	85,000
Total expenditures	<u>675,000</u>	<u>675,000</u>	<u>545,872</u>	<u>129,128</u>
Excess (deficiency) of revenues over (under) expenditures	<u>100,400</u>	<u>100,400</u>	<u>280,670</u>	<u>180,270</u>
Other Financing Sources (Uses)				
Transfers from other funds	50,000	50,000	50,000	-
Transfers to other funds	(411,239)	(411,239)	(411,239)	-
Total other financing sources (uses)	<u>(361,239)</u>	<u>(361,239)</u>	<u>(361,239)</u>	<u>-</u>
Net change in fund balances	<u>(260,839)</u>	<u>(260,839)</u>	<u>(80,569)</u>	<u>180,270</u>
Fund balances, budgetary basis - beginning	1,437,755	1,437,755	1,432,633	(5,122)
Fund balances, budgetary basis - ending	<u>\$ 1,176,916</u>	<u>\$ 1,176,916</u>	<u>\$ 1,352,064</u>	<u>\$ 175,148</u>
Reconciliation:				
Expenditures, budgetary basis			\$ 545,872	
Transfers to other funds - services provided			111,239	
Expenditures, modified accrual basis			<u>\$ 657,111</u>	
Other financing sources (uses), budgetary basis			\$ (361,239)	
Transfers to other funds - services provided			111,239	
Other financing sources (uses), modified accrual basis			<u>\$ (250,000)</u>	

City of McMinnville, Oregon
Park Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 125,000	\$ 125,000	\$ -	\$ (125,000)
Charges for services	105,000	105,000	114,372	9,372
Miscellaneous	4,100	4,100	9,558	5,458
Total revenues	234,100	234,100	123,930	(110,170)
Expenditures				
Culture and recreation:				
Materials and services	85,580	85,580	38,438	47,142
Capital outlay	1,441,000	1,441,000	953,970	487,030
Contingencies	645,449	645,449	-	645,449
Total expenditures	2,172,029	2,172,029	992,408	1,179,621
Excess (deficiency) of revenues over (under) expenditures	(1,937,929)	(1,937,929)	(868,478)	1,069,451
Other Financing Sources (Uses)				
Transfers to other funds	(157,676)	(157,676)	(157,676)	-
Total other financing sources (uses)	(157,676)	(157,676)	(157,676)	-
Net change in fund balances	(2,095,605)	(2,095,605)	(1,026,154)	1,069,451
Fund balances, budgetary basis - beginning	2,095,605	2,095,605	2,234,817	139,212
Fund balances, budgetary basis - ending	\$ -	\$ -	\$ 1,208,663	\$ 1,208,663
Reconciliation:				
Expenditures, budgetary basis			\$ 992,408	
Transfers to other funds - services provided			57,676	
Expenditures, modified accrual basis			\$ 1,050,084	
Other financing sources (uses), budgetary basis			\$ (157,676)	
Transfers to other funds - services provided			57,676	
Other financing sources (uses), modified accrual basis			\$ (100,000)	

City of McMinnville, Oregon
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 1,435,240	\$ 1,435,240	\$ 1,498,827	\$ 63,587
Miscellaneous	4,500	4,500	3,401	(1,099)
Total revenues	1,439,740	1,439,740	1,502,228	62,488
Expenditures				
Debt service	1,712,355	1,712,355	1,712,340	15
Excess (deficiency) of revenues over (under) expenditures	(272,615)	(272,615)	(210,112)	62,503
Other Financing Sources (Uses)				
Transfers from other funds	400,000	400,000	400,000	-
Total other financing sources (uses)	400,000	400,000	400,000	-
Net change in fund balances	127,385	127,385	189,888	62,503
Fund balances - beginning	1,258,875	1,258,875	1,281,910	23,035
Fund balances - ending	\$ 1,386,260	\$ 1,386,260	\$ 1,471,798	\$ 85,538



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



City of McMinnville, Oregon
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011

	<u>Information Systems & Services</u>	<u>Insurance Services</u>	<u>Total Internal Service Funds</u>
Assets			
Current assets:			
Cash and investments	\$ 140,469	\$ 856,499	\$ 996,968
Receivables, net of allowance for uncollectibles	-	9,540	9,540
Due from component unit	-	772	772
Prepays	10,738	-	10,738
Total current assets	<u>151,207</u>	<u>866,811</u>	<u>1,018,018</u>
Non-current assets:			
Capital assets:			
Depreciable capital assets	2,093,550	-	2,093,550
Accumulated depreciation	(1,379,135)	-	(1,379,135)
Total non-current assets	<u>714,415</u>	<u>-</u>	<u>714,415</u>
Total assets	<u>865,622</u>	<u>866,811</u>	<u>1,732,433</u>
Liabilities			
Current liabilities:			
Accounts payable	18,769	34,261	53,030
Other liabilities	-	61,795	61,795
Compensated absences	8,349	-	8,349
Total current liabilities	<u>27,118</u>	<u>96,056</u>	<u>123,174</u>
Non-current liabilities:			
Other post employment benefits	9,577	-	9,577
Total non-current liabilities	<u>9,577</u>	<u>-</u>	<u>9,577</u>
Total liabilities	<u>36,695</u>	<u>96,056</u>	<u>132,751</u>
Net Assets			
Invested in capital assets, net of related debt	714,415	-	714,415
Unrestricted	114,512	770,755	885,267
Total net assets	<u>\$ 828,927</u>	<u>\$ 770,755</u>	<u>\$ 1,599,682</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, 2011

	Information Systems & Services	Insurance Services	Total Internal Service Funds
Operating revenues			
Charges for services	\$ 707,116	\$ 546,074	\$ 1,253,190
Miscellaneous	-	62,449	62,449
Total operating revenues	<u>707,116</u>	<u>608,523</u>	<u>1,315,639</u>
Operating Expenses			
Personal services	274,452	-	274,452
Materials and services	460,476	428,452	888,928
Depreciation	232,156	-	232,156
Total operating expenses	<u>967,084</u>	<u>428,452</u>	<u>1,395,536</u>
Operating income (loss)	<u>(259,968)</u>	<u>180,071</u>	<u>(79,897)</u>
Nonoperating Revenues (Expenses)			
Investment earnings	653	2,621	3,274
Other revenue	62	-	62
Total nonoperating revenues (expenses)	<u>715</u>	<u>2,621</u>	<u>3,336</u>
Income (loss)	<u>(259,253)</u>	<u>182,692</u>	<u>(76,561)</u>
Change in net assets	<u>(259,253)</u>	<u>182,692</u>	<u>(76,561)</u>
Total net assets - beginning	1,088,180	588,063	1,676,243
Total net assets - ending	<u>\$ 828,927</u>	<u>\$ 770,755</u>	<u>\$ 1,599,682</u>

City of McMinnville, Oregon
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2011

