NOTES TO BASIC FINANCIAL STATEMENTS

City Of
McMinnville

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 carrying 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 operation from the City. 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. Also, although the Department operates as a separate financial entity, the City receives significant franchise fee payments using 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.

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. Fiduciary funds are excluded from the government-wide financial statements. 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.

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.

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.

I. Summary of Significant Accounting Policies (Continued)

D. Financial Statement Presentation (Continued)

- Improvements Fund – is a special revenue fund which accounted for the portion of the City's property tax operating levy allocated to major operating and capital improvements and related long-term debt service. The Improvements Fund has been folded into the General Fund as of fiscal year 2008-09.

- Fire Fund – is a special revenue fund which accounted for the portion of the City's property tax operating levy allocated to fire protection and the McMinnville Rural Fire District contract for fire service. The Fire Fund has been folded into the General Fund as of fiscal year 2008-09.

- Parks & Recreation Fund – is a special revenue fund which accounted for the portion of the City's property tax operating levy allocated to parks and recreation activities and related charges for services. The Parks & Recreation Fund has been folded into the General Fund as of fiscal year 2008-09.

- Airport Maintenance Fund – is a special revenue fund which accounts for airport property rental income for operations and Federal Aviation Administration (FAA) grants for airport improvement projects.

- Public Safety Facilities Construction Fund – is a capital projects fund which accounts for the 2006 Public Safety and Civic Buildings Bond proceeds to be used for the design and construction of a public safety building and civic hall.

- Park Development Fund – is a capital projects fund which accounts for park system development charges collected from property developers and the 2001 Park System Improvement Bond proceeds used for park system expansion and improvements.

- Debt Service Fund – accounts for the City's debt service property tax levy allocated to the payment of principal and interest for general obligation bonds.

Additionally, the City reports non-major funds within the governmental type which include the following:

- Special Revenue Funds – account for revenue sources that are legally restricted 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 fund is the Transportation Fund.

I. Summary of Significant Accounting Policies (Continued)

D. Financial Statement Presentation (Continued)

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.

The City reports one fiduciary fund, an agency fund, to account for the activities of the Length of Service Awards Program, which accumulates resources for benefit payments to eligible fire volunteers.

When both restricted and unrestricted resources are available for use, it is the City's general policy to use restricted resources first, then unrestricted resources 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.

I. Summary of Significant Accounting Policies (Continued)

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" or "due 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.

Receivables of the proprietary fund types and the Department are recorded as revenue as earned. The allowance for uncollectible accounts in the Department 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. The allowance for uncollectible accounts in the Ambulance Fund is established as a percentage of billings versus collections of the year-end accounts receivable based on the fiscal year's collection history.

I. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Equity (Continued)

3. Inventories and Prepaid Items

Inventories of the Department are valued at the lower of average cost or market on the 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, and infrastructure assets (streets, traffic lights, storm drain, and sanitary sewer) and are reported in the applicable governmental or business-type activities 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 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 and the Department'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. During fiscal year 2008-09, the City capitalized $376 of interest.

All 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.

I. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Equity (Continued)

5. Capital Assets (Continued)

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:

Assets	Years
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. 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.

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.

I. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Equity (Continued)

8. Long-Term Debt (Continued)

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 Equity

In the governmental fund financial statements, reservations of fund balances represent amounts that are legally restricted by outside parties for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

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 document in May. Public notices of the approved budget and City Council public hearing are generally published in May and June with the budget public hearing held in June. The City Council adopts the budget, makes appropriations, and declares the operating and debt service property tax levies and tax rate no later than June 30th.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. For the General and Wastewater Services Funds, levels of budgetary control are established at the department level. For all other funds, appropriations are established at the personal services, materials and services, capital outlay, debt service, operating contingencies, and other requirements level. All negative expenditure variances shown on the Statements/Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual are at levels below the legally adopted appropriation level and thus are not expenditures in excess of appropriations.

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. Several supplemental budgets were approved by the City Council during fiscal year 2008-09. 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 2008-09. 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, 2009 was unqualified. The fair value of the City's position in the Pool at June 30, 2009 was 99.11 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.

