



CITY OF MCMINNVILLE, OREGON
COMPREHENSIVE ANNUAL FINANCIAL
REPORT YEAR ENDED JUNE 30, 2018



CITY OF MCMINNVILLE, OREGON

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2018

Prepared by:

Finance Department

Marcia T. Baragary, CPA
Finance Director

Debbie Smith-Wagar, CPA

City of McMinnville, Oregon
Comprehensive Annual Financial Report
Year Ended June 30, 2018

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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.mcminnvilleoregon.gov

December 27, 2018

Mayor Scott Hill
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, 2018. The *Comprehensive Annual Financial Report (CAFR)* presents the financial position of the City of McMinnville (City) as of June 30, 2018 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 in accordance with accounting principles generally accepted in the United States of America (GAAP). The City's statements and schedules were audited by Merina and Company, LLP in accordance with auditing standards generally accepted in the United States of America. Merina and Company, LLP concluded the basic financial statements are free of material misstatement and issued an unmodified opinion which is presented in the second section of this report. Financial accuracy, completeness, and fairness of presentations in the *CAFR* are the responsibility of City of McMinnville's management. City management has established a comprehensive framework of internal controls to provide a reasonable basis for asserting that the financial statements are fairly presented. Since the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. City management asserts the *CAFR* is complete and reliable in all material respects.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A is located immediately following the report of the independent auditors.

Profile of the Government:

City of McMinnville: The city is located in the agriculturally rich Willamette Valley 40 miles southwest of Portland, the largest metropolitan area in Oregon. McMinnville is the county seat of Yamhill County, the eighteenth largest city in Oregon, and the economic hub of the region.

The City is a municipal government, incorporated as a town in 1876 and as a city in 1882, operating under the council-manager form of government. The elected officials are a mayor and six city council members. The City provides a full range of services, including police and fire protection; ambulance services; municipal court; wastewater treatment, system construction and maintenance; street construction and maintenance; engineering and planning services; building permitting and inspection services; parks, recreational and cultural activities; and a municipal airport.

Transmittal Letter
Year Ended June 30, 2018

McMinnville Water and Light Department: In addition to the City's primary services the City has one discretely presented component unit, the McMinnville Water and Light Department (Department). The Department is governed by the Water and Light Commission, which is appointed by the mayor and confirmed by city council members. 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. B.3.

McMinnville Urban Renewal Agency: The City's financial statements also include the McMinnville Urban Renewal Agency (URA) as a blended component unit. Additional information on the URA is located in the notes to the financial statements, Note I.B.2.

Local Economy:

As the regional seat of government and the largest of Yamhill County's municipalities, McMinnville has a diverse economic base that blends all of the County's commercial sectors. Four of the top five employers in McMinnville provide services related to education, government, and healthcare, providing a stable base for the City's economy. McMinnville is home to nearly 90 manufacturers, producing a wide variety of goods. Products include steel rebar, health food products, plastic and rubber products, fabricated metal products, chemicals and nonmetallic mineral products, unmanned aerial vehicles, software and computer products, and many other types of goods.

McMinnville's top jobs by occupation are: office and administrative support (15 percent); sales (12 percent); executive, managers and administrators (9 percent); production workers (7 percent); and health diagnosing and treating practitioners (6 percent). McMinnville's principal employers are listed in the Statistical Section at the end of this report.

Employment: According to the Bureau of Labor Statistics, unemployment rates for Yamhill County have trended downwards over the past year. Unemployment rates (not seasonally adjusted) for Yamhill County were 4.2 percent in June 2018 compared to 3.8 percent in June 2017. For comparison, the unemployment rate for the state of Oregon was 3.8 percent and 4.0 percent in June 2018 and June 2017, respectively.

Yamhill County's private sector employment increased by 4.3 percent over the past year, per the Oregon Employment Department. The fastest-growing private-sector industries included: construction (6.5 percent), information services (4.5 percent), and leisure and hospitality (3.0 percent).

According to an August 2018 report released by the Oregon Office of Economic Analysis (OEA), economic expansion in Oregon continues to outperform many states due to the state's industrial structure and the ability to attract and retain young, working-age households. While job growth in Oregon has slowed since the "full-throttle" rates seen in 2014 and 2015, Oregon is still outpacing the nation overall, and Oregon is expected to continue to see healthy job gains sufficient to hold unemployment down and account for ongoing population growth.

Tourism: McMinnville is located in the heart of Oregon wine country, where an ideal combination of soil types and a mild climate enable area winemakers to produce world-class wines. There are approximately 250 wineries within a 25 mile radius of McMinnville with 20 tasting rooms and nine wineries operating within the City. Wineries and tasting rooms open to the public are a natural draw for tourists throughout the year. Many wineries also have festivals, music performances, and picnics during the summer. In August, McMinnville's Linfield College hosts the International Pinot Noir Festival. This festival brings participants from as far away as California, France, and Australia. The strength of the wine industry in McMinnville and surrounding area has been a significant factor in growth of the local economy. The Oregon wine industry, in which Yamhill County plays a leading role, is now a billion dollar-a-year business. To promote wine tourism and other attractions, the City implemented a transient lodging tax in 2014, which provides funding for tourism promotion and marketing of McMinnville as a premiere destination for wine and culinary tourism.

**Transmittal Letter
Year Ended June 30, 2018**

The Evergreen Museum campus buildings include the Evergreen Air Museum, the Space Museum, the Wings and Waves Waterpark, an event center, and an iMax theatre. The Museums display a number of military and civilian aircraft and spacecraft, most notably, the Hughes H-4 Hercules Spruce Goose. Evergreen properties have been under new ownership since 2016. The Falls at McMinnville Event Center, LLC (TFM) owns the majority of the Evergreen properties, including the Space Museum, Waterpark, the event center, as well as several other parcels of vacant land surrounding the Waterpark. As of January 2018, TFM has unpaid taxes for tax years 2016 and 2017. TFM has recently filed for Chapter 11 Bankruptcy and is seeking court permission to sell the water park and event center. Museum activities are managed by an independent museum operator and efforts are on-going to ensure that the Museums continue to attract a significant number of tourists to McMinnville.

Population Growth: Over the last ten years, McMinnville’s population has grown by approximately three percent, with the last four years showing moderate but steady growth. Both new employers and residents are attracted to McMinnville because of its “livability” and its close proximity to the Portland metropolitan area, Salem (the state capital), the Cascade mountain range, and the Oregon coast. Other factors contributing to the livability are the vitality of McMinnville’s Historic Downtown District, Linfield College, and excellence of medical and City services. For comparison, during the same ten year period, Yamhill County’s population grew nine percent, while the State of Oregon’s population grew by ten percent total for the ten year period.

Population Estimates						
	McMinnville		Yamhill County		State of Oregon	
<u>Year</u>	<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>
2009	32,760	1.1%	98,566	1.3%	3,823,465	0.8 %
2014	32,705	0.6	101,400	0.8	3,962,565	1.1
2015	33,080	1.1	102,252	0.8	4,013,845	1.3
2016	33,405	1.0	103,630	1.3	4,076,350	1.5
2017	33,665	0.8	104,990	1.3	4,141,100	1.6
2018	33,810	0.5	107,415	1.0	4,195,300	1.3

Source: US Census Bureau, Portland State University Population Research Center certified yearly estimates.

McMinnville’s population is projected to reach approximately 37,700 by 2025, an increase of 12 percent from its 2018 population estimate of 33,810. Yamhill County populations are also projected to increase by 12 percent, compared to the 2018 population estimate. A population projection for the State is unavailable.

Residential, Commercial, and Industrial Development: During fiscal year 2017-18, commercial permits were demonstrative of the new development of several smaller industrial buildings, some commercial rehabilitation projects and a high school expansion project. Most of the commercial and industrial projects were mid-range projects, including several speculative 10,000 square foot industrial buildings, and several commercial improvement projects. During fiscal year 2017-18, fourteen commercial construction permits were issued with a total valuation of \$10.2 million.

On the housing side, one hundred ten (110) housing permits were issued in fiscal year 2017-18 with a total valuation of \$22.1 million, including eighty-two (82) single family dwelling units and twenty-eight (28) multi-family housing units. Additionally, there are over three hundred and ten (310) multi-family housing units in building plan review currently and an additional eight subdivisions currently in the building stages.

Transmittal Letter
Year Ended June 30, 2018

Property Values: Maximum assessed values and real market values are factors that are useful in measuring the economic health of a community. As illustrated in the table below, the maximum assessed value for McMinnville increased by 16 percent in the last five years and 34 percent over the last ten years. Increases were primarily related to new construction and major commercial building improvements.

From 2009 to 2018, real market value for McMinnville increased by 13 percent and Yamhill County's real market value grew by 22 percent in the last ten years. Although the City's real market value declined from 2010 through 2014, real market value has shown a steady increase over the last three years. Maximum assessed value as a percentage of real market value was 70 percent in 2018.

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>
2009	\$ 1,938,724	7.8%	\$ 3,281,261	5.2%	\$ 10,403,609	0.8%
2014	2,233,167	1.5	2,748,716	(0.7)	9,156,128	2.8
2015	2,304,514	3.2	2,861,726	3.9	9,699,390	5.6
2016	2,450,382	6.3	3,119,906	8.3	10,303,700	5.9
2017	2,509,071	2.4	3,418,883	8.7	11,429,250	9.8
2018	2,591,403	3.3	3,722,888	8.9	12,744,339	11.5

Source: Yamhill County Assessor's Office

Property Tax Rates: Since fiscal year 2001, the City has levied its entire permanent property tax rate of \$5.02 per \$1,000 of assessed value for operations, as provided for in the 1996 Oregon tax limitation measure. Oregon law allows the City to levy property taxes for payment on debt that has been approved by the voters. Generally, the City's debt service levy remained relatively consistent until 2016, when the debt service levy was increased to make principal and interest payments on the general obligation bonds issued in 2015. In 2018 the City issued a second series of general obligation bonds resulting in an increase in the debt service levy of \$0.26 per\$1,000 of assessed value.

Property Tax Rates
(per thousand of assessed valuation)

<u>Fiscal Year Ended</u>	<u>City of McMinnville - Only</u>				<u>McMinnville Tax Code #40</u>
	<u>Operating Levy</u>	<u>Debt Service Levy</u>	<u>Urban Renewal</u>	<u>Total Property Tax Levy</u>	<u>Consolidated Property Tax Rate</u>
2009	\$ 5.02	\$ 0.83	-	\$ 5.85	\$ 16.50
2014	5.02	0.70	-	5.72	16.48
2015	5.02	0.68	0.04	5.74	16.61
2016	5.02	1.16	0.05	6.23	17.04
2017	5.02	1.08	0.07	6.18	17.00
2018	5.02	1.34	0.08	6.44	17.03

Source: Yamhill County Assessor's Office

Fiscal Policy and Financial Planning:

To facilitate long-term planning, City management utilizes a five year financial forecast model. Forecasting enables policymakers to take action in a timely manner, to mitigate future financial problems, and to allow planning for expansion when economic conditions improve. The City's fiscal policy is to budget for the upcoming fiscal year, while taking into consideration factors that will impact subsequent years' budgets. This policy has enabled the City to successfully navigate through the previous recession, providing adequate levels of services to its citizens while maintaining a healthy General Fund cash reserve.