	Information Systems & Services	Insurance Services	Total
Cash Flows From Operating Activities			
Receipts from interfund services provided	\$ 707,116	\$ 546,074	\$ 1,253,190
Other operating receipts	62	52,214	52,276
Payments to suppliers	(463,520)	(393,895)	(857,415)
Payments to employees	(275,009)	-	(275,009)
Payments for interfund services used	(1,622)	-	(1,622)
Net cash from operating activities	<u>(32,973)</u>	<u>204,393</u>	<u>171,420</u>
Cash Flows From Capital and Related Financing Activities			
Additions to capital assets	(39,613)	-	(39,613)
Net cash from capital and related financing activities	<u>(39,613)</u>	<u>-</u>	<u>(39,613)</u>
Cash Flows From Investing Activities			
Interest received	653	2,621	3,274
Net cash flows from investing activities	<u>653</u>	<u>2,621</u>	<u>3,274</u>
Increase (Decrease) in Cash and Investments	(71,933)	207,014	135,081
Cash and Investments - Beginning	<u>212,402</u>	<u>649,485</u>	<u>861,887</u>
Cash and Investments - Ending	<u>\$ 140,469</u>	<u>\$ 856,499</u>	<u>\$ 996,968</u>
Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities			
Operating income (loss)	\$ (259,968)	\$ 180,071	\$ (79,897)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	232,156	-	232,156
Other revenue	62	-	62
Change in current assets and liabilities:			
Receivables	-	(9,540)	(9,540)
Due from component unit	-	(695)	(695)
Prepays	5,045	-	5,045
Accounts payable	(9,314)	4,351	(4,963)
Compensated absences	(4,022)	-	(4,022)
Other post employment benefits	3,068	-	3,068
Other liabilities	-	30,206	30,206
Net cash from operating activities	<u>\$ (32,973)</u>	<u>\$ 204,393</u>	<u>\$ 171,420</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 7,945,000	\$ 7,964,226	\$ 7,960,086	\$ (4,140)
Miscellaneous	29,526	10,300	9,545	(755)
Total revenues	<u>7,974,526</u>	<u>7,974,526</u>	<u>7,969,631</u>	<u>(4,895)</u>
Expenditures				
Wastewater:				
Wastewater services administration	672,026	672,026	510,503	161,523
Plant	1,316,295	1,316,295	1,224,581	91,714
Environmental services	432,860	432,860	370,276	62,584
Pump stations	218,800	218,800	198,213	20,587
Conveyance systems	1,254,176	1,254,176	954,598	299,578
Contingencies	300,000	300,000	-	300,000
Total expenditures	<u>4,194,157</u>	<u>4,194,157</u>	<u>3,258,171</u>	<u>935,986</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,780,369</u>	<u>3,780,369</u>	<u>4,711,460</u>	<u>931,091</u>
Other Financing Sources (Uses)				
Transfers to other funds	(4,120,184)	(4,120,184)	(4,120,184)	-
Total other financing sources (uses)	<u>(4,120,184)</u>	<u>(4,120,184)</u>	<u>(4,120,184)</u>	<u>-</u>
Net change in fund balances	(339,815)	(339,815)	591,276	931,091
Fund balances, budgetary basis - beginning	3,014,850	3,014,850	3,085,381	70,531
Fund balances, budgetary basis - ending	<u>\$ 2,675,035</u>	<u>\$ 2,675,035</u>	<u>\$ 3,676,657</u>	<u>\$ 1,001,622</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 300,000	\$ 300,000	\$ 328,615	\$ 28,615
Miscellaneous	233,900	233,900	55,966	(177,934)
Total revenues	533,900	533,900	384,581	(149,319)
Expenditures				
Wastewater:				
Materials and services	370,400	370,400	245,248	125,152
Capital outlay	3,760,000	3,760,000	2,215,895	1,544,105
Debt service	2,938,564	2,938,564	2,938,563	1
Contingencies	500,000	500,000	-	500,000
Total expenditures	7,568,964	7,568,964	5,399,706	2,169,257
Excess (deficiency) of revenues over (under) expenditures	(7,035,064)	(7,035,064)	(5,015,125)	2,019,939
Other Financing Sources (Uses)				
Transfers from other funds	3,958,564	3,958,564	3,958,564	-
Transfers to other funds	(147,202)	(147,202)	(147,202)	-
Total other financing sources (uses)	3,811,362	3,811,362	3,811,362	-
Net change in fund balances	(3,223,702)	(3,223,702)	(1,203,763)	2,019,939
Fund balances, budgetary basis - beginning	15,292,380	15,292,380	15,419,508	127,128
Fund balances, budgetary basis - ending	\$ 12,068,678	\$ 12,068,678	\$ 14,215,745	\$ 2,147,067

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, 2011

Reconciliation:

Wastewater Services Fund balances, budgetary basis - ending	\$ 3,676,657
Wastewater Capital Fund balances, budgetary basis - ending	14,215,745
Deferred amount on refunding	226,603
Deferred charges	70,140
Transfers to other funds	350,000
Capital assets	82,276,354
Accumulated depreciation	(33,008,306)
Accrued interest payable	(106,589)
Compensated absences payable	(77,528)
Revenue bonds payable	(8,290,000)
Revenue bonds premium	(422,918)
Other post employment benefits	(53,328)
Transfers from other funds	(140,000)
Net assets, full accrual - ending	<u>\$ 58,716,830</u>

Wastewater Services charges for services, budgetary basis	7,960,086
Wastewater Capital charges for services, budgetary basis	328,615
Development charges and fees	(328,615)
Other revenue, property rentals	(19,232)
Charges for services, full accrual basis	<u>\$ 7,940,854</u>

Wastewater Services expenditures, budgetary basis	\$ 3,258,171
Wastewater Capital expenditures, budgetary basis	5,399,706
Change in compensated absences	18,645
Change in other post employment benefits	16,710
Expenditures capitalized	(3,001,587)
Transfers to other funds - services provided	378,822
Depreciation	2,389,249
Debt Service	(2,938,562)
Operating expenses, full accrual basis	<u>\$ 5,521,154</u>

Wastewater Services other financing sources (uses), budgetary basis	\$ (4,120,184)
Wastewater Capital other financing sources (uses), budgetary basis	3,811,362
Transfers to other funds - services provided	378,822
Transfers from other funds - advance to other fund	(70,000)
Total contributions and transfers, full accrual basis	<u>\$ -</u>

City of McMinnville, Oregon
Ambulance Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 4,848,000	\$ 5,448,000	\$ 5,396,492	\$ (51,508)
Miscellaneous	22,650	22,650	33,069	10,419
Total revenues	<u>4,870,650</u>	<u>5,470,650</u>	<u>5,429,561</u>	<u>(41,089)</u>
Expenditures				
Ambulance:				
Personal services	1,810,416	1,940,416	1,936,066	4,350
Materials and services	2,809,325	3,409,325	3,099,761	309,564
Capital outlay	10,727	10,727	10,358	369
Contingencies	300,000	170,000	-	170,000
Total expenditures	<u>4,930,468</u>	<u>5,530,468</u>	<u>5,046,185</u>	<u>484,283</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(59,818)</u>	<u>(59,818)</u>	<u>383,376</u>	<u>443,194</u>
Other Financing Sources (Uses)				
Transfers from other funds	150,000	150,000	150,000	-
Transfers to other funds	(229,206)	(229,206)	(229,206)	-
Total other financing sources (uses)	<u>(79,206)</u>	<u>(79,206)</u>	<u>(79,206)</u>	<u>-</u>
Net change in fund balances	(139,024)	(139,024)	304,170	443,194
Fund balances, budgetary basis - beginning	1,681,465	1,681,465	1,672,497	(8,968)
Fund balances, budgetary basis - ending	<u>\$ 1,542,441</u>	<u>\$ 1,542,441</u>	<u>1,976,667</u>	<u>\$ 434,226</u>
Add (deduct):				
Allowance for uncollectibles			(793,115)	
Capital assets			912,358	
Accumulated depreciation			(287,384)	
Compensated absences payable			(76,909)	
Other post employment benefits			(65,649)	
Net assets, full accrual - ending			<u>\$ 1,665,968</u>	
Reconciliation:				
Charges for service, budgetary basis			5,396,492	
Medical write-offs			(2,779,339)	
Change in allowance for uncollectibles			(367,512)	
Charges for services, full accrual basis			<u>\$ 2,249,641</u>	
Expenditures, budgetary basis			\$ 5,046,185	
Change in compensated absences			(9,234)	
Change in other post employment benefits			21,564	
Medical write-offs			(2,779,339)	
Expenditures capitalized			(3,877)	
Transfers to other funds - services provided			168,206	
Depreciation			78,184	
Operating expenses, full accrual basis			<u>\$ 2,521,689</u>	
Other financing sources (uses), budgetary basis			\$ (79,206)	
Transfers to other funds - services provided			168,206	
Total contributions and transfers, full accrual basis			<u>\$ 89,000</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 222,845	\$ 222,845	\$ 295,888	\$ 73,043
Miscellaneous	1,600	1,600	1,137	(463)
Total revenues	<u>224,445</u>	<u>224,445</u>	<u>297,025</u>	<u>72,580</u>
Expenditures				
Building:				
Personal services	321,101	336,601	331,839	4,762
Materials and services	36,542	36,542	28,985	7,557
Capital outlay	771	771	761	10
Contingencies	100,000	84,500	-	84,500
Total expenditures	<u>458,414</u>	<u>458,414</u>	<u>361,585</u>	<u>96,829</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(233,969)</u>	<u>(233,969)</u>	<u>(64,560)</u>	<u>169,409</u>
Other Financing Sources (Uses)				
Transfers to other funds	(44,002)	(44,002)	(44,002)	-
Total other financing sources (uses)	<u>(44,002)</u>	<u>(44,002)</u>	<u>(44,002)</u>	<u>-</u>
Net change in fund balances	(277,971)	(277,971)	(108,562)	169,409
Fund balances, budgetary basis - beginning	314,875	314,875	331,784	16,909
Fund balances, budgetary basis - ending	<u>\$ 36,904</u>	<u>\$ 36,904</u>	<u>223,222</u>	<u>\$ 186,318</u>
Add (deduct):				
Capital assets			393,636	
Accumulated depreciation			(64,279)	
Compensated absences payable			(26,235)	
Other post employment benefits			(13,211)	
Net assets, full accrual - ending			<u>\$ 513,133</u>	
Reconciliation:				
Expenditures, budgetary basis			\$ 361,585	
Change in compensated absences			(11,968)	
Change in other post employment benefits			3,696	
Transfers to other funds - services provided			44,002	
Depreciation			15,594	
Operating expenses, full accrual basis			<u>\$ 412,909</u>	
Other financing sources (uses), budgetary basis			\$ (44,002)	
Transfers to other funds - services provided			44,002	
Total contributions and transfers, full accrual basis			<u>\$ -</u>	