III. Detailed Notes on Accounts (Continued)

A. Cash and Investments (Continued)

At year end, the City's total book balance was $10,971,149 and the bank balance was $11,250,348. The City's bank balances were covered by $250,000 Federal Depository Insurance. At year end, the Department's book balance was $3,049,281 and the bank balance was $3,416,400. Of the Department's bank balances, $1,391,020 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, 2009, the City's cash and investment balances were as follows:

	Fair Value
Cash held in city offices	$ 3,335
Deposits with financial institutions	821,094
Deposits with financial institutions, money market account	19,815
Deposits with financial institutions, high balance public money market savings account	10,130,240
Oregon State Local Government Investment Pool – City's general account	20,500,568
Oregon State Local Government Investment Pool – Park System Improvement Bond proceeds	4,457,090
Oregon State Local Government Investment Pool – Public Safety and Civic Buildings Bond proceeds	1,956,019
Total City cash and investments	$ 37,888,161

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

Cash and investments:	
Unrestricted	$ 31,451,822
Restricted	6,436,339
Total cash and investments	$ 37,888,161

At June 30, 2009, the Department's cash and investment balances were as follows:

	Fair Value
Cash on hand	$ 1,400
Deposits with financial institutions	772,901
Deposits with financial institutions – certificate of deposit	2,275,380
Oregon State Local Government Investment Pool	32,564,903
Total Department cash and investments	$ 35,614,584

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, 2009, the City does not have investments exposed to custodial credit risk.

III. Detailed Notes on Accounts (Continued)

A. Cash and Investments (Continued)

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, 2009, were 87 days.

B. Restricted Assets

The City's restricted assets consist of the following at June 30, 2009:

Governmental activities:	
Park System Improvement Bond unspent proceeds	$ 4,457,090
Public Safety and Civic Buildings Bond unspent proceeds	1,956,019
Non-expendable library endowment	23,230
Total governmental activities and primary government	$ 6,436,339

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	Park Develop-Ment	Debt Service	Total Non-Major	Total Govern-mental
Receivables:						
Accounts	$ 151,598	$ 26,594	$ 8,708	$ -	$ 143,308	$ 330,208
Property taxes	780,039	-	-	102,949	-	882,988
Cash with county treasurer	199,631	-	-	33,555	-	233,186
Assessments	7,158	-	-	-	28,361	35,519
Total	$1,138,426	$ 26,594	$ 8,708	$ 136,504	$ 171,669	$1,481,901

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

	General	Debt Service	Total Governmental
Gross revenue	$ 9,732,221	$ 1,600,000	$ 11,332,221
Less: discounts, etc.	(240,313)	(38,869)	(279,182)
Net revenue	$ 9,491,908	$ 1,561,131	$ 11,053,039

III. Detailed Notes on Accounts (Continued)

C. Receivables (Continued)

1. Governmental Activities (Continued)

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

Unearned revenue at the government-wide level includes operating funds received but not earned. At the end of the current fiscal year, unearned revenue at the government-wide level mainly consists of 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:

	Wastewater	Ambulance	Total Enterprise
Receivables:			
Accounts	$ 514,862	$ 862,130	$ 1,376,992
Less: allowance for uncollectibles	-	(448,986)	(448,986)
Net receivables	$ 514,862	$ 413,144	$ 928,006

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

Gross revenue	$ 4,845,298
Less: change in allowance for uncollectibles	(47,245)
Less: medical write-off's	(2,431,681)
Net revenue	$ 2,366,372

III. Detailed Notes on Accounts (Continued)

C. Receivables (Continued)

3. Department

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

Accounts receivable	$ 3,858,829
Less: allowance for uncollectibles	(27,833)
Grants receivable	192,501
Net receivables	$ 4,023,497

D. Capital Assets

In the government-wide financial statements, the City's governmental activities' capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable:				
Land	$ 27,123,273	$ 200,000	$ -	$ 27,323,273
Public art	-	36,850	-	36,850
Construction in progress	533,119	3,833,181	(161,872)	4,204,428
Total non-depreciable	27,656,392	4,070,031	(161,872)	31,564,551
Depreciable:				
Land improvements	11,530,756	2,643,732	(107,528)	14,066,960
Buildings	29,162,954	152,017	(1,086,960)	28,228,011
Machinery and equipment	5,501,905	269,302	(529,273)	5,241,934
Vehicles	3,433,088	202,478	(174,948)	3,460,618
Infrastructure	46,729,400	541,338	-	47,270,738
Total depreciable	96,358,103	3,808,867	(1,898,709)	98,268,261
Accumulated depreciation:				
Land improvements	(4,088,530)	(640,126)	67,863	(4,660,793)
Buildings	(11,178,744)	(977,373)	551,443	(11,604,674)
Machinery and equipment	(2,012,024)	(583,823)	133,469	(2,462,378)
Vehicles	(2,307,009)	(337,600)	124,640	(2,519,969)
Infrastructure	(26,941,790)	(2,050,873)	-	(28,992,663)
Total accumulated depreciation	(46,528,097)	(4,589,795)	877,415	(50,240,477)
Governmental activities capital assets, net	$ 77,486,398	$ 3,289,103	$(1,183,166)	$ 79,592,335