For fiscal year 2018, the City's General Fund ending fund balance is approximately 30 percent of total General Fund operating expenditures, including transfers out to other funds. This is significantly more than the minimum General Fund reserve targeted in the fund balance policy adopted by the City Council. This policy recommends that 25 percent of annual budgeted expenditures should be maintained as a cash reserve. Additional information on the City's fund balance policy is included in the notes to the financial statements, Note I.F.14.

Major Initiatives:

In 2013, City Council adopted an ordinance creating the McMinnville Urban Renewal Agency. The purpose of the Agency is to promote the development and redevelopment of the downtown core and the Northeast Gateway Area. These areas are vital to fulfilling the goals of the McMinnville Comprehensive Plan. The Urban Renewal Agency facilitates financing of projects within the urban renewal area. The Urban Renewal Agency collected \$0.2 million in incremental property taxes in fiscal year 2018.

From fiscal year 2015 through 2018, the City invested over \$13.0 million to complete the first phase of a major expansion of the Water Reclamation Facility. The expansion will greatly increase capacity of the wastewater collection system and Water Reclamation Facility and will enable the City to meet the needs of increased community growth and the ever-changing regulatory requirements. In that same timeframe, the City also completed over \$5.4 million in projects related to reducing inflow and infiltration. These projects are a vital component in controlling wastewater system overflows and reducing demands on the Water Reclamation Facility.

In November 2014, the voters of McMinnville approved issuance of \$24 million in general obligation for construction, expansion, and improvement of City streets and sidewalks. In April 2015, the City issued \$16 million in general obligation bonds to fund these projects. The remaining \$8 million in bonds were issued in February 2018.

In January, 2019, the City Council will adopt its new strategic plan, Mac-Town 2032. The plan will include the following goals:

- City Government Capacity – Strengthen the City's ability to prioritize & deliver municipal services with discipline and focus.
- Civic Leadership – Encourage a variety of leadership development opportunities to foster a culture of civic pride & involvement.
- Community Safety & Resiliency – Proactively plan for & responsively maintain a safe & resilient community.
- Engagement & Inclusion – Create a culture of acceptance & mutual respect that acknowledges differences & strives for equity.
- Growth & Development Character – Guide growth & development strategically, responsively & responsibly to enhance our unique character.
- Housing Opportunities (across the income spectrum) – Create diverse housing opportunities that support great neighborhoods.

**Transmittal Letter
Year Ended June 30, 2018**

- Economic Prosperity – Provide economic opportunity for all residents through sustainable growth across a balanced array of traditional and innovative industry sectors.

In addition, the plan will include high level success measures as well as near term and long term actions intended to achieve the objectives set out for each goal.

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, 2017. The City has received this recognition for 29 consecutive years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized *CAFR* and must satisfy both generally accepted accounting principles and applicable legal requirements. This award is the highest form of recognition for excellence in state and local government financial reporting.

A Certificate of Achievement is valid for a period of one year only. We believe our current *CAFR* continues to meet these standards and will be submitted to GFOA to determine eligibility for another certificate.

Acknowledgements:

The preparation of the *Comprehensive Annual Financial Report (CAFR)* is the final step in the completion of a successful year for the City's Finance Department. We would like to thank the City's accounting staff for their day-to-day dedication to professional accounting standards and to producing accurate accounting records, which are the basis for the financial statements included in the City's *CAFR*.


Special recognition is extended to Ms. Debbie Smith-Wagar, CPA who was instrumental in preparation of the *CAFR*.

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

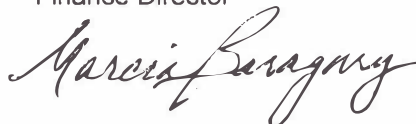
Special appreciation is also extended to the City of McMinnville Mayor, City Councilors, and Budget Committee for their support and for their continuing effort to conduct the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Jeffrey R. Towery
City Manager



Marcia T. Baragary, CPA
Finance Director





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of McMinnville
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF McMinnville, Oregon

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

JUNE 30, 2018

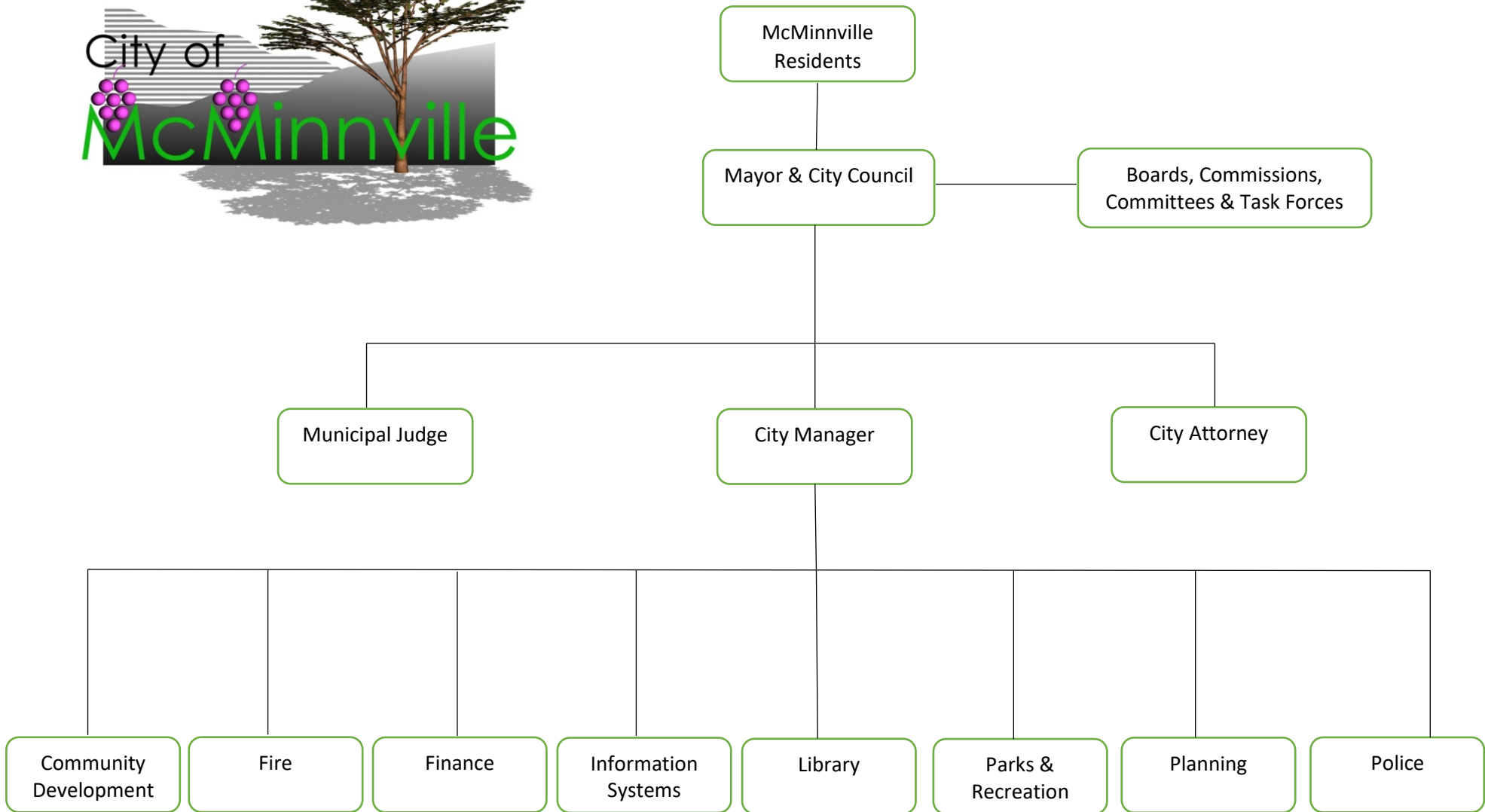
CITY COUNCIL

TERM EXPIRES

Scott Hill 1525 Gilson Court McMinnville Oregon 97128	Mayor	December 31, 2020
Wendy Stassens 166 SW Eckman Street McMinnville Oregon 97128	Ward I	December 31, 2020
Sal Peralta 925 SE Davis Street McMinnville Oregon 97128	Ward I	December 31, 2018
Kellie Menke 595 NW Mt Mazama Street McMinnville Oregon 97128	Ward II Council President	December 31, 2020
Alan Ruden 1688 NW Emerson Drive McMinnville Oregon 97128	Ward II	December 31, 2018
Adam Garvin 2940 NE Lafayette Avenue McMinnville Oregon 97128	Ward III	December 31, 2020
Remy Drabkin 1400 NE 17 th Street McMinnville Oregon 97128	Ward III	December 31, 2018

CITY ADMINISTRATION

Jeffrey R. Towery	City Manager
David R. Koch	City Attorney
Marcia T. Baragary, CPA	Finance Director





FINANCIAL SECTION

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



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of McMinnville, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of McMinnville, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of McMinnville, Oregon's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the 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 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 from material misstatement.

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

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

Opinions

In our opinion, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of McMinnville, Oregon, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective statement of revenues, expenditures, and changes in fund balances – budget and actual for the General Fund and Airport Maintenance Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management’s discussion and analysis, as listed in the table of contents under required supplementary information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management’s discussion and analysis, schedule of proportionate share of OPEB liability, schedule of contributions to OPEB liability, schedule of the proportionate share of the net pension liability, and schedule of contributions pension, as listed in the table of contents under required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of McMinnville, Oregon’s basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018 on our consideration of City of McMinnville, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City of McMinnville, Oregon's internal control over financial reporting or on compliance. That report is issued separately and is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of McMinnville, Oregon's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 27, 2018, on our consideration of City of McMinnville, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.



For Merina & Company, LLP
West Linn, Oregon
December 27, 2018



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, 2018. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements, the accompanying notes to those financial statements, and the City's "Letter of Transmittal" contained in 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

- The City's assets and deferred outflows of resources totaled \$223.2 million at June 30, 2018, consisting of \$150.8 million in capital assets, \$38.8 million in unrestricted cash and investments, \$15.1 million in restricted cash and investments, and \$18.4 million in other assets and deferred outflows of resources. Total assets and deferred outflows of resources increased by \$13.3 million from the previous fiscal year.
- The City's liabilities and deferred inflows of resources totaled \$74.3 million at June 30, 2018 consisting of \$66.3 million in long-term liabilities and \$6.2 million in accounts payable and other liabilities, and \$1.8 million in deferred inflows related to pensions.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$148.9 million at the close of fiscal year 2018. Unrestricted net position totaled \$4.5 million. The City's net position invested in capital assets net of related debt totaled \$128.0 million and net position restricted for capital projects, building operations, and debt service totaled \$16.4 million.
- For its governmental activities, the City generated \$3.9 million in charges for services and received \$3.1 million in operating grants and \$6.9 million in capital grants and contributions. Direct expenses, including interest on long-term debt, were \$27.4 million for the year. Total revenues, including \$21.8 million of general revenues received, and total expenditures, including \$0.7 million in transfers out, resulted in an increase in net position, before restatement, of \$7.6 million.
- For its business-type activities, the City generated \$14.3 million in charges for services, capital grants and contributions, and other revenue to fund direct expenses of \$11.7 million. In addition, \$0.7 million in transfers in resulted in a change in net position of \$3.7 million.
- The City's proprietary funds, including internal service funds activities, report a total net position of \$81.6 million for a \$3.9 million in net position over the prior year.
- Fund balance in the City's governmental funds was \$22.5 million at June 30, 2018, a decrease of \$3.3 million from June 30, 2017. Approximately \$6.1 million is available for spending at the City's discretion (*unassigned fund balance*). Additional information regarding governmental funds ending fund balances is included in the Fund Financial Analysis section of Management's Discussion and Analysis.