City of McMinnville, Oregon
Information Systems & Services Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 464,460	\$ 464,460	\$ 435,539	\$ (28,921)
Miscellaneous	900	900	715	(185)
Total revenues	<u>465,360</u>	<u>465,360</u>	<u>436,254</u>	<u>(29,106)</u>
Expenditures				
Personal services	271,577	276,577	275,406	1,171
Materials and services	465,675	465,675	447,300	18,375
Capital outlay	52,034	53,534	52,789	745
Contingencies	65,000	58,500	-	58,500
Total expenditures	<u>854,286</u>	<u>854,286</u>	<u>775,495</u>	<u>78,791</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(388,926)</u>	<u>(388,926)</u>	<u>(339,241)</u>	<u>49,685</u>
Other Financing Sources (Uses)				
Transfers from other funds	271,577	271,577	271,577	-
Total other financing sources (uses)	<u>271,577</u>	<u>271,577</u>	<u>271,577</u>	<u>-</u>
Net change in fund balances	(117,349)	(117,349)	(67,664)	49,685
Fund balances, budgetary basis - beginning	185,135	185,135	200,102	14,967
Fund balances, budgetary basis - ending	<u>\$ 67,786</u>	<u>\$ 67,786</u>	<u>132,438</u>	<u>\$ 64,652</u>
Add (deduct):				
Capital assets			2,093,550	
Accumulated depreciation			(1,379,135)	
Compensated absences payable			(8,349)	
Other post employment benefits			(9,577)	
Net assets, full accrual - ending			<u>\$ 828,927</u>	
Reconciliation:				
Charges for services, budgetary basis			\$ 435,539	
Transfers from other funds - services provided			271,577	
Charges for services, full accrual basis			<u>\$ 707,116</u>	
Expenditures, budgetary basis			\$ 775,495	
Change in compensated absences			(4,022)	
Change in other post employment benefits			3,068	
Expenditures capitalized			(39,613)	
Depreciation			232,156	
Operating expenses, full accrual basis			<u>\$ 967,084</u>	
Other financing sources (uses), budgetary basis			\$ 271,577	
Transfers from other funds - services provided			(271,577)	
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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 3,500	\$ 3,500	\$ -	\$ (3,500)
Charges for services	586,297	586,297	546,074	(40,223)
Miscellaneous	34,400	34,400	65,070	30,670
Total revenues	<u>624,197</u>	<u>624,197</u>	<u>611,144</u>	<u>(13,053)</u>
Expenditures				
Materials and services	692,547	692,547	359,225	333,322
Contingencies	100,000	100,000	-	100,000
Total expenditures	<u>792,547</u>	<u>792,547</u>	<u>359,225</u>	<u>433,322</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(168,350)</u>	<u>(168,350)</u>	<u>251,919</u>	<u>420,269</u>
Other Financing Sources (Uses)				
Transfers to other funds	(39,021)	(39,021)	(39,021)	-
Total other financing sources (uses)	<u>(39,021)</u>	<u>(39,021)</u>	<u>(39,021)</u>	<u>-</u>
Net change in fund balances	(207,371)	(207,371)	212,898	420,269
Fund balances, budgetary basis - beginning	644,084	644,084	619,652	(24,432)
Fund balances, budgetary basis - ending	<u>\$ 436,713</u>	<u>\$ 436,713</u>	<u>832,550</u>	<u>\$ 395,837</u>
Deduct:				
Insurance claims payable			(61,795)	
Net assets, full accrual - ending			<u>\$ 770,755</u>	
Reconciliation:				
Expenditures, budgetary basis			\$ 359,225	
Transfers to other funds - services provided			39,021	
Change in insurance claims liability			30,206	
Operating expenses, full accrual basis			<u>\$ 428,452</u>	
Other financing sources (uses), budgetary basis			\$ (39,021)	
Transfers to other funds - services provided			39,021	
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, 2011

Federal Program Title	Federal CFDA Number	Award Description
U.S. Department of Transportation:		
National Highway Traffic Safety Administration		
Highway Safety Cluster		
Oregon Department of Transportation		
Bicycle Transportation Alliance		
State and Community Highway Safety	20.600	Pedestrian Safety Enforcement Grant
Oregon Association of Chiefs of Police		
State and Community Highway Safety	20.600	Safety Belt/Three Flags Traffic Safety Grant 2010
State and Community Highway Safety	20.600	Safety Belt/Three Flags Traffic Safety Grant 2011
Total State and Community Highway Safety		
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	DUII Traffic Safety Grant 2010
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	DUII Traffic Safety Grant 2011
Total Alcohol Impaired Driving Countermeasures Incentive Grant		
Total Highway Safety Cluster		
Federal Aviation Administration:		
Airport Improvement Program	20.106	Airport Improvement Program
Airport Improvement Program	20.106	Airport Improvement Program
Airport Improvement Program	20.106	Airport Improvement Program
Total Airport Improvement Program		
U.S. Department of Justice		
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
Total JAG Program Cluster		
Bulletproof Vest Partnership Program	16.607	Bulletproof Vest Partnership 2010
U.S. Department of Homeland Security		
Federal Emergency Management Agency		
Home Fire Sprinkler Coalition		
Assistance to Firefighters Grant	97.044	Home Fire Sprinkler Coalition Stipend Program
U.S. Department of the Interior		
National Park Service		
State of Oregon Parks & Recreation Department		
Historic Preservation Fund Grants-In-Aid	15.904	Certified Local Government Grant
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 the full accrual basis of accounting.

<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, 2010</u>
PS-10-68-02	3/11/10-9/15/10	\$ 3,508	\$ 417	\$ 447	\$ 3,061
OP-10-45-08	10/1/09-9/30/10	8,000	1,920	7,740	260
OP-11-45-08	10/1/10-9/30/11	8,000	4,360	4,360	3,640
		<u>19,508</u>	<u>6,697</u>	<u>12,547</u>	<u>6,961</u>
K8-10-12-38	1/1/10-9/30/10	8,000	2,200	6,940	1,060
K8-11-12-38	10/1/10-9/30/11	10,000	6,520	6,520	3,480
		<u>18,000</u>	<u>8,720</u>	<u>13,460</u>	<u>4,540</u>
		<u>37,508</u>	<u>15,417</u>	<u>26,007</u>	<u>11,501</u>
3-41-0036-012	2/09-completion	68,073	22,926	68,073	-
3-41-0036-013	7/09-completion	120,687	102,086	120,687	-
3-41-0036-014	9/09-completion	1,650,000	1,128,559	1,130,867	519,133
		<u>1,838,760</u>	<u>1,253,571</u>	<u>1,319,627</u>	<u>519,133</u>
2010-SB-B9-0061	10/1/09-9/30/13	39,162	35,972	35,972	3,190
2010-DJ-BX-0478	10/1/09-9/30/13	10,914	9,526	9,526	1,388
		<u>50,076</u>	<u>45,498</u>	<u>45,498</u>	<u>4,578</u>
2010BUBX10054271	4/1/10-8/31/12	3,933	1,787	1,787	2,146
N/A	7/1/10-6/30/11	1,000	1,000	1,000	-
OR-10-12	4/1/10-8/31/11	17,000	16,825	16,825	175
16107	7/1/09-6/30/10	6,675	6,675	6,675	-
		<u>\$ 1,954,952</u>	<u>\$ 1,340,773</u>	<u>\$ 1,417,419</u>	<u>\$ 537,533</u>

City of McMinnville, Oregon
Schedule of Future Debt Service Requirements
June 30, 2011