At June 30, 2009, the City's government-wide governmental activities construction in progress consisted mainly of costs related to the Civic Hall construction project, the park system improvement bond projects, the airport taxiway improvements, and the automated flight service station building remodel.

III. Detailed Notes on Accounts (Continued)

D. Capital Assets (Continued)

Depreciation expense was charged to governmental activities functions as follows:

General government	$ 82,044
Community development	37,023
Public safety:	
Police	504,724
Fire	186,547
Emergency communications	54,658
Highways and streets	2,082,536
Culture and recreation:	
Parks and recreation	808,341
Library	102,441
Airport	341,185
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.	261,446
Total governmental activities depreciation expense	$ 4,460,945

The above summary of depreciation expense does not include transfers of capital assets and related depreciation between governmental and business-type activities.

In the government-wide financial statements, the City's business-type activities' capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable:				
Land	$ 871,888	$ -	$ -	$ 871,888
Construction in progress	-	109,591	-	109,591
Total non-depreciable	871,888	109,591	-	981,479
Depreciable:				
Land improvements	93,808	-	-	93,808
Buildings	41,164,457	356,764	-	41,521,221
Machinery and equipment	972,803	178,950	(5,944)	1,145,809
Vehicles	1,089,064	417,500	(150,661)	1,355,903
Infrastructure	33,700,595	336,122	(6,299)	34,030,418
Total depreciable	77,020,727	1,289,336	(162,904)	78,147,159
Accumulated depreciation:				
Land improvements	(40,974)	(4,665)	-	(45,639)
Buildings	(18,843,421)	(1,596,009)	-	(20,439,430)
Machinery and equipment	(752,867)	(94,316)	5,944	(841,239)
Vehicles	(769,107)	(84,522)	145,008	(708,621)
Infrastructure	(6,798,499)	(674,012)	6,299	(7,466,212)
Total accumulated depreciation	(27,204,868)	(2,453,524)	157,251	(29,501,141)
Business-type activities capital assets, net	$ 50,687,747	$(1,054,597)	$ (5,653)	$ 49,627,497

III. Detailed Notes on Accounts (Continued)

D. Capital Assets (Continued)

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

Building	$ 15,044
Wastewater	2,355,078
Ambulance	65,354
Total business-type activities depreciation expense	$ 2,435,476

The above summary of depreciation expense does not include transfers of capital assets and related depreciation between governmental and business-type activities.

The Department's capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable:				
Land	$ 2,323,308	$ 370,757	$ -	$ 2,694,065
Construction in progress	2,744,615	2,096,580	(1,848,993)	2,992,202
Total non-depreciable	5,067,923	2,467,337	(1,848,993)	5,686,267
Depreciable:				
Buildings	13,895,793	13,165,230	-	27,061,023
Machinery and equipment	1,665,565	109,202	(9,687)	1,765,080
Vehicles	1,327,927	547,240	-	1,875,167
Infrastructure	90,078,852	2,189,428	(364,934)	91,903,346
Total depreciable	106,968,137	16,011,100	(374,621)	122,604,616
Accumulated depreciation:				
Electric plant	(14,240,399)	(1,329,321)	420,829	(15,148,891)
Water treatment plant	(13,801,174)	(1,096,950)	11,687	(14,886,437)
Vehicles	(922,305)	(131,335)	41,343	(1,012,297)
Total accumulated depreciation	(28,963,878)	(2,557,606)	473,859	(31,047,625)
Department capital assets, net	$ 83,072,182	$ 15,920,831	$ (1,749,755)	$ 97,243,258

E. Interfund Balances and Transfers

Advance to/from other funds for the year ended June 30, 2009, related to financing the remodel of the automated flight service station building into rental space, consisted of the following:

Receivable Fund	Payable Fund	Amount
Major enterprise fund – Wastewater Fund	Major governmental fund – Airport Maintenance Fund	$ 350,000

The first installment of a five-year repayment plan is intended to begin in fiscal year 2009-10.