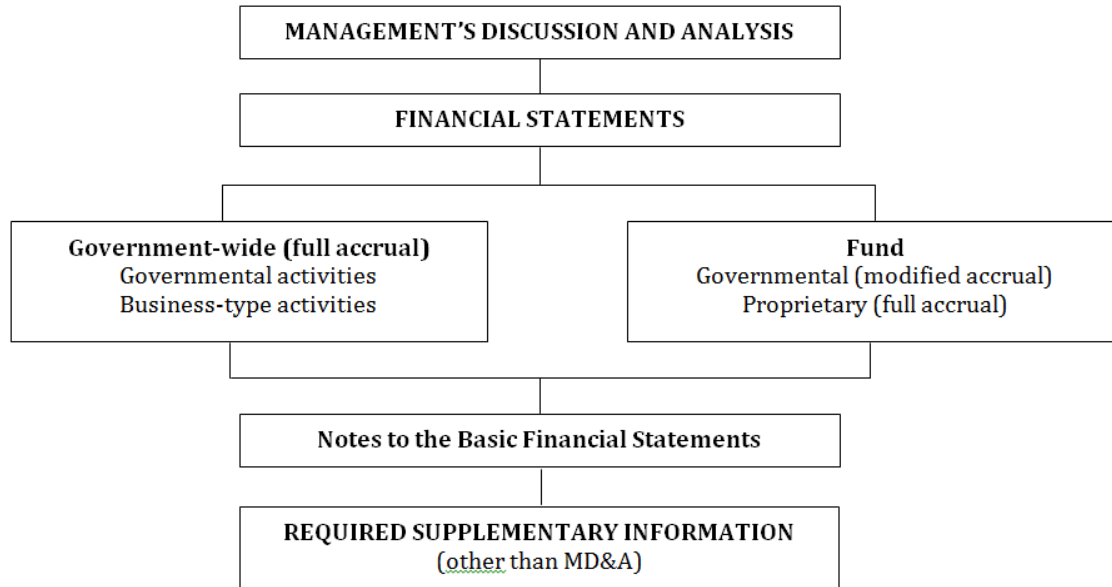
Overview of the Financial Statements

In addition to this discussion and analysis, the financial section of this annual report contains the *basic financial statements, required supplementary information, and other supplementary information*, including the *combining statements and schedules* of the non-major funds.

The basic financial statements also include *notes* that explain the information in the financial statements and provide additional details. The following chart illustrates how the various sections of this annual report are arranged relative to one another.

City of McMinnville - Management's Discussion and Analysis

Chart 1 - Required Elements of the Comprehensive Annual Financial Report



Government-wide financial statements: The government-wide financial statements are prepared using the full accrual method of accounting similar to private-sector accounting. Both the Statement of Net Position and the Statement of Activities distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- These government-wide financial statements include three reporting units; i.e., governmental activities and business-type activities that are combined for the primary government total, including the McMinnville Urban Renewal District, and the discretely presented component unit, McMinnville Water & Light Department (Department).
- Governmental activities of the City are general government, public safety, community development, culture and recreation, airport, and highways and streets. Property taxes, charges for services, and operating and capital grants and contributions fund most of these activities.
- Business-type activities of the City are Wastewater, Ambulance, and Building. The City charges fees to customers to recover the majority of the costs of these services.
- **Statement of Net Position:** This statement includes all assets, liabilities, deferred outflows and deferred inflows of resources with the difference reported as net position. Evaluating increases or decreases in net position over time can serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- **Statement of Activities:** This statement presents information showing how the City's net position changed during the fiscal year. The statement reports governmental and business-type activities' function/program expenses and program revenues and indicates the amount that must be supplemented by general revenues. General revenues include property taxes, franchise fees, and unrestricted state shared revenues and investment earnings.

City of McMinnville - Management's Discussion and Analysis

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements focus on major governmental and proprietary funds separately. The City's major governmental funds are each presented separately and the remaining non-major funds are combined in a column titled "Total Non-Major Governmental Funds." Statements for the City's proprietary funds follow the governmental statements.

- **Governmental funds:** Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. This fund reporting method may be more useful in evaluating the City's short-term financial requirements and position.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains thirteen governmental funds, three of which are considered major funds. The General Fund and Transportation Fund are major funds; the Airport Maintenance Fund is also classified as a major fund due to public interest in airport operations. The remaining governmental funds, six special revenue, two debt service and two capital projects funds, are classified as non-major funds and are aggregated for reporting in the fund financial statements. Non-major governmental funds data is provided in combining and individual fund statements and schedules.

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

City of McMinnville - Management's Discussion and Analysis

Government-Wide Financial Analysis

As previously noted, the City adopted Government Accounting Standard Board (GASB) 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27* during fiscal year 2015. GASB Statement 68 established accounting and financial reporting standards for employers, including reporting of the net pension asset or liability on the statement of net position, and deferred inflows and outflows of resources associated with investment, economic and demographic gains and losses associated with pension plans. GASB Statement 68 also provides guidance related to the calculation of pension expense.

Statement of Net Position:

The following table is a summary of the City's net position compared to the prior fiscal year.

Statement of Net Position June 30, 2018 and 2017 (in millions)

	Primary Government									Component Unit		
	Governmental Activities			Business-Type Activities			Total City			Water and Light		
	2018	2017	Change	2018	2017	Change	2018	2017	Change	2018	2017	Change
Cash and investments	\$ 27.0	\$ 28.4	\$ (1.4)	\$ 27.0	\$ 21.9	\$ 5.1	\$ 54.0	\$ 50.3	\$ 3.7	\$ 47.9	\$ 42.7	\$ 5.2
Other assets	4.2	4.1	0.1	2.5	2.7	(0.2)	6.7	6.8	(0.1)	9.6	9.2	0.4
Capital assets	95.8	81.9	13.9	55.0	56.8	(1.8)	150.8	138.7	12.1	124.8	123.4	1.4
Total assets	127.0	114.4	12.6	84.5	81.4	3.1	211.5	195.8	15.7	182.3	175.3	7.0
Deferred outflow of resources	8.6	10.3	(1.7)	3.0	3.7	(0.7)	11.6	14.0	(2.4)	4.4	5.1	(0.7)
Other liabilities	5.6	5.1	0.5	0.6	0.8	(0.2)	6.2	5.9	0.3	5.5	5.5	-
Non-current liabilities	59.2	56.4	2.8	7.1	8.1	(1.0)	66.3	64.5	1.8	10.4	10.8	(0.4)
Total liabilities	64.8	61.5	3.3	7.7	8.9	(1.2)	72.5	70.4	2.1	15.9	16.3	(0.4)
Deferred inflow of resources	1.3	0.9	0.4	0.5	0.4	0.1	1.8	1.3	0.5	0.7	0.5	0.2
Invested in capital assets, net of related debt	73.0	66.2	6.8	55.0	56.8	(1.8)	128.0	123.0	5.0	124.8	123.4	1.4
Restricted	15.2	16.3	(1.1)	1.1	0.7	0.4	16.3	17.0	(0.7)	-	-	-
Unrestricted	(18.8)	(20.2)	1.4	23.3	18.4	4.9	4.5	(1.8)	6.3	45.3	40.3	5.0
Total net position	\$ 69.4	\$ 62.3	\$ 7.1	\$ 79.4	\$ 75.9	\$ 3.5	\$ 148.8	\$ 138.2	\$ 10.6	\$ 170.1	\$ 163.7	\$ 6.4

As previously noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$148.8 million at the close of fiscal year 2018.

The largest portion of the City's net position, or \$128.0 million, is invested in capital assets. The City uses these capital assets to provide services to its citizens. Therefore, they do not represent resources available for future spending. Total restricted net position is \$16.3 million and represents amounts that are legally restricted for capital expansion, debt service, or other purposes. The total \$4.5 million unrestricted net position is the net of a (\$18.8) million unrestricted net position in governmental activities and \$23.3 million unrestricted net position in business-type activities.

City of McMinnville - Management's Discussion and Analysis

For governmental activities, total net position increased by \$7.1 million compared to fiscal year 2017. Net investment in capital assets increased by \$6.8 million. Restricted net position decreased by \$1.1 million and unrestricted net position changed from negative \$20.2 for 2017 to negative \$18.8 for 2018.

Capital assets increased by \$13.9 million compared to 2017 due to street infrastructure and airport runway construction projects. Deferred outflow of resources, related to future pension obligations, decreased by \$1.7 million. Long term liabilities increased by \$2.8 million, primarily due to the issuance of \$7.9 million in general obligations bonds in 2018 for street improvement projects. The bond issuance was offset by principal payments on outstanding debt of \$3.1 million and a reduction of \$2.6 million in the net pension liability.

The major component of the decrease in restricted net position in governmental activities is related to spending down proceeds of the general obligation bonds that were issued in 2015 and 2018 for transportation projects. As proceeds are expended on capital projects, restricted net position will decrease and net investment in capital assets will increase.

For business-type activities, total net position increased by \$3.5 million. The favorable change is primarily due to a significant increase in cash and investments in Wastewater Services, resulting from charges for services revenue exceeding operating expenses in 2018 by \$2.9 million. This increase was partially offset by a decrease in Ambulance net position, due to rising operating expenses exceeding charges for services.

Department - Statement of Net Position: Total net position for the Department increased by \$6.4 million largely due to increases in cash and cash equivalents and an increase in net utility plant. Total combined current liabilities decreased in 2018 due in part to an increase in other current liabilities. Long term liabilities decreased as a result of the decrease in the net pension liability by \$1.4 million.

City of McMinnville - Management's Discussion and Analysis

Statement of Activities:

The table on the following page is a summary of the City's governmental and business-type activities compared to the prior fiscal year. Beginning net position has been restated to reflect implementation of GASB Statement 68 and the inclusion of pension related debt.