Fiscal Year of Maturity	Public Safety Civic Buildings Construction Bonds Issued November 14, 2006 3.75 - 5.50%		Park System Improvement Bonds Issued August 1, 2001 4.50 - 5.00%		Total Governmental Activity General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	2011-12	\$ 500,000	\$ 469,413	\$ 450,000	\$ 293,528	\$ 950,000
2012-13	525,000	444,975	470,000	272,828	995,000	717,803
2013-14	555,000	415,275	490,000	250,983	1,045,000	666,258
2014-15	585,000	383,925	510,000	227,728	1,095,000	611,653
2015-16	615,000	355,538	535,000	202,903	1,150,000	558,441
2016-17	640,000	330,438	565,000	176,361	1,205,000	506,799
2017-18	665,000	305,169	590,000	148,205	1,255,000	453,374
2018-19	690,000	278,900	620,000	118,250	1,310,000	397,150
2019-20	720,000	251,150	650,000	86,500	1,370,000	337,650
2020-21	750,000	222,200	685,000	53,125	1,435,000	275,325
2021-22	780,000	191,600	720,000	18,000	1,500,000	209,600
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>\$ 11,425,000</u>	<u>\$ 4,102,583</u>	<u>\$ 6,285,000</u>	<u>\$ 1,848,411</u>	17,710,000	<u>\$ 5,950,994</u>

Add:

General obligation bond premium - public safety buildings construction 150,292
Sewer system revenue refunding bond premium -

Less:

Deferred amount on sewer revenue bond refunding -

\$ 17,860,292

Sewer System Revenue
 Refunding Bonds
 (Parity Obligation)
 Issued February 13, 2004
 3.0 - 5.0%

Principal	Interest
\$ 2,680,000	\$ 255,812
2,765,000	175,413
2,845,000	92,462
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
8,290,000	\$ 523,687
-	
422,918	
(226,603)	
\$ 8,486,315	

CITY OF MCMINNVILLE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
Year Ended June 30, 2011

	<u>Tax Year</u>	<u>Uncollected July 1, 2010</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts Allowed</u>
Current year	2010-11	\$ -	\$ 12,105,863	\$ (290,811)
Prior years	2009-10	658,371	-	-
	2008-09	245,737	-	-
	2007-08	114,738	-	-
	2006-07	35,292	-	-
	2005-06	11,233	-	-
	2004-05 and prior years	<u>45,932</u>	<u>-</u>	<u>-</u>
Total prior years		<u>1,111,303</u>	<u>-</u>	<u>-</u>
		<u>\$ 1,111,303</u>	<u>\$ 12,105,863</u>	<u>\$ (290,811)</u>
Reconciliation of property taxes receivable by fund:				
General Fund				\$ 1,030,799
Debt Service Fund				<u>129,797</u>
				<u>\$ 1,160,596</u>
Reconciliation of property tax collections to revenue on the fund financial statements:				
Collections				\$ 11,814,555
Adjustment to modified accual basis				<u>27,123</u>
Total property tax revenue				<u>\$ 11,841,678</u>

<u>Interest</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Uncollected June 30, 2011</u>
\$ 7,459	\$ (21,286)	\$ (11,193,766)	\$ 607,459
26,535	(5,350)	(371,343)	308,213
22,494	(6,457)	(135,698)	126,076
20,406	(1,101)	(85,088)	48,955
6,781	(1,010)	(24,252)	16,811
787	(921)	(1,591)	9,508
<u>1,230</u>	<u>(770)</u>	<u>(2,818)</u>	<u>43,574</u>
<u>78,233</u>	<u>(15,609)</u>	<u>(620,790)</u>	<u>553,137</u>
<u>\$ 85,692</u>	<u>\$ (36,895)</u>	<u>\$ (11,814,555)</u>	<u>\$ 1,160,596</u>

City of McMinnville, Oregon
Schedule of Accountability for Independently Elected Officials
June 30, 2011

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. The City implemented GASB Statement 34 in fiscal year ended June 30, 2003; schedules presenting government-wide information include information beginning in that year.





City of McMinnville, Oregon
Net Assets by Component
Last Nine 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)	<u>7,495,821</u>	<u>8,694,120</u>	<u>8,526,428</u>	<u>9,320,862</u>
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	<u>8,984,425</u>	<u>10,314,249</u>	<u>10,363,595</u>	<u>12,290,008</u>
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	<u>16,480,246</u>	<u>19,008,369</u>	<u>18,890,023</u>	<u>21,610,870</u>
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	<u>18,215,358</u>	<u>20,373,958</u>	<u>25,041,388</u>	<u>33,233,236</u>
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>
\$ 62,898,370	\$ 65,247,969	\$ 64,720,490	\$ 64,577,951	\$ 62,431,482
2,876,332	3,827,337	3,011,121	3,223,454	3,745,053
<u>10,696,218</u>	<u>10,479,495</u>	<u>9,478,673</u>	<u>8,881,472</u>	<u>9,436,731</u>
<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>
\$ 32,603,644	\$ 33,806,347	\$ 35,556,686	\$ 38,573,448	\$ 41,736,064
-	-	374,891	284,065	183,776
<u>14,664,424</u>	<u>17,833,067</u>	<u>19,339,695</u>	<u>19,444,666</u>	<u>18,683,904</u>
<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>
\$ 95,502,014	\$ 99,054,316	\$100,277,176	\$103,151,399	\$ 104,167,546
2,876,332	3,827,337	3,386,012	3,507,519	3,928,829
<u>25,360,642</u>	<u>28,312,562</u>	<u>28,818,368</u>	<u>28,326,138</u>	<u>28,120,635</u>
<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>
\$ 78,018,533	\$ 83,072,182	\$ 97,147,985	\$103,852,317	\$ 103,521,631
39,601,674	42,264,683	33,751,837	28,853,295	32,006,301
<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>

City of McMinnville, Oregon
Changes in Net Assets
Last Nine 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 division (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>
\$ 3,849,409	\$ 2,655,004	\$ 1,984,604	\$ 2,347,704	\$ 2,060,894	\$ 2,158,145
1,514,566	1,607,780	1,811,174	1,246,693	1,299,144	1,328,719
4,853,641	5,123,969	5,690,199	6,455,520	6,548,127	6,299,749
1,220,577	1,658,654	1,704,098	2,522,183	2,544,874	2,686,012
725,927	754,142	760,164	809,875	818,172	837,736
2,871,564	3,302,674	3,137,661	3,616,479	3,478,409	3,453,560
3,190,485	3,432,363	3,528,723	3,985,158	4,014,812	4,095,241
1,402,779	1,440,647	1,488,868	1,534,563	1,567,266	1,469,682
351,884	325,485	590,710	640,968	517,465	784,816
504,474	773,903	915,543	871,822	826,167	786,277
<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>
5,771,040	5,855,037	6,052,599	5,873,978	5,811,243	5,753,542
2,117,649	2,241,064	2,264,966	2,373,384	2,449,268	2,532,569
-	-	-	596,800	446,236	415,676
<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>\$ 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>\$ 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>
\$ (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>
236,907	230,064	269,875	-	-	-
(145,045)	(187,696)	(203,369)	-	-	-
<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>

(Continued)

City of McMinnville, Oregon
Changes in Net Assets
Last Nine 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)	<u>2,489,840</u>	<u>4,581,992</u>	<u>4,232,161</u>
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)	<u>733,206</u>	<u>1,056,689</u>	<u>866,904</u>
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	<u>1,277,387</u>	<u>884,729</u>	<u>1,227,259</u>
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	<u>2,101,130</u>	<u>2,696,007</u>	<u>2,831,162</u>
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>
\$ 522,980	\$ 448,876	\$ 389,323	\$ 540,622	\$ 496,923	\$ 485,866
915,385	999,440	957,770	503,816	488,288	515,582
794,308	905,620	1,011,006	981,277	956,903	817,709
287,128	288,870	286,520	278,779	295,593	323,276
696,055	469,354	883,058	131,051	169,585	324,786
1,360,020	1,373,159	1,265,177	1,071,145	1,073,688	1,217,185
59,492	58,578	54,006	54,417	58,820	55,200
198,701	211,823	218,171	188,858	220,329	233,651
1,892,095	2,039,741	1,966,268	1,764,579	2,554,203	2,174,634
5,014,859	6,658,636	3,889,300	3,278,780	1,087,252	1,935,658
<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>
8,376,517	8,706,664	8,999,557	8,351,447	8,244,213	8,292,062
1,726,397	1,758,899	2,120,051	2,390,286	2,320,010	2,275,122
-	-	-	201,002	334,380	295,934
1,108	4,841	-	3,065	33,979	-
865,871	973,666	672,870	-	34,704	-
<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>\$ 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>
\$ 38,279,420	\$ 40,193,347	\$ 41,198,256	\$ 34,620,277	\$ 35,302,190	\$ 36,534,385
740,157	746,201	441,624	187,957	510,961	187,233
1,181,578	1,760,168	1,592,616	364,500	254,723	334,413
<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>
(8,652,421)	(7,578,156)	(10,624,639)	(15,237,641)	(16,273,746)	(15,816,390)
2,989,342	3,305,601	3,408,407	2,101,638	2,260,539	2,161,331
<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>\$ 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>