III. Detailed Notes on Accounts (Continued)

E. Interfund Balances and Transfers (Continued)

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	$ 87,217
Major enterprise fund – Wastewater Fund	Department	646,789
Internal service fund – Insurance Services Fund	Department	630
		$ 734,636
Department	Major governmental fund – General Fund	$ 15,670
Department	Non-major governmental fund – Street Fund	672
		$ 16,342

Interfund transfers for the year ended June 30, 2009 consisted of the following:

Transfers to General Fund from:	
Airport Maintenance Fund	$ 760
Improvements Fund	1,174,359
Fire Fund	2,038,273
Parks & Recreation Fund	1,583,721
Park Development Fund	1,130
Non-major governmental funds	7,860
Wastewater Fund	9,050
Total transfers to General Fund	$ 4,815,153
Transfer to Public Safety Facilities Construction Fund from:	
General Fund	$ 50,050
Total transfers to Public Safety Facilities Construction Fund	$ 50,050
Transfers to Debt Service Fund from:	
Park Development Fund	$ 100,000
Non-major governmental funds	300,000
Total transfers to Debt Service Fund	$ 400,000

III. Detailed Notes on Accounts (Continued)

E. Interfund Balances and Transfers (Continued)

Transfers to non-major governmental funds from:		
General Fund	$	525,590
Non-major governmental funds		75,000
Ambulance Fund		56,855
Total transfers to non-major governmental funds	$	657,445
Transfer to Ambulance Fund from:		
General Fund	$	155,000
Total transfers to Ambulance Fund	$	155,000
Transfer to non-major enterprise funds from:		
General Fund	$	762,980
Total transfers to non-major enterprise funds	$	762,980

Transfers are used to: 1) allocate the operating costs of the Community Development Center (CDC) to functions supported by CDC; 2) move allocations of system development charges from the receipting funds to the debt service fund; 3) move allocations of revenues from the receipting funds to support specific capital projects or programs; 4) close the Improvements, Fire, and Parks & Recreation Funds to the General Fund; 5) move the Building Division from the General Fund to the Building Fund.

F. Renewable Energy Certificates - Department

The Department currently has 17,235 RECs banked in its Western Renewable Energy Generation Information System (WREGIS) account, valued at $10.50 per REC, for a total value of $180,968.

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, 2009.

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, 2009 is $131,036.

General obligation bonds payable as of June 30, 2009 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	$	7,125,000
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		12,365,000
Add: unamortized premium		169,842
Total general obligation bonds outstanding at June 30, 2009	$	19,659,842

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

Year Ending June 30,	Principal	Interest
2010	$ 870,000	$ 840,041
2011	910,000	802,341
2012	950,000	762,941
2013	995,000	717,803
2014	1,045,000	666,258
2015 – 2019	6,015,000	2,527,417
2020 – 2024	5,960,000	1,109,075
2025 – 2027	2,745,000	167,500
Total	$ 19,490,000	$ 7,593,376

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.

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 which is the OECDD water/wastewater fund 2000 note payable (see note III. F. 4.). 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, 2009.

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, 2009 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	$ 13,275,000
Less: unamortized deferred amount on refunding	(399,253)
Add: unamortized premium	745,142
Total revenue bonds outstanding at June 30, 2009	$ 13,620,889

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

Year Ending June 30,	Principal	Interest
2010	$ 2,430,000	$ 505,062
2011	2,555,000	383,563
2012	2,680,000	255,812
2013	2,765,000	175,413
2014	2,845,000	92,462
Total	$ 13,275,000	$ 1,412,312

III. Detailed Notes on Accounts (Continued)

H. Long-Term Liabilities (Continued)

3. Notes Payable – Governmental Activities

In 2000, the City entered into a contract to purchase an approximate 9,000 square-foot building for a future library parking lot expansion. This note is a general obligation of the City and is secured by the Department's assets. This note is paid from General Fund revenues and is reported as an obligation of governmental activities.