Statement of Activities For the Years Ended June 30, 2018 and 2017 (Restated) (in millions)

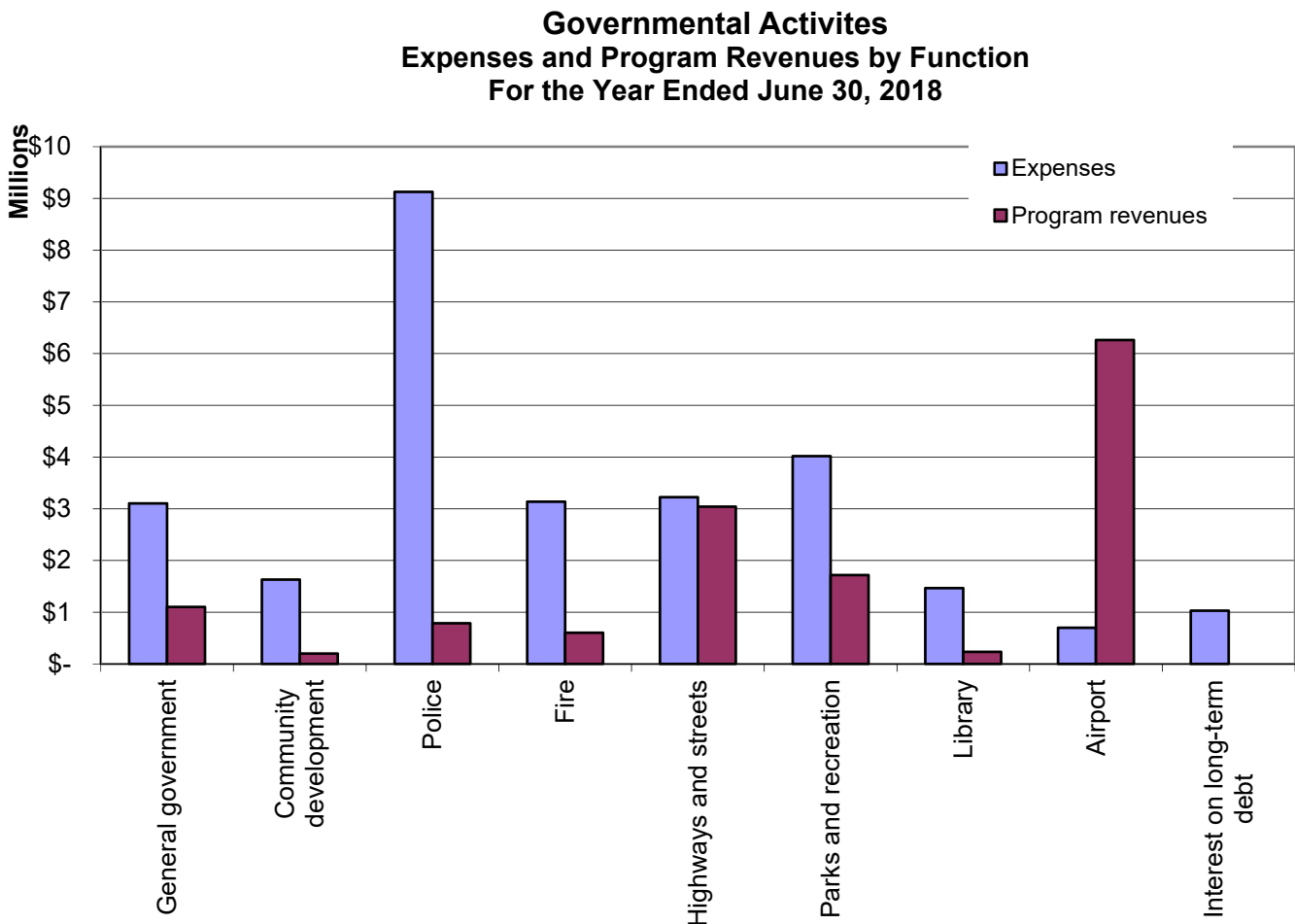
	City of McMinnville - Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total City		Water & Light	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues:								
Program revenues								
Charges for services	\$ 3.9	\$ 3.9	\$ 13.9	\$ 13.4	\$ 17.8	\$ 17.3	\$ 47.0	\$ 46.2
Operating grants & contributions	3.1	2.4	-	-	3.1	2.4	-	-
Capital grants & contributions	7.0	2.7	0.4	0.6	7.4	3.3	1.6	1.1
General revenues								
Property taxes	16.2	15.0	-	-	16.2	15.0	-	-
Franchise taxes	2.5	2.4	-	-	2.5	2.4	-	-
Other	3.0	2.4	0.3	0.2	3.3	2.6	5.6	3.0
Total revenues	35.7	28.8	14.6	14.2	50.3	43.0	54.2	50.3
Expenses:								
Governmental activities								
General government	3.1	3.3	-	-	3.1	3.3	-	-
Community development	1.6	1.5	-	-	1.6	1.5	-	-
Public safety								
Police	9.1	9.7	-	-	9.1	9.7	-	-
Fire	3.2	3.2	-	-	3.2	3.2	-	-
Emergency communications								
Highways and streets	3.2	3.5	-	-	3.2	3.5	-	-
Culture and recreation								
Parks and recreation	4.0	4.2	-	-	4.0	4.2	-	-
Library	1.5	1.6	-	-	1.5	1.6	-	-
Airport	0.7	0.6	-	-	0.7	0.6	-	-
Interest on long-term debt	1.0	1.2	-	-	1.0	1.2	-	-
Business-type activities								
Wastewater	-	-	6.9	7.0	6.9	7.0	-	-
Ambulance	-	-	4.4	4.9	4.4	4.9	-	-
Building	-	-	0.4	0.4	0.4	0.4	-	-
Component unit	-	-	-	-	-	-	46.6	46.2
Total expenses	27.4	28.8	11.7	12.3	39.1	41.1	46.6	46.2
Change in net position before transfers	8.3	-	2.9	1.9	11.2	1.9	7.6	4.1
Transfers	(0.7)	(0.7)	0.7	0.7	-	-	-	-
Change in net position	7.6	(0.7)	3.6	2.6	11.2	1.9	7.6	4.1
Beginning net position as previously reported	62.3	62.4	75.9	73.3	138.2	135.7	163.7	159.6
Restatement	(0.4)	0.6	(0.1)	-	(0.5)	0.6	(1.2)	-
Beginning net position as restated	61.9	63.0	75.8	73.3	137.7	136.3	162.5	159.6
Ending net position	\$ 69.5	\$ 62.3	\$ 79.4	\$ 75.9	\$ 148.9	\$ 138.2	\$ 170.1	\$ 163.7

City of McMinnville - Management's Discussion and Analysis

- **For governmental activities**, program revenues increased by \$5.0 million due to an increase of \$4.3 million in capital grants and contributions. \$5.3 million in Federal Aviation Administration (FAA) grant funds received for Airport runway projects, accounts for the majority of the increase. General revenues increased by \$1.9 million compared to the prior year due to an increase in property tax revenues.

Total expenses for governmental activities decreased by \$1.4 million compared to the prior year. Generally, expenses for governmental activities increased by 8 percent due to higher salaries and fringe benefits costs, prior to adjustments for GASB 68 and GASB 75. However, for 2018, the City recognized \$0.7 million in pension *income* related to GASB 68 and implementation of GASB 75 for governmental activities. In 2017, the City recognized \$1.7 million in pension *expense* for governmental activities. Pension expense (income) related to GASB 68 and GASB 75 varies each year depending on changes in the net pension liability, changes in actuarial assumptions, and differences between projected and actual earnings on pension plan investments, as well as other factors. The City's employee retirement pension plan is discussed in more detail in the notes to the financial statements, Note IV.D.

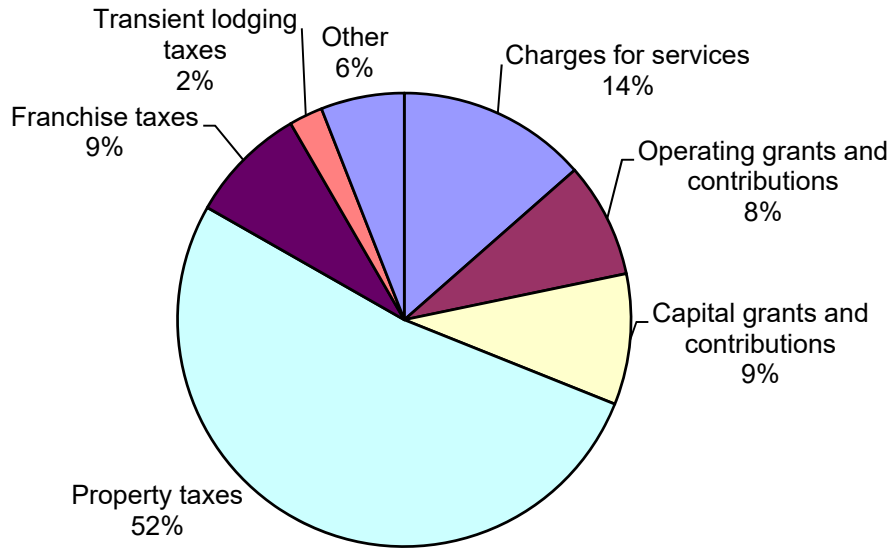
The following bar chart compares each governmental activity expense with the revenue stream for each activity and illustrates the extent to which different programs are subsidized with general revenues.



City of McMinnville - Management's Discussion and Analysis

The following pie chart illustrates the relative amount of the different categories of revenue sources for governmental activities.

**Governmental Activities
Revenues by Source
For the Year Ended June 30, 2018**



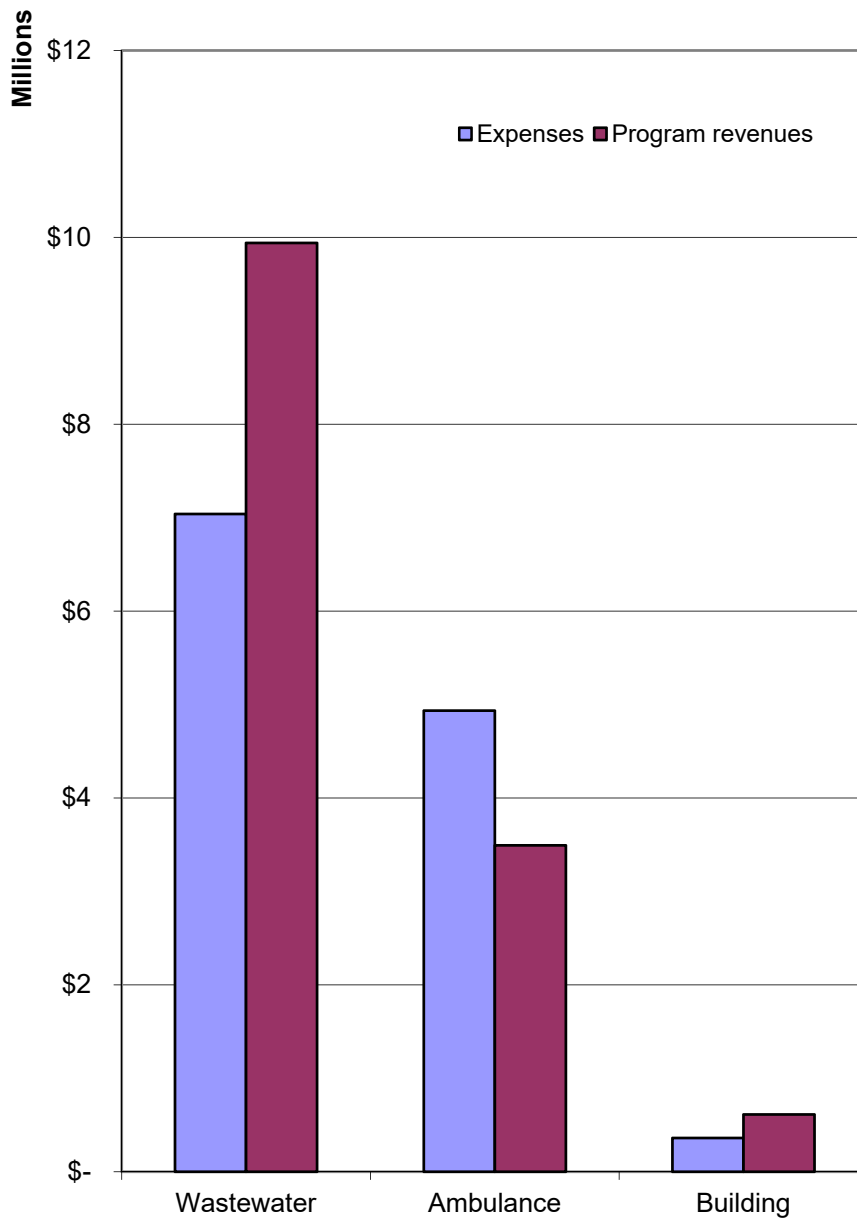
For business-type activities, total revenue, primarily consisting of charges for services, increased by \$0.4 million. Charges for services, primarily user fees, increased in Wastewater Services by \$0.5 million due to increased rates and higher consumption. Charges for services increased by \$0.2 million in the Building Fund due to building permit fee revenue from increases in commercial and industrial construction activity. In the Ambulance Fund, charges for services decreased by \$0. million as a result of a decrease in the number of transports in 2018.