(Continued)

City of McMinnville, Oregon
Changes in Net Assets
Last Nine 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>
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, and 2010-11, the City subsidized the Ambulance business-type activity by \$300,000, \$300,000, \$155,000, \$500,000 and \$150,000 respectively. During fiscal year 2008-09, Building net assets of \$763,000 were transferred from governmental activities to business-type activities.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 8,996,764	\$ 9,435,904	\$ 10,350,548	\$ 11,053,039	\$ 11,573,566	\$ 11,860,485
2,224,711	2,320,014	2,376,220	2,140,723	2,191,818	2,202,237
686,613	588,482	662,919	672,334	685,444	692,662
517,062	709,041	614,480	235,839	57,829	60,685
-	-	2,740	-	-	4,858
<u>126,985</u>	<u>(308,620)</u>	<u>(298,387)</u>	<u>(1,208,811)</u>	<u>(451,403)</u>	<u>(74,148)</u>
<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>
425,027	649,483	664,552	321,409	87,887	66,086
-	-	-	-	-	-
<u>(126,985)</u>	<u>308,620</u>	<u>298,387</u>	<u>1,208,811</u>	<u>451,403</u>	<u>74,148</u>
<u>298,042</u>	<u>958,103</u>	<u>962,939</u>	<u>1,530,220</u>	<u>539,290</u>	<u>140,234</u>
<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>
\$ 1,213,320	\$ 1,831,449	\$ 1,712,036	\$ 872,186	\$ 323,950	\$ 425,450
-	-	94,862	-	-	-
3,210,353	2,158,598	1,460,202	1,726,608	832,598	1,355,475
<u>501,837</u>	<u>319,848</u>	<u>1,026,491</u>	<u>1,118,365</u>	<u>643,463</u>	<u>1,787,505</u>
<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>
\$ 3,899,714	\$ 5,166,665	\$ 3,083,881	\$ (2,344,517)	\$ (2,216,492)	\$ (1,069,611)
<u>3,287,384</u>	<u>4,263,704</u>	<u>4,371,346</u>	<u>3,631,858</u>	<u>2,799,829</u>	<u>2,301,565</u>
<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>\$ 8,836,913</u>	<u>\$ 8,417,246</u>	<u>\$ 7,716,658</u>	<u>\$ 5,562,957</u>	<u>\$ 1,805,790</u>	<u>\$ 2,822,320</u>

(Continued)

City of McMinnville, Oregon
Changes in Net Assets
Last Nine 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 2010-11, 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 2010-11, 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 2010-11, interest revenue decreased due to significantly lower interest rates.



City of McMinnville, Oregon
Fund Balances, Governmental Funds
Last Nine 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
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	<u>\$ 801,741</u>	<u>\$ 1,101,307</u>	<u>\$ 1,263,916</u>	<u>\$ 1,241,632</u>
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	<u>\$ 944,630</u>	<u>\$ 1,298,420</u>	<u>\$ 1,623,980</u>	<u>\$ 1,606,806</u>
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>
\$ 580,991	\$ 786,210	\$ 97,022	\$ 111,314	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	\$ 111,314	\$ 126,335
n/a	n/a	n/a	n/a	300,000	801,368
n/a	n/a	n/a	n/a	5,987,227	6,403,635
<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>
\$ -	\$ 319	\$ -	\$ -	n/a	n/a
672,908	799,480	567,087	671,256	n/a	n/a
n/a	n/a	n/a	n/a	\$ 170,883	\$ -
n/a	n/a	n/a	n/a	500,373	564,391
<u>\$ 672,908</u>	<u>\$ 799,799</u>	<u>\$ 567,087</u>	<u>\$ 671,256</u>	<u>\$ 671,256</u>	<u>\$ 564,391</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>
\$ 1,602,173	\$ 2,038,274	\$ -	\$ -	\$ -	\$ -
<u>\$ 1,602,173</u>	<u>\$ 2,038,274</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>
\$ 657,448	\$ 835,068	\$ 1,069,518	\$ 1,281,910	n/a	n/a
n/a	n/a	n/a	n/a	\$ 1,281,910	\$ 1,471,798
<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>
\$ 19,734,767	\$ 10,777,250	\$ 6,932,482	\$ 4,428,471	n/a	n/a
486,579	472,592	474,482	510,378	n/a	n/a
264,444	278,907	277,286	62,926	n/a	n/a
n/a	n/a	n/a	n/a	\$ -	\$ 5
n/a	n/a	n/a	n/a	3,855,990	3,043,109
n/a	n/a	n/a	n/a	35,000	-
n/a	n/a	n/a	n/a	1,110,785	1,122,826
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>

(continued)

City of McMinnville, Oregon
Fund Balances, Governmental Funds
Last Nine 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, reserved.

(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, reserved and all other governmental funds, unreserved, reported in capital projects funds.

(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 Nine 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
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	-	-	-	-
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	15.9%	16.8%	21.4%	12.0%

(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.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 9,741,059	\$ 10,221,234	\$ 10,876,161	\$ 11,280,695	\$ 11,841,678
53,209	55,997	55,139	49,479	54,810
3,259,273	3,338,571	2,252,979	2,297,980	2,305,008
3,491,568	3,383,652	5,760,900	3,783,213	4,859,494
2,160,123	2,470,408	2,319,771	2,370,147	2,565,362
801,939	909,071	862,073	858,474	761,389
2,771,566	1,487,483	557,474	299,817	439,118
<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>
4,147,566	2,163,364	1,943,082	1,853,247	1,803,989
-	1,720,377	1,254,944	1,248,671	1,249,944
7,605,719	7,695,976	9,072,067	9,291,156	9,262,859
1,200,855	1,171,346	1,460,403	1,398,891	1,331,764
4,057,945	4,207,624	4,678,701	5,352,686	4,456,751
175,110	337,342	3,004,101	161,128	1,597,357
-	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
40,410	917,603	446,908	2,280,916	991,098
1,693,888	906,976	1,073,748	907,046	910,000
443,925	1,045,195	887,418	840,332	802,340
<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>
13,315,502	-	-	-	-
-	-	-	-	-
3,248,827	3,012,242	5,922,648	987,133	1,075,400
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>13,031,364</u>	<u>(578,581)</u>	<u>(852,076)</u>	<u>(408,627)</u>	<u>(89,000)</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>
\$ 20,483,324	\$ 29,998,910	\$ 27,604,007	\$ 23,857,528	\$ 22,916,345
(1,703,810)	(11,151,569)	(7,070,726)	(3,969,444)	(2,896,576)
<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>
11.4%	10.4%	9.6%	8.8%	8.6%

(Continued)

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

(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, the City improved runways and taxiways at McMinnville Municipal Airport financed by capital grants of \$2,570,000 from the Federal Aviation Administration.

(m) From fiscal year 2008-09 through 2010-11, 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 2010-11, the City improved runways and taxiways at McMinnville Municipal Airport financed by capital grants of \$1,250,000 from the Federal Aviation Administration.



City of McMinnville, Oregon
Program Revenues by Functions/Programs
Last Nine 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>	<u>2007</u>
Primary government:					
Governmental activities:					
General government (e)	\$ 470,771	\$ 548,874	\$ 776,017	\$ 2,782,125	\$ 1,268,607
Community development (h)	728,906	941,159	951,386	960,725	1,046,050
Public safety:					
Police (f)	633,996	690,663	820,955	932,483	1,613,682
Fire	319,890	337,650	386,462	290,173	290,436
Emergency communications (a)	86,268	208,339	229,980	236,218	181,058
Highways and streets (b) (i) (l) (n) (o)	3,713,217	5,975,693	4,475,629	4,347,662	6,481,738
Culture and recreation:					
Parks and recreation (c) (i) (k)	1,665,312	1,621,942	2,113,913	1,670,625	1,780,725
Library	119,336	124,113	189,440	186,731	162,959
Airport (d) (g) (j)	296,125	198,719	624,951	334,281	628,842
Total governmental activities	<u>8,033,821</u>	<u>10,647,152</u>	<u>10,568,733</u>	<u>11,741,023</u>	<u>13,454,097</u>
Business-type activities:					
Wastewater (i)	8,257,201	8,771,582	8,740,042	9,242,388	9,681,571
Ambulance	1,684,809	1,618,557	1,737,964	1,727,505	1,762,499
Building division (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>	<u>11,444,070</u>
Total primary government	<u>\$ 17,975,831</u>	<u>\$ 21,037,291</u>	<u>\$ 21,046,739</u>	<u>\$ 22,710,916</u>	<u>\$ 24,898,167</u>
Component unit:					
Water and light	<u>\$ 37,271,421</u>	<u>\$ 38,656,138</u>	<u>\$ 38,408,072</u>	<u>\$ 40,201,155</u>	<u>\$ 42,699,716</u>

(a) During fiscal years 2003-04, 2004-05, and 2005-06, the City received a proportional share of the proceeds of the Yamhill County Emergency Communication District three-year local option levy.