General obligation notes payable as of June 30, 2009 consist of the following:

Elliott property:	
Issued April 19, 2000	
Original note $225,000	
Interest rate 5%	
Final maturity May 1, 2010	$ 27,877

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

Year Ending June 30,	Principal	Interest
2010	$ 27,877	$ 1,426

4. Notes Payable – Business-Type Activities

In 2000, the City entered into an OECDD Water/Wastewater Fund (W/WWF) contract to help the City continue sewer system infrastructure improvements identified in the City's *Wet Weather Overflow Management Plan*. This note is payable from Wastewater Fund revenue, a business-type activity, and is subordinate to the sewer system revenue refunding bond.

The 2000 OECDD W/WWF note payable provides that the City's sewer net revenue (operating net income, plus depreciation, and development charges and fees) must be at least equal to 120 percent of the sewer system revenue refunding bond debt service and 110 percent of the OECDD W/WWF note debt service. The City met and exceeded this loan coverage test for the year ended June 30, 2009.

Sewer revenue note payable as of June 30, 2009 consists of the following:

OECDD W/WWF:	
Issued April 12, 2000	
Original note $3,590,000	
Interest rate 5.25%	
Final maturity December 1, 2009	$ 444,727

III. Detailed Notes on Accounts (Continued)

H. Long-Term Liabilities (Continued)

4. Notes Payable – Business Type Activities (Continued)

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

Year Ending June 30,	Principal	Interest
2010	$ 444,727	$ 23,348

5. 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, 2009 consisted of the following:

Light property for substation:	
Issued November 26, 2008	
Original note $23,000	
Interest rate 4%	
Final maturity November 26, 2010	$ 23,000
Water property for reservoir:	
Issued October 23, 2008	
Original note $60,000	
Interest rate 4%	
Final maturity October 23, 2011	60,000
Total notes payable outstanding at June 30, 2009	$ 83,000

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

Year Ending June 30,	Principal	Interest
2010	$ 28,680	$ 3,320
2011	30,224	2,173
2012	24,096	964
Total	$ 83,000	$ 6,457

6. Capital Leases Payable – Governmental Activities

In 2006, the City entered into a lease agreement as lessee for financing the acquisition of two police detective cars. The lease agreement qualifies as a capital lease for accounting purposes; therefore, it has been recorded at the net present value of the future minimum lease payments as of the inception date. The lease debt service is paid from revenues in the General Fund, a governmental activity. As of June 30, 2009, the amount capitalized as vehicles is $31,353 and the related accumulated depreciation is $6,428.

III. Detailed Notes on Accounts (Continued)

H. Long-Term Liabilities (Continued)

6. Capital Leases Payable – Governmental Activities (Continued)

Capital leases payable as of June 30, 2009 consisted of the following:

Two detective cars:	
Issued July 3, 2006	
Original lease $28,177	
Interest rate 6.9%	
Final maturity June 3, 2010	$ 7,743

Annual debt service requirements to maturity for capital leases are as follows:

Year Ending June 30,	Minimum Lease Payments
2010	$ 8,035
Total minimum lease payments	8,035
Less: amount representing interest	(292)
Net present value of minimum lease payments	$ 7,743

7. Capital Leases Payable – Department

In 2009, the Department entered into a lease agreement as lessee for financing the acquisition of office equipment. The lease agreement qualifies as a capital lease for accounting purposes; therefore, it has been recorded at the net present value of the future minimum lease payments as of the inception date. As of June 30, 2009, the amount capitalized as office equipment is $24,350 and the related accumulated depreciation is $1,015.

Capital leases payable as of June 30, 2009 consisted of the following:

Office equipment:	
Issued January 7, 2009	
Original lease $24,350	
Interest rate 3.513%	
Final maturity December 7, 2009	$ 12,273

III. Detailed Notes on Accounts (Continued)

H. Long-Term Liabilities (Continued)

7. Capital Leases Payable – Department (Continued)

Annual debt service requirements to maturity for capital leases are as follows:

Year Ending June 30,	Minimum Lease Payments
2010	$ 12,399
Total minimum lease payments	12,399
Less: amount representing interest	(126)
Net present value of minimum lease payments	$ 12,273

8. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds:					
Park system improvements	$ 7,515,000	$ -	$ (390,000)	$ 7,125,000	$ 410,000
Public sfty civic bldgs const	12,810,000	-	(445,000)	12,365,000	460,000
Add: premium	179,617	-	(9,775)	169,842	-
Certificates of participation:					
Public safety equipment	205,000	-	(205,000)	-	-
Add: premium	998	-	(998)	-	-
Notes payable:					
Elliott property	54,397	-	(26,520)	27,877	27,877
Capital leases payable:					
Two detective cars	14,970	-	(7,227)	7,743	7,743
Compensated absences	702,131	1,077,597	(1,052,132)	727,596	727,596
Other post employmt benefits	-	156,880	-	156,880	-
Total governmental activities	$21,482,113	$ 1,234,477	$ (2,136,652)	$20,579,938	$1,633,216
Business-Type Activities					
Revenue bonds:					
Sewer refunding	$15,590,000	$ -	$(2,315,000)	$13,275,000	$2,430,000
Add: premium	906,253	-	(161,111)	745,142	-
Less: deferred amount	(485,578)	-	86,325	(399,253)	-
Note payable:					
OECDD W/WWF	870,725	-	(425,998)	444,727	444,727
Compensated absences	174,433	240,224	(230,198)	184,459	184,459
Other post employmt benefits	-	44,248	-	44,248	-
Total business-type activities	$17,055,833	$ 284,472	$(3,045,982)	$14,294,323	$3,059,186
Component Unit					
Notes payable	$ -	$ 83,000	$ -	$ 83,000	$ 28,680
Capital lease	-	24,350	(12,077)	12,273	12,273
Compensated absences	321,851	272,019	(219,686)	374,184	374,184
Other post employmt benefits	-	1,306,655	(86,956)	1,219,699	-
	$ 321,851	$ 1,686,024	$ (318,719)	$ 1,689,156	$ 415,137

III. Detailed Notes on Accounts (Continued)

H. Long-Term Liabilities (Continued)

8. Change in Long-Term Liabilities (Continued)

Internal service funds predominantly serve the governmental funds. Accordingly, internal service funds' long-term liabilities of $9,237 for compensated absences and of $3,222 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.

IV. Other Information

A. Risk Management

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 City pays an initial contribution to CIS at the beginning of the plan year. The pooling agreement does not permit the pool to make additional assessments to its members in the event of unanticipated losses. 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.

1. 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. Beginning with fiscal year 2001-02, the City's liability premium was paid net of an aggregate deductible credit. The City is liable for actual claim costs up to 133 percent of the liability aggregate deductible credit. During fiscal year 2008-09, 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.

IV. Other Information (Continued)

A. Risk Management (Continued)

1. 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:

	2009	2008	2007
Claims liability, July 1	$ 44,385	$ 23,955	$ 10,667
Incurred claims	17,547	210,332	14,071
Changes in estimates of prior period claims	52,245	(30,728)	65,571
Payments on claims	(110,177)	(159,174)	(66,354)
Claims liability, June 30	$ 4,000	$ 44,385	$ 23,955

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

2. 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, 2006, 2007, 2008, and 2009, 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:

	2009	2008	2007
Claims liability, July 1	$ 37,468	$ 79,375	$ 64,107
Incurred claims	86,081	109,055	144,923
Changes in estimates of prior period claims	(23,463)	(5,156)	(17,481)
Payments on claims	(63,005)	(145,806)	(112,174)
Claims liability, June 30	$ 37,081	$ 37,468	$ 79,375

For workers' compensation insurance, settlements did not exceed insurance coverage in any of the past three fiscal years.

IV. Other Information (Continued)

B. Deferred Compensation 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), which the City implemented for the fiscal year 2008-09, 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 2008-09, the City contributed $118,996 consisting of retiree payments. The City has elected to not prefund the actuarially determined future cost amount $201,128.

The required monthly contributions of the plan members were as follows for the year ended June 30, 2009.

	General Service Retirees		Police Union Retirees		Fire Union Retirees	
	Medical & Vision Rates	Dental Rates	Medical & Vision Rates	Dental Rates	Medical & Vision Rates	Dental Rates
Single	$ 463	$ 43	$ 449	$ 36	$ 449	$ 43
Two-party	959	75	934	63	934	75
Family	1,301	130	1,249	108	1,249	130

IV. Other Information (Continued)

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

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

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 OPEB obligation to the plan.