Expenses for business-type activities decreased by \$0.6 million compared to the prior year. Generally, expenses increased due to higher costs of salaries and fringe benefits, prior to adjustments for GASB 68 and GASB 75. However, for 2018, the City recognized \$0.4 million in pension *income* related to GASB 68 and implementation of GASB 75 for business-type activities. In 2017, the City recognized \$0.7 million in pension *expense* for business-type activities.

City of McMinnville - Management's Discussion and Analysis

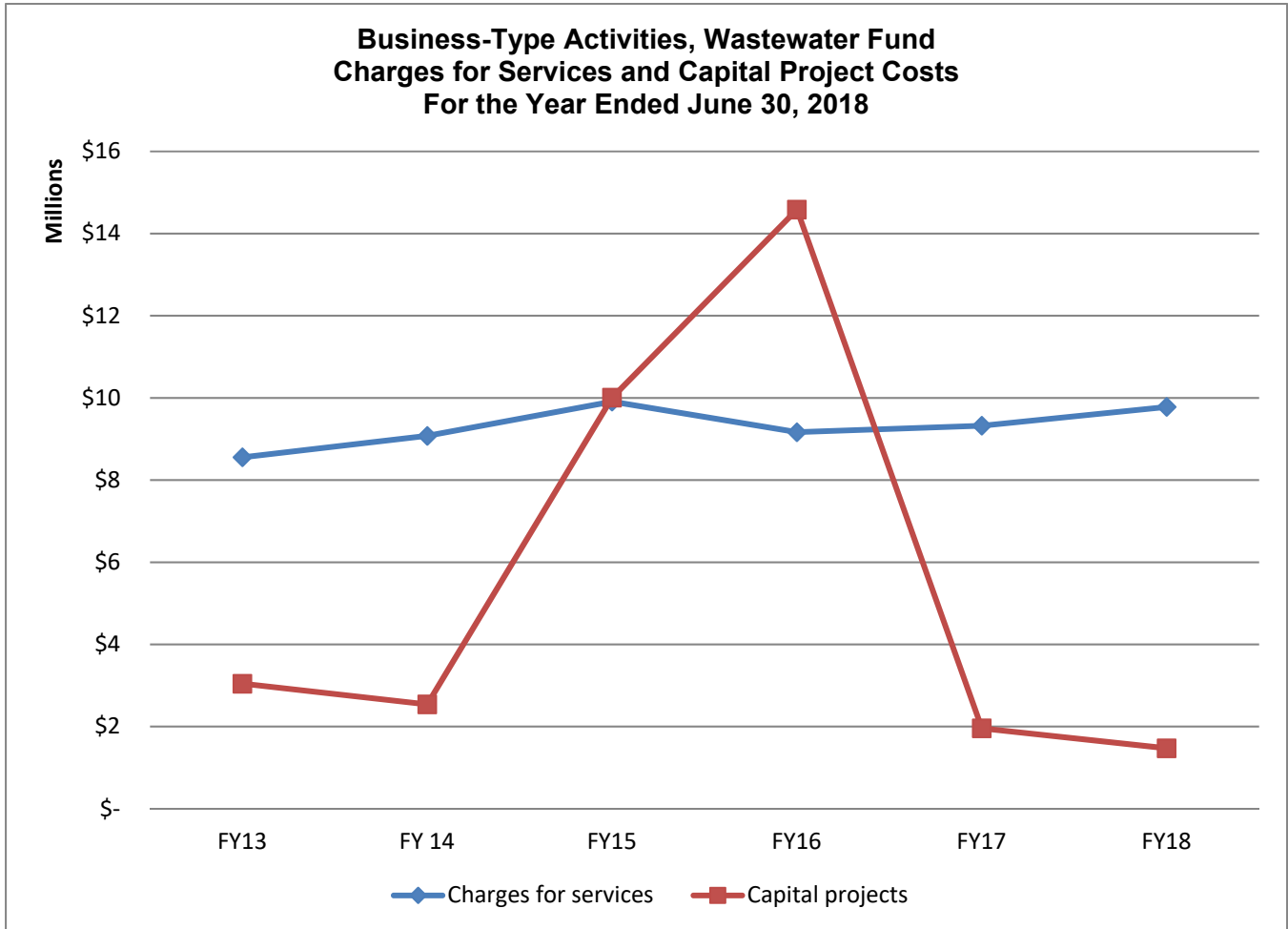
The following bar chart compares each business-type activity expense with the revenue stream for that activity. The significant difference between Wastewater revenue and expenses is due to a financial policy adopted by City Council to set sewer rates at a level sufficient to fund future capital projects on a "pay as you go" basis. The chart indicates that Ambulance expenses exceeded program revenues; payments received for ambulance transports do not cover the cost of providing emergency transport services. Building Department permit permits exceeded expenses, reflecting an increase in building construction activity, while staffing levels for the Building Department remained consistent with the prior year.

Business-Type Activities
Net Expenses and Program Revenues by Function
For the Year Ended June 30, 2018



City of McMinnville - Management's Discussion and Analysis

The line graph below focuses on Wastewater charges for services and capital project costs for the last five years. The graph illustrates that charges for services are relatively consistent, while capital project costs can vary due to the number and size of projects in a given year. The graph reflects the construction of the Water Reclamation Facilities expansion project in fiscal year 2016 and a reduction in capital construction costs in 2017 due to completion of the project.



Department - Statement of Activities: Total operating revenues increased by 2.0 percent for water and electric combined. Electricity revenues included rate increases and a decrease in consumption of 3.1 percent. Water sales decreased 4.4 percent. Operating expenses were flat for both electricity and water. Economic and/or weather conditions, along with conservation efforts, continue to affect both water and electricity consumption. Total other net revenue increased 72.0 percent largely due to an increase in timber revenues over the prior year. Contributions in aid of construction increased by 54.0 percent due to increased development in the community.

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 –Ending Fund Balances June 30, 2018 and 2017 (in thousands)

	Ending Fund Balances											
	Major Funds											
			Airport						Non-major			
	General		Maintenance		Transportation		Debt Service		Funds		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Nonspendable	\$ 2,184	\$ 2,245	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,184	\$ 2,245
Restricted	-	-	-	-	10,370	11,577	1,268	1,228	3,621	4,718	15,259	17,523
Committed	-	-	-	636	-	-	-	-	156	136	156	772
Assigned	607	674	-	-	-	-	-	-	150	152	757	826
Unassigned	<u>6,179</u>	<u>6,445</u>	<u>(185)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,883)</u>	<u>(2,082)</u>	<u>4,111</u>	<u>4,363</u>
Ending Fund												
Balance	<u>\$ 8,970</u>	<u>\$ 9,364</u>	<u>\$ (185)</u>	<u>\$ 636</u>	<u>\$ 10,370</u>	<u>\$ 11,577</u>	<u>\$ 1,268</u>	<u>\$ 1,228</u>	<u>\$ 2,044</u>	<u>\$ 2,924</u>	<u>\$ 22,467</u>	<u>\$ 25,729</u>

The General Fund is the City's main operating fund and is used to account for administration and finance (general government); engineering and planning (community development); police, municipal court, and fire (public safety); and parks and recreation and library (culture and recreation activities).

Total General Fund revenues increased by \$1.6 million or 8 percent compared to the prior year. Property tax revenue increased by \$0.3 million due to growth in assessed property values and new construction. Licenses and permits, intergovernmental, charges for services, and fines and forfeitures, and miscellaneous revenues combined increased by \$1.3 million. The \$0.3 million increase in licenses and permits is mainly due to higher franchise fee rates negotiated during the year. In the General Fund, charges for services are primarily from parks and recreation user fees. On the modified accrual basis, charges for services revenue also includes internal charges for services that are recorded as transfers on the budgetary basis. Transfers to the General Fund from other funds for internal services provided increased by \$0.2 million in 2018.

Total General Fund expenditures decreased by \$1.5 million compared to the prior year, primarily due to the \$3.5 million for debt service payments included in 2017. In October 2016, the City executed a \$3.5 million loan to refinance pension related debt and obtain savings in interest costs. Payment to retire the original debt was included in debt service in fiscal year 2017. In October 2016, the City also executed a loan for street improvement projects in the urban renewal district and then advanced the loan proceeds of \$2.2 million to the Urban Renewal Capital Projects Fund. Total loan proceeds of \$5.7 million were recorded as an other financing source in fiscal year 2017. Excluding the effect of the one-time debt service payment in 2017, expenditures increased by \$1.6 million in 2018, with public safety accounting for \$0.9 million of the increase. Community development and culture and recreation programs each increased by \$0.3 million. These increases can be attributed to the addition of several employees and higher costs for salaries and fringe benefits.

City of McMinnville - Management's Discussion and Analysis

In the General Fund, total revenues exceeded expenditures by \$0.7 million in 2018. After taking into account other financing sources (uses) the net change in fund balance was a decrease of \$0.4 million.

General Fund nonspendable fund balance includes \$2.2 million related to the interfund loan between the General Fund and Urban Renewal Debt Service Fund. The assigned fund balance includes \$0.6 million of Length of Service Award Program (LOSAP) plan assets. LOSAP is a non-qualified retirement plan for the City's volunteer firefighters. LOSAP is described in more detail in the notes to the financial statements, Note IV.D.2. Unassigned fund balance decreased by \$0.3 million compared with the prior year.