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

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

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 497,521	\$ 625,093	\$ 617,801	\$ 626,400
1,005,640	564,006	539,378	583,847
1,648,392	1,084,767	1,008,654	891,671
287,018	280,264	386,813	333,420
160,995	171,242	166,906	161,453
5,029,028	1,807,909	2,264,864	2,417,477
1,670,571	1,325,613	1,946,469	1,385,067
161,640	173,587	199,667	196,990
459,794	2,760,843	271,032	1,487,222
<u>10,920,599</u>	<u>8,793,324</u>	<u>7,401,584</u>	<u>8,083,547</u>
9,672,427	8,352,547	8,303,950	8,292,062
2,120,051	2,392,251	2,328,956	2,275,122
-	201,002	334,380	295,934
<u>11,792,478</u>	<u>10,945,800</u>	<u>10,967,286</u>	<u>10,863,118</u>
<u>\$ 22,713,077</u>	<u>\$ 19,739,124</u>	<u>\$ 18,368,870</u>	<u>\$ 18,946,665</u>
<u>\$ 43,232,496</u>	<u>\$ 35,172,734</u>	<u>\$ 36,067,874</u>	<u>\$ 37,056,031</u>

(Continued)

City of McMinnville, Oregon
Program Revenues by Functions/Programs
Last Nine 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 2009-10 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, the City improved runways and taxiways at McMinnville Municipal Airport financed by \$2,570,000 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 City improved runways and taxiways at McMinnville Municipal Airport financed by \$1,250,000 in capital grants from the Federal Aviation Administrations.

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

(o) 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
2002	\$ 1,147,045,695	\$ 2,384,140	\$ 1,144,661,555	\$ 40,184,256	\$ 832,797	\$ 39,351,459
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

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	
Maximum Assessed Value	Maximum Assessed Value (b)	Maximum Assessed Value (a)	Estimated Real Market Value	Percentage of Estimated Real Market Value	Total Direct Tax Rate
\$ 65,624,468	\$ 25,997,209	\$ 1,275,634,691	\$ 1,610,696,888	79.2 %	\$ 6.32
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

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
2002	\$ 5.02	\$ 1.30	\$ 6.32	\$ 2.57	\$ -	\$ 2.57
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

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	\$ 2.79	\$ 6.94	\$ 1.15	\$ 0.14	\$ 1.29	\$ 17.12
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

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

Taxpayer	Type of Business	Fiscal Year Ended June 30, 2011		
		Assessed Value	Percentage	Rank
Cascade Steel Rolling Mills, Inc. (a)	Steel production	\$ 62,871,217	2.99 %	1
Willamette Valley Medical Center, LLC	Health care	56,612,115	2.69	2
Evergreen Vintage Aircraft Inc	Museum/water park	21,717,465	1.03	3
Frontier Communications (b)	Telephone communication	18,982,400	0.90	4
BRE/SW Hillside LLC (e)	Retirement community	17,535,646	0.83	5
Lowes Home Improvement Warehouse, Inc.	Home improvement retail store	14,358,124	0.68	6
Northwest Natural Gas Co.	Natural gas distributor	12,417,200	0.59	7
Comcast Corporation	Cable television	11,923,500	0.57	8
NBS-McMinnville Plaza OPCO LLC (d)	Commercial real estate management	10,175,206	0.48	9
Air Liquide Industrial U S, LP (c)	Liquid oxygen, nitrogen, argon	9,098,638	0.43	10
Verizon, Inc. (b)	Telephone communication	-	-	-
LAI Properties, Inc (c)	Liquid oxygen, nitrogen, argon	-	-	-
Hillside Manor (e)	Retirement community	-	-	-
Diane Foods, Inc.	Mexican food preparation	-	-	-
Homette Corporation	Mobile home and RV manufacturing	-	-	-
Fadco, LLC (d)	Commercial real estate management	-	-	-
Leslie A. Toth, Inc.	Mobile home parks	-	-	-
Total principal property tax payers		235,691,511	11.19	
All other property tax payers		<u>1,871,166,567</u>	<u>88.81</u>	
Total		<u>\$ 2,106,858,078</u>	<u>100.00 %</u>	

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.

Fiscal Year Ended June 30, 2002

	<u>Assessed</u> <u>Value</u>	<u>Percentage</u>	<u>Rank</u>
\$	85,262,537	6.76 %	1
	27,630,809	2.19	2
	-	-	-
	-	-	-
	-	-	-
	5,269,515	0.42	10
	-	-	-
	-	-	-
	-	-	-
	17,339,493	1.37	3
	14,144,316	1.12	4
	10,426,558	0.83	5
	8,830,480	0.70	6
	7,491,404	0.59	7
	6,874,003	0.54	8
	6,506,806	0.52	9
	<u>189,775,921</u>	15.05	
	<u>1,072,085,864</u>	84.95	
\$	<u>1,261,861,785</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 (b)	Adjustments (a)	Total Adjusted	Amount	Percentage of Original Levy
2002	\$ 8,316,756	\$ (412,815)	\$ 7,903,941	\$ 7,531,197	90.6 %
2003	8,607,553	(428,767)	8,178,787	7,904,078	91.8
2004	8,664,344	(194,760)	8,469,584	8,101,768	93.5
2005	8,845,913	(219,952)	8,625,961	8,259,966	93.4
2006	9,316,566	(544,612)	8,771,954	8,489,244	91.1
2007	9,978,850	(388,983)	9,589,867	9,258,334	92.8
2008	10,588,854	(263,700)	10,325,154	9,889,138	93.4
2009	11,343,510	(308,240)	11,035,270	10,482,923	92.4
2010	11,873,607	(318,802)	11,554,805	10,896,434	91.8
2011	12,105,863	(304,636)	11,801,227	11,193,766	92.5

Source: Yamhill County Assessor's Office

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

(b) 1998 was the first year of Measure 50 property tax limitation that established a permanent tax rate and reduced maximum assessed value to 1995 estimated real market value less ten percent.

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Adjusted Levy
\$ 369,211	\$ 7,900,408	99.96 %
269,270	8,173,348	99.93
362,774	8,464,542	99.94
359,038	8,619,004	99.92
273,069	8,762,313	99.89
320,493	9,578,827	99.88
406,366	10,295,504	99.71
442,307	10,925,230	99.00
371,343	11,267,777	97.52
-	11,193,766	94.85

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

<u>Customer Type</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Water consumption (a) (e) (f):				
Residential	70,626,491	73,639,347	76,336,502	77,071,650
Commercial - no average (b)	61,117,400	60,342,284	63,210,554	57,720,582
Commercial - with average (c)	<u>12,227,815</u>	<u>10,938,833</u>	<u>10,791,136</u>	<u>10,943,621</u>
Total	<u>143,971,706</u>	<u>144,920,464</u>	<u>150,338,192</u>	<u>145,735,853</u>

Residential sewer rates:

Service charge per residential unit	\$ 17.17	\$ 17.86	\$ 17.86	\$ 17.60
Volume charge per 100 cubic feet of water used (d)	3.53	3.67	3.67	3.83

Commercial and industrial sewer rates:

Service charge per account	17.75	18.46	18.46	17.60
Volume charge per 100 cubic feet of water used	3.98	4.14	4.14	4.40

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
77,646,131	77,388,017	77,053,217	77,035,569	76,504,331	74,859,499
57,666,869	64,372,500	67,676,406	57,137,000	50,828,300	53,747,000
<u>10,567,004</u>	<u>10,909,218</u>	<u>10,798,667</u>	<u>10,111,714</u>	<u>9,585,906</u>	<u>9,363,800</u>
<u>145,880,004</u>	<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>

\$	17.40	\$	16.59	\$	17.05	\$	17.05	\$	17.05	\$	17.05
	3.98		4.35		4.47		4.47		4.47		4.47
	17.40		16.59		17.05		17.05		17.05		17.05
	4.68		5.31		5.46		5.46		5.46		5.46

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		
2002	\$ 17.17	\$ 3.53	\$ 17.75	\$ 3.98	\$ 6,230,447	1.57 %
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

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) Beginning fiscal year 2004-05, the *City of McMinnville 2004 Sewer Rate Equity Review* was implemented. The *Review* recommendations implemented were a three-year gradual shift of sewer costs to non-residential and high water usage residential customers and the finding that sewer user fees needed to increase 2.75 percent per year through fiscal year 2011-12 to cover operating costs, cost of capital improvements, and to build an approximate \$7.5 million reserve for future Water Reclamation Facility expansion. However, the City Council has opted to not raise sewer rates the last four fiscal years due to the challenging economic environment.