Employer's normal cost	$ 147,961
One year's amortization of Unfunded Actuarial Accrued Liability (UAAL) with interest	172,163
Annual Required Contribution (ARC)	320,124
Less contribution (amounts paid by the government during year)	(118,996)
Contribution deficiency (ARC less current year payments)	201,128
OPEB obligation at beginning of year of implementation, July 1, 2008	-
OPEB obligation at end of year, June 30, 2009	$ 201,128

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the most recent three years were as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
2007	Not available	Not available	Not available
2008	Not available	Not available	Not available
2009	$ 320,124	37%	$ 201,128

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. Multiyear information is not available due to fiscal year 2008-09 being the year of implementation of GASB Statement 45.

Actuarial Valuation Date August 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a) / c)
2006	-	$2,119,384	$2,119,384	0%	$9,980,552	21%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 1, 2006 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return and an annual healthcare cost trend rate of ten percent initially, reduced by decrements to an ultimate rate of five percent after ten years. The UAAL is being amortized as a level percentage of payroll over a rolling period of 15 years.

IV. Other Information (Continued)

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

2. Post-Employment Healthcare Plan – Department

Plan Description

The Department provides post-employment health benefits, as per a contractual obligation, for certain retirees who were hired prior to August 1, 2005, and who are at least 60 years old and their dependents. The benefits vary depending on the years of service of the retiree. The Department pays 100 percent of all health insurance costs for those employees with over 20 years of service up until the retiree reaches Medicare age. For those employees with over 25 years of service the Department also pays for all health insurance costs of the retiree's spouse until they reach Medicare age and the children of the retiree until they reach the age of maturity. The plan is financed by the Department on a pay-as-you-go basis. Retired employees who do not have 20 years of service may continue to participate in the health insurance plan until they reach Medicare age provided the retired employees pay all insurance premiums.

At June 30, 2009, there were 15 retired employees and spouses receiving health insurance coverage provided by the Department. For the fiscal year 2008-09, the Department incurred $86,956 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	$ 1,306,655
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	1,306,655
Explicit benefit payments	86,956
Increase in net OPEB obligation	1,219,699
Net OPEB obligation at beginning of year of implementation, July 1, 2008	-
Net OPEB obligation at end of year, June 30, 2009	$ 1,219,699

IV. Other Information (Continued)

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

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

Annual OPEB Cost and Net OPEB Obligation (Continued)
The Department's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the most recent three years were as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
2007	Not available	Not available	Not available
2008	Not available	Not available	Not available
2009	$ 1,306,655	7%	$ 1,219,699

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. Multiyear information is not available due to fiscal year 2008-09 being the year of implementation of GASB Statement 45.

Actuarial Valuation Date August 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a) / c)
2008	-	$1,191,313	$1,191,313	0%	$3,293,582	36%

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.

IV. Other Information (Continued)

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

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

Actuarial Methods and Assumptions (Continued)

In the August 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability has been amortized over a one year period. Actuarial assumptions include a discount rate of 4.5 percent and an annual healthcare cost trend rate of 8 percent in the first year, 7 percent in the second year, 6.5 percent in the third year, 6 percent for the forth through the fourteenth year, 5.5 percent for the fifteenth through the twenty-ninth year, and 5 percent thereafter.

3. Retirement Health Insurance Account (RHIA)

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS), the City and the Department contribute to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available *Comprehensive Annual Financial Report* that includes financial statements and required supplemental information. The report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700 or by calling 503-598-7377.

Funding Policy

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to $60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of $60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

IV. Other Information (Continued)

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

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

Funding Policy (Continued)
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 2008-09 were 0.37 percent for Tier 1 and 2 members and 0.26 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 2006-07, 2007-08, and 2008-09 were $30,000, $35,000, and $37,000, which equaled the required contributions each year. The Department's contributions to RHIA for the fiscal years 2006-07, 2007-08, and 2008-09 were $4,000, $11,000, and $12,000, 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.

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, 2009 are as follows:

	Effective July 1, 2008
OPERF Tier one and two	16.66%
OPSRP general service	17.08
OPSRP police and fire	20.35

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.

IV. Other Information (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

1. Oregon Public Employees Retirement System (Continued)

Annual Pension Cost

The City's contributions to OPERS for years ended June 30, 2007, 2008, and 2009 were $2,058,000, $2,156,000, and $2,339,000 respectively. The Department's contributions to OPERS for the years ended June 30, 2007, 2008, and 2009 were $733,000, $737,000, and $855,000 respectively. The annual pension costs were equal to the required contributions for fiscal years ended June 30, 2007, 2008, and 2009.