The Airport Maintenance Fund unassigned balance was a negative \$0.2 million at the end of 2018. Charges for services revenue, including rental payments for land and building leases, were consistent with operating expenditures. Operating expenditures, primarily maintenance and improvements costs for buildings and runways, vary from year to year depending on projects. Rental property revenue is committed by City Council resolution solely for airport operations. The City was awarded \$5.3 million in Federal Aviation Administration (FAA) grant funds and \$0.6 million in Oregon Department of Transportation (ODOT) grant funds for runway rehabilitation projects in 2018. However, grant funds are received on a reimbursement basis and \$1.1 million in reimbursements had not been received within 60 days of the 2018 fiscal year end. Therefore, the reimbursements are recorded as a deferred inflow of resources in the Airport Fund. The negative fund balance of \$0.2 million is a result of the delay in receiving grant fund reimbursement for costs incurred.

In February 2018, the City issued \$7.9 million in general obligation bonds and reported the bond proceeds as an other financing source in the Transportation Fund. The 2018 bond proceeds were in addition to \$14.7 million in bonds issued in 2015. The bond proceeds carried forward from the 2015 bonds and the bonds issued in 2018 were offset by expenditures of \$10.7 million, resulting in a \$1.2 million decrease in restricted fund balance in the Transportation Fund. Bond proceeds and the bond premium of \$3.0 million are being used for expansion and improvement of City streets.

The Debt Service Fund restricted balance remained consistent with the prior year. The restricted balance includes the amount of taxes carried forward from the previous fiscal year to pay general obligation debt service payments that are due in August before property taxes are collected in November.

Non-major governmental fund ending fund balances include amounts restricted for debt service, street maintenance, and transient lodging taxes.

Proprietary Funds – Ending Net Position June 30, 2018 and 2017 (in thousands)

	Ending Net Position							
	Unrestricted		Restricted		Net Investment in		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Fund:								
Wastewater	\$ 25,402	\$ 20,174	\$ -	\$ -	\$ 54,422	\$ 56,016	\$ 79,824	\$ 76,190
Ambulance	(2,142)	(1,793)	-	-	386	533	(1,756)	(1,260)
Building	-	-	1,133	708	229	242	1,362	950
Internal Service	1,704	1,330	-	-	457	512	2,161	1,842
Total ending net position	\$ 24,964	\$ 19,711	\$ 1,133	\$ 708	\$ 55,494	\$ 57,303	\$ 81,591	\$ 77,722

City of McMinnville - Management's Discussion and Analysis

For proprietary funds, total ending net position for proprietary funds, including internal services funds, increased by \$3.8 million compared to 2017, primarily due to a \$5.2 million increase in Wastewater unrestricted net position. The increase occurred due to Wastewater charges for services revenue exceeding expenses, as the City continues to build a reserve in the Wastewater Fund to pay for future capital projects. A \$1.6 million decrease in net investment in capital assets resulted from an increase in accumulated depreciation.

Ambulance unrestricted net position changed from a negative \$1.8 million in 2017 to a negative \$2.1 million 2018, as operating expenses of \$4.3 million exceeded operating revenues of \$3.2 million. In 2018, an \$800,000 transfer from the General Fund was necessary to maintain sufficient working capital in the Ambulance Fund.

The \$0.4 million increase in Building Fund net position resulted from charges for services, including \$0.4 million in systems development charges (SDC), exceeding operating expenses. Because commercial/industrial and residential building activity increased by \$21.6 million in 2018, building permit fee and SDC revenue increased accordingly.

Internal service funds include Information Systems & Services (IS) and Insurance Services Funds. Net position for both funds was relatively consistent with the prior year. IS Department personnel provide computer support to other funds of the City. Operating departments pay premiums to the Insurance Services Fund for property, liability, and workers compensation insurance. For fiscal year 2018, the City paid \$0.5 million in premiums and \$0.1 million for paid claims. The City purchases property, liability, and workers compensation insurance from City County Insurance Services, a public entity risk pool.

General Fund Budgetary Highlights

During the fiscal year, two supplemental budgets were adopted by the City Council that amended the General Fund budget to allow for expenditure of unanticipated economic development grant funds and to cover the cost of City firefighters responding to wildfire conflagrations. One appropriation transfer was adopted by the City Council to move increase appropriations in the Finance and Library departments, due to unanticipated increases in health insurance costs.

Total General Fund revenues exceeded budgeted revenues by approximately \$0.9 million, primarily due to higher than anticipated property taxes and franchise fee revenues. Total expenditures were \$1.9 less than budgeted, when excluding transfers and operating contingency. This favorable variance in expenditures was due to savings achieved in all General Fund departments, including nearly \$0.5 million in Police and Fire. The majority of savings for Police and Fire resulted from employee turnover and unfilled vacant positions. On the budgetary basis of accounting, total General Fund expenditures, excluding other financing sources (uses) exceeded revenues by \$0.5 million.

City of McMinnville - Management's Discussion and Analysis

Capital Assets

The City's capital assets are used to provide services to the public and include land, buildings, machinery and equipment, and vehicles. Infrastructure includes streets, traffic lights, sanitary sewer lines, and storm drains.

Capital Assets						
June 30, 2018 and 2017						
(in millions)						
	Governmental Activities		Business-Type Activities		Total City	
	Restated					
	2018	2017	2018	2017	2018	2017
Land	\$ 28.6	\$ 28.4	\$ 0.8	\$ 0.8	\$ 29.4	\$ 29.2
Easements	1.9	1.9	0.2	0.2	2.2	2.1
Public art	0.2	0.2	-	-	0.2	0.2
Land improvements	18.7	18.7	0.1	0.1	18.8	18.8
Buildings	32.8	32.7	54.9	54.4	87.7	87.1
Machinery and equipment	6.2	6.2	2.5	2.3	8.7	8.5
Vehicles	5.1	5.0	1.6	1.7	6.7	6.7
Infrastructure	67.0	58.8	46.5	45.5	113.5	104.3
Construction in progress	15.9	7.3	0.3	0.7	16.2	8.0
Total capital assets	176.5	159.2	107.0	105.7	283.4	264.9
Accumulated depreciation	(80.7)	(77.3)	(51.9)	(48.9)	(132.6)	(126.2)
Net capital assets	\$ 95.8	\$ 81.9	\$ 55.0	\$ 56.8	\$ 150.8	\$ 138.7

Capital Assets: The City's total net capital assets increased \$18.5 million.

- Governmental activities total capital assets increased by \$17.3 million, primarily due to increases in street infrastructure projects and construction in progress funded with general obligation bond proceeds and an Airport runway project funded with federal grant dollars. This increase was offset by \$3.4 million in depreciation expense.
- For business-type activities, total capital assets increased \$1.3 million, due to Wastewater infrastructure projects. Including an increase in accumulated depreciation of \$3.0 million, net capital assets decreased by \$1.8 million.

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

City of McMinnville - Management's Discussion and Analysis

Debt Administration

The City issues general obligation bonds and full faith and credit obligations to finance capital improvement projects. City debt also includes a pension related debt for the PERS transition liability.

Outstanding Debt June 30, 2018 and 2017 (in millions)

	Governmental Activities		Business-Type Activities		Total City	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 33.2	\$ 27.8	\$ -	\$ -	\$ 33.2	\$ 27.8
Full Faith and Credit	5.4	5.5	-	-	5.4	5.5
Pension related debt	2.4	2.6	0.9	1.0	3.3	3.6
Total outstanding debt	\$ 41.0	\$ 35.9	\$ 0.9	\$ 1.0	\$ 41.9	\$ 36.9

Outstanding Debt: At June 30, 2018, the City had \$41.0 million in outstanding debt compared to \$35.9 million in the prior year, excluding liabilities related to other post-employment benefits (OPEB), for a net increase of \$5.1 million. The increase in general obligation bonds of \$5.4 million was due to the issuance of \$7.9 million in transportation bonds in 2018. The increase in bonds was partially offset by a \$2.4 million decrease from principal payment on outstanding balances. Full faith and credit debt decreased by \$0.1 million due to principal payments made in 2018. Pension related debt also decreased by \$0.2 million due to principal payments on the loan executed in 2017 to payoff the balance of the City's PERS transition liability. Of the total outstanding debt for governmental activities, approximately \$2.9 million is due within one year.

For business-type activities, the total debt outstanding of \$0.9 million at June 30, 2018 is pension related debt.

The \$33.2 million in governmental activities general obligation debt is entirely payable from property taxes levied specifically for that purpose. The remaining \$5.4 million in full faith and credit obligation and \$3.3 million in pension related debt will be repaid from general revenues of the City. City and Department outstanding debt are described in more detail in the notes to the financial statements, Note III. G.

Bond Ratings: The City received an Aa3 rating from Moody's Investor's Services, Inc. for the 2018 General Obligation and Refunding bonds sold in February 2018. At that time Moody's Investor's Services, Inc. affirmed the Aa3 rating on the City's other outstanding general obligation debt.

Economic Factors and Future Operations

Governmental activities: The following economic factors currently affect the City of McMinnville's governmental activities:

- In 2018, maximum assessed property values increased by 3.9 percent compared to the prior year, per the Yamhill County Assessor. The increase in assessed values was due to growth in the value of existing property and new construction.
- Real market values increased by 16.4 percent in 2018 compared to the prior year. Real market values decreased from 2010 through 2014, but have been steadily increasing since 2014. For fiscal year 2018, assessed property values are 65.1 percent of real market value compared to 73.0 percent in 2017.

City of McMinnville - Management's Discussion and Analysis

- The total value of commercial, industrial and residential building permits increased to \$92.6 million in 2018 compared to \$71.0 million in 2017, due increases of \$12.0 million in commercial and industrial permits and \$7.8 million in residential permits.
- Unemployment rates in Yamhill County are trending downward and are consistent with unemployment rate trends for the State of Oregon. Unemployment rates (not seasonally adjusted) for Yamhill County were 3.1 percent in June 2018 compared to 4.5 percent in June 2017.
- In 2013, the City Council created an Urban Renewal Agency and adopted an Urban Renewal Plan to promote development of the historic downtown and neighboring properties. The Agency began collecting incremental taxes in fiscal year 2015. The City executed a \$2.2 million dollar loan in October 2016 to facilitate street improvement projects in the urban renewal district. The incremental assessed property value in the urban renewal district increased by \$3.0 million in 2018 compared to 2017.
- The cost of employee fringe benefits, including health insurance premiums, continues to rise. In recent years, City employees have transitioned to copay health insurance plans to partially mitigate the increasing cost of premiums. The potential impact of legislative reform related to health care is unknown.
- The City's PERS employer contribution rates increased by 20 percent for the 2015-17 biennium compared to the prior biennium. PERS has projected that most PERS employers will also see a 20 percent increase in contribution rates in the 2019 - 21 and 2021 - 23 biennia.

Business-type activities:

- **Wastewater operations:** In 2013, City Council adopted the updated Sanitary Sewer Conveyance System Master Plan, the Water Reclamation Facilities Plan, and the Wastewater System Financial Plan. The Conveyance System and Facilities Plans established a cost-effective plan for wastewater management through 2023. The Financial Plan projected that moderate annual rate increases, as well as spending down of the substantial reserve set aside for capital projects, will allow the City to continue a "pay as you go" funding strategy for wastewater capital improvements. The City is currently updating the financial portion of the Master Plan. The City plans to complete wastewater system and facilities upgrades of approximately \$38 million in the next five years.
- **Ambulance operations:** Ambulance transport net revenues decreased by nearly 12 percent compared to 2017. The decrease was a result of a 5 percent decrease in the number of billable transports. The City is currently considering options to address the increase in transports and the increasing costs of providing emergency medical services to the community.
- **Building operations:** Building charges for services increased by \$0.2 million compared to the prior year. Commercial and industrial permit values increased by 25 percent, from \$53.7 million in 2017 to \$67.5 million in 2018. Residential construction permit valuation increased from \$17.2 million in 2017 to \$25.0 million in 2018, or 45 percent. For comparison, total building permit valuation was \$92.5 million, \$70.9 million, and \$38.2 million in 2018, 2017, and 2016, respectively.