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
2002	9,341	1,602	10,943
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

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)
2002	\$ 14,925,000	\$ 455,000	\$ 14,470,000	0.90 %	\$ 513
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

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 designated 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>		Total Primary Government (d)	Percentage of Personal Income (e)	Per Capita (c)
<u>Certificates of Participation</u>	<u>Notes Payable</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Notes Payable</u>			
\$ 180,000	\$ 1,438,506	\$ 152,625	\$ 21,375,000	\$ 10,250,063	\$ 47,866,194	6.64 %	\$ 1,697
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	n/a	886
-	-	-	8,290,000	-	25,050,000	n/a	776



City of McMinnville, Oregon
Direct and Overlapping Governmental Activities Debt
June 30, 2011

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
Direct:			
General obligation bonded debt - City	\$ 17,710,000	100.00 %	<u>\$ 17,710,000</u>
Total direct debt			<u>17,710,000</u>
Overlapping:			
General obligation bonded debt:			
Chemeketa Community College	83,665,000	7.72	6,458,938
McMinnville School District No. 40	67,760,000	80.75	54,716,200
Other governmental activities debt:			
Chemeketa Community College	47,386,694	7.72	3,658,253
Willamette Education Service District	20,261,027	7.07	1,432,455
Yamhill County	855,000	31.30	267,615
Housing Authority of Yamhill County	1,980,000	31.30	<u>619,740</u>
Total overlapping debt			<u>67,153,200</u>
Total direct and overlapping debt			<u>\$ 84,863,200</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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total estimated real market value	\$ 1,610,696,888	\$ 1,716,334,030	\$ 1,760,704,384	\$ 2,020,287,465
Debt limitation:				
3% of estimated real market value	48,320,907	51,490,021	52,821,132	60,608,624
Debt applicable to limitation:				
Total general obligation bonded debt	14,925,000	13,585,000	12,170,000	10,690,000
Less amount available for payment of general obligation principal	<u>(455,000)</u>	<u>(485,000)</u>	<u>(510,000)</u>	<u>(340,000)</u>
Net debt applicable to limitation	<u>14,470,000</u>	<u>13,100,000</u>	<u>11,660,000</u>	<u>10,350,000</u>
Total remaining debt limit	<u>\$ 33,850,907</u>	<u>\$ 38,390,021</u>	<u>\$ 41,161,132</u>	<u>\$ 50,258,624</u>
Total net debt applicable to limitation as a percentage of debt limit	29.95%	25.44%	22.07%	17.08%

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 2,215,609,959	\$ 2,822,850,527	\$ 3,117,670,189	\$ 3,281,260,714	\$ 3,267,741,423	\$ 3,193,379,293
66,468,299	84,685,516	93,530,106	98,437,821	98,032,243	95,801,379
9,320,000	21,010,000	20,325,000	19,490,000	18,620,000	17,710,000
<u>(355,000)</u>	<u>(375,000)</u>	<u>(655,000)</u>	<u>(850,000)</u>	<u>(910,000)</u>	<u>(950,000)</u>
<u>8,965,000</u>	<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>\$ 57,503,299</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>
13.49%	24.37%	21.03%	18.94%	18.07%	17.49%

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	
2002	\$ 2,077,355	\$ 2,115,098	\$ 922,501	\$ 5,114,954	\$ 2,037,118	\$ 1,655,496	\$ 3,692,614	1.39
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

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)
2002	28,200	\$ 721,186,800	\$ 25,574	5,565	7.5 %
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	n/a	n/a	6,434	10.0
2011	32,270	n/a	n/a	6,126	8.8

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 Seven Years Ago

Employer	Type of Business	Fiscal Year Ended June 30, 2011		
		Number of Employees	Percentage	Rank
McMinnville School District #40	Education	743	5.34 %	1
Willamette Valley Medical Center, LLC	Health care	452	3.25	2
Cascade Steel Rolling Mills, Inc.	Steel production	430	3.09	3
Yamhill County	County government	389	2.79	4
Evergreen Enterprises, Inc. (b)	Air freight, helicopters, agriculture	361	2.59	5
Linfield College (a)	Higher education - liberal arts	350	2.51	6
Meggitt Polymer	Sealing solutions manufacturing	297	2.13	7
Oregon Mutual Insurance Company	Insurance products and services	236	1.69	8
City of McMinnville	City government	203	1.46	9
Wal-Mart Stores, Inc.	Retail merchandise	180	1.29	10
Skyline Corporation (Homette and Nomad)	Mobile home and RV manufacturing	-	-	-
Total principal employers		3,641	26.15	
All other employers (estimated)		10,284	73.85	
Total		13,925	100.00 %	

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

Note: Employer information prior to fiscal year 2002-03 is not available.

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

(b) The most recent number available for employees of Evergreen Enterprises, Inc. is from fiscal year 2009-10.

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
455	3.08	3
375	2.54	6
453	3.07	4
482	3.26	2
-	-	-
270	1.83	8
193	1.31	10
240	1.63	9
<u>303</u>	<u>2.05</u>	7
3,742	25.35	
<u>11,021</u>	<u>74.65</u>	
<u>14,763</u>	<u>100.00</u>	%



City of McMinnville, Oregon
Construction Activity
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Commercial and Industrial (a)		Residential (b)	
	Number of Permits	Value	Number of Permits	Value
2002	101	\$ 22,997,447	308	\$ 31,578,766
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

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 Nine 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)	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)	18.44	19.12	17.45	17.66	21.07	21.16
Building division (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><u>192.85</u></u>	<u><u>177.02</u></u>	<u><u>174.68</u></u>	<u><u>181.89</u></u>	<u><u>194.95</u></u>	<u><u>201.67</u></u>

Source: City of McMinnville Adopted Budgets

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

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

<u>2009</u>	<u>2010</u>	<u>2011</u>
15.48	15.32	14.84
11.20	11.35	11.35
36.00	35.00	34.00
14.92	14.92	13.45
16.75	16.99	16.40
9.15	8.84	8.83
15.00	15.00	15.00
27.89	29.61	29.26
17.93	17.93	17.31
<u>164.32</u>	<u>164.96</u>	<u>160.44</u>
19.04	19.22	19.46
16.04	15.72	16.32
5.90	3.75	3.65
<u>40.98</u>	<u>38.69</u>	<u>39.43</u>
<u>205.30</u>	<u>203.65</u>	<u>199.87</u>

City of McMinnville, Oregon
Operating Indicators by Function/Program
Last Nine 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	993	986	933	1,262	1,050
Police:					
Calls for service (a)	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	5,685	5,341	5,232	4,574	4,676
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	115,963	107,630	111,455	113,070	117,862

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

(Continued)

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

Functions/Programs	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
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	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	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

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
1,200	1,373	1,932	1,944
500	648	781	950
130	114	57	60
1,750	2,443	2,039	1,907
120	201	187	169
1,250	1,279	1,190	910
1,400	1,230	920	1,188
110	96	87	105
740	643	590	588
550	443	472	560
360	354	377	394
9,750	16,950	17,800	16,838
55	123	130	208
27,000	22,890	22,000	19,500
8	12	12	24
240	212	220	276
2	5	8	9
100	77	120	70
130	135	116	145
334,960	363,204	378,061	381,814
93,398	104,059	112,461	117,016
191,897	195,105	197,451	234,403
47	51	51	51
n/a	n/a	73,699	81,798
n/a	n/a	187,920	209,564

(Continued)

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

Functions/Programs	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Building division: (b)					
Building permits issued	-	-	-	-	-
Plumbing permits issued	-	-	-	-	-
Mechanical permits issued	-	-	-	-	-
Demolition permits issued	-	-	-	-	-
Fire life safety permits issued	-	-	-	-	-
Miscellaneous permits issued	-	-	-	-	-
Manufactured home permits issued	-	-	-	-	-
Total permits issued	-	-	-	-	-
Wastewater Services:					
Daily average treatment in gallons	3,100,000	3,100,000	3,100,000	3,280,000	3,000,000
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.