2. McMinnville Fire Department Length of Service Awards Program

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. The LOSAP is presented in the City's financial statements as an agency fund.

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

IV. Other Information (Continued)

E. Commitments and Contingencies

1. City

At June 30, 2009, the City is committed to four contracts. In the General Fund, a governmental activity, approximately $764,000 remains on the Aquatic Center Energy Efficiency Retrofit. In the Public Safety Facilities Construction Fund, a governmental activity, approximately $40,000 remains on the construction of the Civic Hall. In the Park Development Fund, a governmental activity, approximately $293,000 remains on the Kiwanis Marine Park and Joe Dancer Park improvements. In the Wastewater Capital Fund, a business-type activity, approximately $571,000 remains on the Elm Street Sanitary Sewer Rehabilitation project.

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, 2009, approximates $82,987,000, 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. The Department is required to pay a portion of the development costs under these contracts through 2009. Costs associated with these contracts for the year ended June 30, 2009 were approximately $680,000.

At June 30, 2009, the Department has contractual commitments of approximately $16,000,000 for construction and engineering services for the expansion and upgrade of the Scott Water Treatment Plant.

IV. Other Information (Continued)

E. Commitments and Contingencies (Continued)

2. Department (Continued)

The Department has contractual commitments remaining of approximately $3,400,000 for design, manufacture, and construction of the Gormley substation.

On May 15, 2009, the Department entered into an agreement with WM Renewable Energy, LLC (WMRE) for the sale and purchase of renewable energy, as well as an interconnection agreement. WMRE intends to build, own and operate an electric generating facility fueled by landfill gas, extracted from the Riverbend Landfill located adjacent to the electrical facilities of the Department. The WMRE facility qualifies an eligible renewable energy source under the State of Oregon Renewable Portfolio Standard as codified in Oregon Revised Statute 469A. Guaranteed annual energy will cover a period of 20 years.

F. Major Customer and Supplier – Department

Department sales of electricity were made to one major commercial customer during the year ended June 30, 2009 in an amount exceeding ten percent of total sales. This customer accounted for approximately $8,699,000 of revenues during the year ended June 30, 2009. At June 30, 2009, accounts receivable from this same customer amounted to approximately $415,000.

Department purchases were made from one major supplier of power, including supply, transmission and distribution during the year ended June 30, 2009 in amounts exceeding ten percent of the total of such purchases. The supplier accounted for approximately $20,343,000 of purchases during the year ended June 30, 2009. At June 30, 2009, amounts due to this same supplier, and included in accounts payable, amounted to approximately $1,106,000.

G. Jointly Governed Organization

1. City

The City entered into a joint operational agreement effective January 1, 1988 with other local governments. Under the terms of this agreement, an intergovernmental agency known as Yamhill Communications Agency (YCOM) was established to provide public safety communication services to member jurisdictions.

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 $752,192 in member contributions and E-911 pass through and provided to YCOM, at no cost, operational space within the Police Department, including routine maintenance and utilities.

IV. Other Information (Continued)

G. Jointly Governed Organization (Continued)

1. City (Continued)

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.

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 2008-09, there was $408 of investment income.

IV. Other Information (Continued)

I. Irrevocable Standby Letter of Credit - Department

In August 2006, the Department entered into a power sales agreement with Bonneville Power Administration (BPA), whereas BPA will reduce its prices for electric power to the Department if the Department will provide an emergency source of cash for BPA when necessary. To secure this funding, Key Bank has issued a $2,000,000 irrevocable standby Letter of Credit to provide this emergency source of cash to BPA, whereas the Department agrees to reimburse Key Bank for any and all payments made by Key Bank pursuant to the Letter of Credit and all agreements with such parties.

This irrevocable standby Letter of Credit expires September 30, 2009, and is secured by a certificate of deposit funded and maintained by the Department and pledged net revenues generated by the Department's electrical utility system. The letter of credit is no longer required as of October 1, 2009.

J. 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 2009 credits for 2002-2006 lookback adjustments were $2,400,000. For fiscal year 2010, the credit will be approximately $1,300,000. Although future lookback adjustments are anticipated, the actual amounts have not yet been determined.

K. Subsequent Event - Department

Subsequent to June 30, 2009, the Department entered into additional commitments related to the construction of the Gormley Substation in the amount of approximately $827,000.

City Of McMinnville