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

Information Requests

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

BASIC FINANCIAL STATEMENTS

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



GOVERNMENT-WIDE FINANCIAL STATEMENTS

- Statement of Net Position
- Statement of Activities



City of McMinnville, Oregon
Statement of Net Position
June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and investments	\$ 11,812,351	\$ 27,023,477	\$ 38,835,828	47,983,469
Receivables, net of allowances for uncollectibles	3,893,509	2,039,279	5,932,788	5,303,325
Prepays	15,687	640	16,327	-
Internal balances	266,081	(266,081)	-	-
Due from component unit	74,559	733,698	808,257	-
Restricted cash and investments	15,136,149	-	15,136,149	-
Inventories	-	-	-	974,049
Other current assets	-	-	-	619,684
Renewable energy certificates	-	-	-	962,140
Regulatory asset-conservation charges	-	-	-	1,703,479
Capital assets:				
Non-depreciable capital assets	46,602,388	1,327,791	47,930,179	11,711,024
Depreciable capital assets	129,865,747	105,623,076	235,488,823	167,942,159
Accumulated depreciation	(80,680,004)	(51,914,453)	(132,594,457)	(54,877,145)
Total assets	<u>126,986,467</u>	<u>84,567,427</u>	<u>211,553,894</u>	<u>182,322,184</u>
Deferred Outflows of Resources				
Deferred outflow of resources - charges on refunding	322,217	-	322,217	-
Deferred outflow of resources - pension	8,204,934	2,983,847	11,188,781	4,188,431
Deferred outflow of resources - OPEB	94,112	32,604	126,716	233,399
Total deferred outflows of resources	<u>8,621,263</u>	<u>3,016,451</u>	<u>11,637,714</u>	<u>4,421,830</u>
Liabilities				
Accounts payable	2,433,145	209,757	2,642,902	3,335,581
Accrued payroll and other payroll liabilities	1,041,575	121,130	1,162,705	267,849
Due to primary government	-	-	-	791,364
Accrued interest payable	447,096	-	447,096	-
Deposits	246,822	-	246,822	448,875
Other liabilities	91,848	-	91,848	252,582
Unearned revenue	451,325	1,300	452,625	-
Compensated absences	929,954	262,925	1,192,879	435,538
Non-current liabilities				
Due within one year	3,102,826	69,112	3,171,938	-
Due in more than one year	56,105,625	7,031,782	63,137,407	10,411,891
Total Liabilities	<u>64,850,216</u>	<u>7,696,006</u>	<u>72,546,222</u>	<u>15,943,680</u>
Deferred Inflows of Resources				
Deferred inflow of resources - pension	1,179,938	413,249	1,593,187	580,078
Deferred inflow of resources - OPEB	130,062	45,059	175,121	131,949
Total deferred inflows of resources	<u>1,310,000</u>	<u>458,308</u>	<u>1,768,308</u>	<u>712,027</u>
Net Position				
Net investment in capital assets	72,977,099	55,036,414	128,013,513	124,776,038
Restricted for:				
Capital projects	11,406,017	-	11,406,017	-
Debt service	1,557,806	-	1,557,806	-
Highways and streets	2,097,925	-	2,097,925	-
Tourism promotion	208,750	-	208,750	-
Building inspection	-	1,132,758	1,132,758	-
Unrestricted	(18,800,083)	23,260,392	4,460,309	45,312,269
Total net position	<u>\$ 69,447,514</u>	<u>\$ 79,429,564</u>	<u>\$ 148,877,078</u>	<u>170,088,307</u>

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

City of McMinnville, Oregon
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 3,103,821	\$ 853,756	\$ 249,210	\$ -
Community development	1,631,905	198,648	-	-
Public Safety:				
Police	9,126,532	451,940	333,781	-
Fire	3,135,785	593,475	10,765	-
Highways and streets	3,224,152	5,737	2,164,426	870,130
Culture and recreation:				
Parks and recreation	4,018,893	1,449,251	147,248	120,504
Library	1,466,633	39,914	192,562	-
Airport	697,787	313,680	-	5,948,136
Interest on long-term debt	1,028,859	-	-	-
Total governmental activities	<u>27,434,367</u>	<u>3,906,401</u>	<u>3,097,992</u>	<u>6,938,770</u>
Business-Type Activities:				
Building Division	428,003	832,010	-	-
Wastewater	6,846,447	9,775,061	-	411,498
Ambulance	4,377,101	3,247,282	-	-
Total business-type activities	<u>11,651,551</u>	<u>13,854,353</u>	<u>-</u>	<u>411,498</u>
Total primary government	<u>\$ 39,085,918</u>	<u>\$ 17,760,754</u>	<u>\$ 3,097,992</u>	<u>\$ 7,350,268</u>
Component Unit				
Water and Light	<u>\$ 46,597,185</u>	<u>\$ 46,994,299</u>	<u>\$ -</u>	<u>\$ 1,660,556</u>
General Revenues:				
Taxes:				
Property taxes				
Franchise fees				
Transient lodging taxes				
Unrestricted state shared revenues				
Unrestricted investment earnings				
Timber sales, net of related expenses				
Other, net				
Total general revenues				
Transfers between Governmental and Business-type Activities				
Change in net position				
Net position - beginning				
Restatement (see Note IV.K.)				
Net position - beginning as restated				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Water and Light
\$ (2,000,855)	\$ -	\$ (2,000,855)	\$ -
(1,433,257)	-	(1,433,257)	-
(8,340,811)	-	(8,340,811)	-
(2,531,545)	-	(2,531,545)	-
(183,859)	-	(183,859)	-
(2,301,890)	-	(2,301,890)	-
(1,234,157)	-	(1,234,157)	-
5,564,029	-	5,564,029	-
(1,028,859)	-	(1,028,859)	-
<u>(13,491,204)</u>	<u>-</u>	<u>(13,491,204)</u>	<u>-</u>
-	404,007	404,007	-
-	3,340,112	3,340,112	-
-	(1,129,819)	(1,129,819)	-
-	2,614,300	2,614,300	-
<u>(13,491,204)</u>	<u>2,614,300</u>	<u>(10,876,904)</u>	<u>-</u>
			<u>\$ 2,057,670</u>
16,228,026	-	16,228,026	-
2,541,802	-	2,541,802	-
947,467	-	947,467	-
1,114,681	-	1,114,681	-
377,589	332,672	710,261	803,958
-	-	-	2,721,512
551,665	22,528	574,193	2,041,960
<u>21,761,230</u>	<u>355,200</u>	<u>22,116,430</u>	<u>5,567,430</u>
(713,500)	713,500	-	-
7,556,526	3,683,000	11,239,526	7,625,100
62,276,634	75,880,165	138,156,799	163,651,182
<u>(385,646)</u>	<u>(133,601)</u>	<u>(519,247)</u>	<u>(1,187,975)</u>
<u>61,890,988</u>	<u>75,746,564</u>	<u>137,637,552</u>	<u>162,463,207</u>
<u>\$ 69,447,514</u>	<u>\$ 79,429,564</u>	<u>\$ 148,877,078</u>	<u>\$ 170,088,307</u>



FUND FINANCIAL STATEMENTS

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



City of McMinnville, Oregon
Balance Sheet
Governmental Funds
June 30, 2018

	General	Airport Maintenance	Transportation	Debt Service	Total Non- Major Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 7,238,352	\$ 177,153	\$ -	\$ -	\$ 2,227,154	\$ 9,642,659
Receivables	1,928,825	1,127,357	-	282,558	629,328	3,968,068
Due from other funds	2,173,562	-	-	-	-	2,173,562
Prepays	10,012	5,675	-	-	-	15,687
Advances to other funds	351,911	-	-	-	-	351,911
Restricted cash and investments	-	-	12,089,597	1,218,781	1,827,771	15,136,149
Total assets	\$ 11,702,662	\$ 1,310,185	\$ 12,089,597	\$ 1,501,339	\$ 4,684,253	\$ 31,288,036
Liabilities						
Accounts payable	\$ 219,523	\$ 15,345	\$ 1,456,203	\$ -	\$ 97,258	\$ 1,788,329
Due to other funds	-	-	-	-	2,173,562	2,173,562
Accrued payroll and other payroll liabilities	1,015,063	-	-	-	17,604	1,032,667
Retainage payable	-	337,917	262,921	-	-	600,838
Deposits	246,822	-	-	-	-	246,822
Advances from other funds	-	-	-	-	85,830	85,830
Unearned revenue	212,527	19,610	-	-	219,188	451,325
Total Liabilities	1,693,935	372,872	1,719,124	-	2,593,442	6,379,373
Deferred inflows of resources:						
Unavailable revenue - taxes	1,028,918	-	-	233,553	10,701	1,273,172
Unavailable revenue - other	10,000	1,122,436	-	-	35,930	1,168,366
Total deferred inflows of resources	1,038,918	1,122,436	-	233,553	46,631	2,441,538
Fund Balances						
Nonspendable	2,183,574	-	-	-	-	2,183,574
Restricted	-	-	10,370,473	1,267,786	3,621,043	15,259,302
Committed	-	-	-	-	156,197	156,197
Assigned	606,790	-	-	-	150,482	757,272
Unassigned	6,179,445	(185,123)	-	-	(1,883,542)	4,110,780
Total fund balances	8,969,809	(185,123)	10,370,473	1,267,786	2,044,180	22,467,125
Total liabilities, deferred inflows of resources and fund balances	\$ 11,702,662	\$ 1,310,185	\$ 12,089,597	\$ 1,501,339	\$ 4,684,253	\$ 31,288,036

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

City of McMinnville, Oregon
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2018

Total fund balances - governmental funds \$ 22,467,125

Amounts reported for governmental activities in the statement of net position are different because:

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

Capital assets	\$ 174,144,545	
Accumulated depreciation	<u>(78,813,712)</u>	95,330,833

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

Property taxes earned but not available	1,273,172	
Other receivables earned but not available	1,168,366	
Deferred outflows of resources - pension and OPEB	<u>8,108,936</u>	10,550,474

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

Net pension liability	(16,245,779)	
Bonds payable	(38,619,642)	
Deferred amount on bond refunding	322,217	
Pension related debt	(2,361,633)	
Interest payable	(447,093)	
Other post employment benefits payable	(1,530,731)	
Compensated absences payable	(898,846)	
Deferred inflows of resources - pension and OPEB	<u>(1,280,772)</u>	(61,062,279)

Internal service funds are used by management to charge costs of insurance and information systems and services to individual funds. Assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