n/a - not available

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
-	222	207	192
-	224	269	298
-	241	266	197
-	11	10	5
-	41	21	33
-	48	41	40
-	7	22	17
-	<u>794</u>	<u>836</u>	<u>782</u>

3,315,000 3,013,000 3,437,000 3,451,000

11,319 11,398 11,319 11,768
1,316 1,326 1,199 1,246

4,806 5,185 5,480 5,603
3,528 4,163 4,001 4,100

5,000,000 5,000,000 4,200,000 4,400,000

11,674 11,718 11,617 12,063
1,562 1,573 1,424 1,521

public power public power public power public power

12,917 13,027 13,000 13,051
2,691 2,689 2,158 2,182
2 2 2 2

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

Functions/Programs	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Primary government:					
General government:					
Computers - desktops and laptops	n/a	159	163	163	165
Computers - physical servers	n/a	15	16	17	18
Police:					
Station	1	1	1	1	1
Off-site evidence facility	1	1	1	1	1
Training facility	1	1	1	1	1
Patrol units	15	15	15	15	15
Command vehicle	-	-	-	-	1
Motorcycles	-	-	-	-	1
Fire:					
Stations	1	1	1	1	1
Training facility	1	1	1	1	1
Vehicles	18	18	18	18	18
Highways and streets:					
Miles of streets	94	97	99	100	102
Miles of storm drain sewers	67	69	71	72	74
Number of street lights	2,135	2,136	2,721	2,791	2,825
Parks and recreation:					
Aquatic center	1	1	1	1	1
Community center	1	1	1	1	1
Senior citizen center	1	1	1	1	1
Parks:					
Neighborhood parks (d)	1	1	1	1	1
Community parks (b)	4	4	5	5	5
Linear park (c)	1	1	2	2	2
Mini parks and play lots	7	7	7	7	7
Nature parks (a)	1	2	2	2	2
Special use park (e)	-	-	-	-	-
Greenway/greenspaces	15	15	15	15	15
Park system acreage (d)	335	335	335	335	335
Tennis courts	4	4	4	4	4
Baseball/softball fields	10	10	10	10	10
Soccer fields	11	11	11	11	11
Outdoor basketball courts (b)	3	3	7	7	7
Skate parks(b)	1	1	2	2	2
Library:					
Facility	1	1	1	1	1
Bookmobile	1	1	1	1	1

2008	2009	2010	2011
204	210	251	264
20	21	33	21
1	1	1	1
1	1	1	1
1	1	1	1
15	15	15	15
1	1	1	1
1	2	2	2
1	1	1	1
1	1	1	1
18	16	16	16
103	103	103	103
75	75	75	75
2,877	2,877	2,877	2,877
1	1	1	1
1	1	1	1
1	1	1	1
2	2	2	3
5	5	5	5
2	2	2	2
7	7	7	7
2	2	2	2
-	-	1	1
15	15	15	15
343	347	353	353
4	4	4	4
11	11	11	11
11	11	11	11
7	7	7	8
2	2	2	2
1	1	1	1
1	1	1	1

(Continued)

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

Functions/Programs	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Airport:					
Runways	2	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	2
Automated weather station	1	1	1	1	1
Instrument landing system (ILS)	1	1	1	1	1
Precision approach path indicator (PAPI)	2	2	2	2	2
FAA automated flight service station	1	1	1	1	1
City owned hangars:					
Maintenance	2	2	2	2	2
Rental	27	27	27	27	27
Land leased hangars:					
Private	62	71	73	83	83
Corporate	1	1	2	2	2
Wastewater Services:					
Treatment plant	1	1	1	1	1
Maximum daily capacity of treatment plant in gallons	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000
Miles of sanitary sewers	134	137	141	144	149
Ambulance:					
Vehicles	3	3	3	3	3
Component unit:					
Water and light:					
Water system:					
Maximum daily capacity of plant in gallons	13,300,000	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	3.5
Miles of water mains	135	137	137	140	152
Fire hydrants	870	912	919	944	1,012
Electric system:					
Substations	7	7	7	7	7
Miles of distribution	296	302	302	307	315

Source: City of McMinnville departments

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

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

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

(d) In fiscal year 2007-08, West Hills Neighborhood park land was purchased. In fiscal year 2008-09, Northeast Neighborhood park land was acquired. In fiscal year 2009-10, land for an addition to a linear park was purchased and land was repurposed for a dog park.

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

n/a - not available

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
2	2	2	2
2	2	2	2
1	1	1	1
1	1	1	1
2	2	2	2
1	-	-	-
2	2	2	2
27	27	27	27
83	83	83	84
2	2	2	2
1	1	1	1
5,600,000	5,600,000	5,600,000	5,600,000
152	152	152	152
3	3	3	4
13,300,000	13,300,000	13,300,000	22,000,000
3.5	3.5	3.5	3.5
154	154	154	172
1,014	1,017	1,023	1,023
7	7	8	7
318	318	318	314



COMPLIANCE SECTION

- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133
- Schedule of Findings and Questioned Costs
- Independent Auditor's Report Required by Oregon State Regulations





Talbot, Korvola
& Warwick, LLP

Certified Public Accountants
& Consultants

4800 SW Macadam Ave, Suite 400
Portland, Oregon 97239-3973

P 503.274.2849
F 503.274.2853

www.tkw.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

December 20, 2011

Honorable Mayor and City Council
City of McMinnville
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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified a certain deficiency that we consider to be a material weakness in internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Continued)

INTERNAL CONTROL OVER FINANCIAL REPORTING (Continued)

internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item 2011-01 to be a material weakness.

COMPLIANCE AND OTHER MATTERS

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

* * * * *

This report is intended solely for the information and use of the Audit Committee, City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants



Talbot, Korvola
& Warwick, LLP

Certified Public Accountants
& Consultants

4800 SW Macadam Ave, Suite 400
Portland, Oregon 97239-3973

P 503.274.2849
F 503.274.2853

www.tkw.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

December 20, 2011

City Council
City of McMinnville
McMinnville, Oregon

COMPLIANCE

We have audited the compliance of the City of McMinnville, Oregon (the City) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (Continued)

INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

* * * * *

This report is intended solely for the information and use of the Audit Committee, City Council, management, the Oregon Secretary of State Audits Division, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

CITY OF MCMINNVILLE, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2011

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	None reported

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	None reported
Significant deficiency(ies) identified not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of <i>Circular A-133</i> ?	None reported

Identification of major programs:

CFDA NUMBER:	NAME OF FEDERAL PROGRAM OR CLUSTER
20.106	Airport Improvement Grant

Dollar threshold used to distinguish between type A and B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	No

CITY OF MCMINNVILLE, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2011-01

Criteria: A restatement of previously issued financial statements required to correct errors in those financial statements typically indicates a material weakness in internal control over financial reporting, such that the system of internal control did not detect or prevent the error that ultimately led to the restatement.

Condition: The City restated beginning net assets for the governmental activities, and beginning fund balance for the General Fund. The restatement serves to properly report the investments related to the City's length of service awards program (LOSAP) in the City's General Fund.

Context: Based on an understanding and interpretation of available guidance related to the City's LOSAP, the City reported balances and transactions related to the Plan as a fiduciary type trust fund in the financial statements of prior years. Through a clarification of the guidance, working directly with the Governmental Accounting Standards Board (GASB) the City determined that the LOSAP and related investment balances were more correctly accounted for as assets of the City, due to the fact that no formal trust arrangement exists with respect to the LOSAP. The City has corrected the reporting for the fiscal year ended June 30, 2011 and restated beginning balances as appropriate.

Effect: Beginning net assets of the City's governmental activities and of fund balance in the General Fund were restated by approximately \$317,000 to properly report balances associated with the City's LOSAP.

Cause: The City had interpreted and applied current guidance related to both pension and other postemployment benefits reporting in the context of the LOSAP in prior years such that the Plan was considered to be fiduciary in nature. With continuing development of current guidance around pension reporting, and resultant clarification, the City properly reported these amounts for the year ended June 30, 2011.

Recommendation: The City has fully complied with current reporting guidance for the year ended June 30, 2011 with respect to the LOSAP. There is no further recommendation required or offered.

Views of Responsible Officials: The City's management understands and concurs with this finding.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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

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

December 20, 2011

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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.



**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

4800 SW Macadam Ave, Suite 400
Portland, Oregon 97239-3973

P 503.274.2849
F 503.274.2853

www.tkw.com

**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.

Our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements in accordance with *Government Auditing Standards*, dated December 20, 2011, is presented elsewhere in this Comprehensive Annual Financial Report.

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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