2,161,361

Total net position - governmental activities \$ 69,447,514

City of McMinnville, Oregon
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General	Airport Maintenance	Transportation	Debt Service	Total Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 12,625,747	\$ -	\$ -	\$ 3,335,228	\$ 204,046	\$ 16,165,021
Special assessments	-	-	-	-	59,565	59,565
Licenses and permits	2,748,786	-	-	-	1,226,581	3,975,367
Intergovernmental	1,960,038	5,006,047	544,874	-	2,193,185	9,704,144
Charges for services	2,894,376	308,928	325,256	-	220,402	3,748,962
Fines and forfeitures	638,281	-	-	-	-	638,281
Miscellaneous	849,377	7,210	182,658	18,439	80,194	1,137,878
Total revenues	<u>21,716,605</u>	<u>5,322,185</u>	<u>1,052,788</u>	<u>3,353,667</u>	<u>3,983,973</u>	<u>35,429,218</u>
Expenditures						
Current:						
General government	2,196,722	-	-	-	913,381	3,110,103
Community development	1,681,015	-	-	-	-	1,681,015
Public Safety	11,499,767	-	-	-	829,331	12,329,098
Highways and streets	-	-	1,176,052	-	1,835,134	3,011,186
Culture and recreation	5,153,281	-	-	-	153,155	5,306,436
Airport	-	592,666	-	-	-	592,666
Capital outlay:						
Highways and streets	-	-	9,486,575	-	1,071,392	10,557,967
Culture and recreation	-	-	-	-	1,141	1,141
Airport	-	5,550,052	-	-	-	5,550,052
Debt service:						
Principal	328,741	-	155,400	2,405,000	-	2,889,141
Interest	175,353	-	45,848	1,012,100	56,027	1,289,328
Total expenditures	<u>21,034,879</u>	<u>6,142,718</u>	<u>10,863,875</u>	<u>3,417,100</u>	<u>4,859,561</u>	<u>46,318,133</u>
Excess (deficiency) of revenues over (under) expenditures	<u>681,726</u>	<u>(820,533)</u>	<u>(9,811,087)</u>	<u>(63,433)</u>	<u>(875,588)</u>	<u>(10,888,915)</u>
Other Financing Sources (Uses)						
Loan premium	-	-	289,575	-	-	289,575
Issuance of debt	-	-	7,915,000	-	-	7,915,000
Lease proceeds	136,045	-	-	-	-	136,045
Transfers from other funds	295,882	-	400,000	102,919	911,152	1,709,953
Transfers to other funds	(1,507,701)	-	-	-	(915,753)	(2,423,454)
Total other financing sources (uses)	<u>(1,075,774)</u>	<u>-</u>	<u>8,604,575</u>	<u>102,919</u>	<u>(4,601)</u>	<u>7,627,119</u>
Net change in fund balances	(394,048)	(820,533)	(1,206,512)	39,486	(880,189)	(3,261,796)
Fund balances - beginning	9,363,857	635,410	11,576,985	1,228,300	2,924,369	25,728,921
Fund balances - ending	<u>\$ 8,969,809</u>	<u>\$ (185,123)</u>	<u>\$ 10,370,473</u>	<u>\$ 1,267,786</u>	<u>\$ 2,044,180</u>	<u>\$ 22,467,125</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, 2018

Net change in fund balances - governmental funds \$ (3,261,796)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is the difference between capital outlays and depreciation in the current period.

Capital asset expenditures	\$ 17,372,112	
Current year depreciation expense	<u>(3,374,866)</u>	13,997,246

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	-	
Change in property taxes earned but not available	63,005	
Change in other revenues earned but not available	<u>941,580</u>	1,004,585

In the statement of activities, only the gain on the sale of capital assets is reported.

However, in governmental funds, the proceeds from these sales increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets disposed.

Cost	(68,374)	
Accumulated depreciation	<u>42,164</u>	(26,210)

Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments on long-term obligations	2,915,925	
Increases in long-term obligations	(8,340,620)	
Amortization of premium - general obligation bonds	287,248	
Amortization of deferred charge on bond refunding	<u>(36,825)</u>	(5,174,272)

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

Change in compensated absences	(97,255)	
Change in other post employment benefits	23,842	
Change in pension liability	683,476	
Change in accrued interest	<u>77,812</u>	687,875

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

Net revenue		<u>329,098</u>
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Change in net position - governmental activities \$ 7,556,526

City of McMinnville, Oregon
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 12,382,150	\$ 12,382,150	\$ 12,625,747	\$ 243,597
Licenses and permits	2,434,850	2,434,850	2,748,786	313,936
Intergovernmental	1,455,008	1,690,121	1,960,038	269,917
Charges for services	1,448,953	1,448,953	1,454,396	5,443
Fines and forfeitures	554,800	554,800	638,281	83,481
Miscellaneous	763,419	840,819	793,350	(47,469)
Total revenues	<u>19,039,180</u>	<u>19,351,693</u>	<u>20,220,598</u>	<u>868,905</u>
Expenditures				
General government:				
Administration	1,173,438	1,173,438	1,113,287	60,151
Finance	764,389	770,889	758,469	12,420
Community development:				
Engineering	1,035,290	1,035,290	989,326	45,964
Planning	693,772	771,172	691,689	79,483
Public safety:				
Police	8,246,883	8,246,883	7,941,648	305,235
Municipal court	515,651	515,651	488,911	26,740
Fire	3,018,518	3,238,631	3,149,529	89,102
Culture and recreation:				
Parks and recreation	2,714,181	2,714,181	2,448,986	265,195
Park maintenance	1,176,863	1,176,863	1,138,230	38,633
Library	1,600,625	1,609,125	1,566,065	43,060
Non-departmental	423,775	423,775	423,773	2
Contingencies	900,000	900,000	-	900,000
Total expenditures	<u>22,263,385</u>	<u>22,575,898</u>	<u>20,709,913</u>	<u>1,865,985</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,224,205)</u>	<u>(3,224,205)</u>	<u>(489,315)</u>	<u>2,734,890</u>
Other Financing Sources (Uses)				
Lease proceeds	-	-	136,045	136,045
Transfers from other funds	1,958,059	1,958,059	1,966,457	8,398
Transfers to other funds	(2,059,242)	(2,059,242)	(1,949,618)	109,624
Total other financing sources (uses)	<u>(101,183)</u>	<u>(101,183)</u>	<u>152,884</u>	<u>254,067</u>
Net change in fund balances	<u>(3,325,388)</u>	<u>(3,325,388)</u>	<u>(336,431)</u>	<u>2,988,957</u>
Fund balances - beginning	5,988,535	5,988,535	7,132,679	1,144,144
Fund balances - ending	<u>\$ 2,663,147</u>	<u>\$ 2,663,147</u>	<u>6,796,248</u>	<u>\$ 4,133,101</u>
Add (subtract):				
Outstanding interfund loan			<u>2,173,562</u>	
Fund balance, modified accrual basis			<u>8,969,810</u>	
Reconciliation:				
Charges for services, budgetary basis			\$ 1,454,396	
Transfers from other funds - services provided			1,439,980	
Charges for services, modified accrual basis			<u>\$ 2,894,376</u>	
Expenditures, budgetary basis			\$ 20,709,913	
Transfers to other funds - services provided			324,966	
Expenditures, modified accrual basis			<u>\$ 21,034,879</u>	
Other financing sources (uses), budgetary basis			\$ 152,884	
Transfers from other funds - services provided			(1,439,980)	
Transfers from other funds - interfund loan repayment			(230,595)	
Transfers to other funds - services provided			324,966	
Transfers to other funds - interfund loan			116,952	
Other financing sources (uses), modified accrual basis			<u>\$ (1,075,773)</u>	

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

City of McMinnville, Oregon
Airport Maintenance Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 4,397,451	\$ 6,586,082	\$ 5,006,047	(1,580,035)
Charges for services	249,210	249,210	308,928	59,718
Miscellaneous	16,800	16,800	7,210	(9,590)
Total revenues	<u>4,663,461</u>	<u>6,852,092</u>	<u>5,322,185</u>	<u>(1,529,907)</u>
Expenditures				
Airport:				
Materials and services	574,586	581,451	468,764	112,687
Capital Outlay	3,999,241	6,200,072	5,550,052	650,020
Contingencies	300,000	300,000	-	300,000
Total expenditures	<u>4,873,827</u>	<u>7,081,523</u>	<u>6,018,816</u>	<u>1,062,707</u>
Excess (deficiency) of revenues over (under)	<u>(210,366)</u>	<u>(229,431)</u>	<u>(696,631)</u>	<u>(467,200)</u>
Other Financing Sources (Uses)				
Transfers to other funds	<u>(123,902)</u>	<u>(123,902)</u>	<u>(123,902)</u>	<u>-</u>
Total other financing sources (uses)	<u>(123,902)</u>	<u>(123,902)</u>	<u>(123,902)</u>	<u>-</u>
Net change in fund balances	<u>(334,268)</u>	<u>(353,333)</u>	<u>(820,533)</u>	<u>(467,200)</u>
Fund balances, budgetary basis - beginning	808,459	808,459	635,410	(173,049)
ending	<u>\$ 474,191</u>	<u>\$ 455,126</u>	<u>\$ (185,123)</u>	<u>\$ (640,249)</u>
Reconciliation:				
Expenditures, budgetary basis			\$ 6,018,816	
Transfers to other funds - services			123,902	
Expenditures, modified accrual basis			<u>\$ 6,142,718</u>	
Other financing sources (uses), budgetary basis			\$ (123,902)	
Transfers to other funds - services			123,902	
Other financing sources (uses), modified accrual basis			<u>\$ -</u>	

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

City of McMinnville, Oregon
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-Type Activities			Governmental	
	Enterprise Funds			Activities	
	Wastewater Services	Ambulance	Non-major Building	Total	Internal Service Funds
Assets					
Current assets:					
Cash and investments	\$ 25,691,596	\$ -	\$ 1,331,881	\$ 27,023,477	\$ 2,169,692
Receivables, net of allowance for uncollectibles	773,884	1,264,864	531	2,039,279	-
Due from component unit	733,698	-	-	733,698	-
Prepays	640	-	-	640	-
Total current assets	27,199,818	1,264,864	1,332,412	29,797,094	2,169,692
Non-current assets:					
Capital assets:					
Non-depreciable capital assets	1,325,371	2,420	-	1,327,791	-
Depreciable capital assets	104,310,613	930,576	381,887	105,623,076	2,323,590
Accumulated depreciation	(51,214,460)	(547,438)	(152,555)	(51,914,453)	(1,866,292)
Total non-current assets	54,421,524	385,558	229,332	55,036,414	457,298
Total assets	81,621,342	1,650,422	1,561,744	84,833,508	2,626,990
Deferred outflow of resources					
Deferred outflow of resources - pension	971,532	1,940,966	71,349	2,983,847	187,778
Deferred outflow of resources - OPEB	10,961	19,755	1,888	32,604	2,332
Total deferred outflows	982,493	1,960,721	73,237	3,016,451	190,110
Liabilities					
Current liabilities:					
Accounts payable	150,475	15,399	42,883	208,757	43,980
Advances from other funds	-	266,081	-	266,081	-
Retainage payable	1,000	-	-	1,000	-
Accrued payroll and other payroll liabilities	40,608	71,792	8,730	121,130	8,908
Other liabilities	-	-	-	-	91,848
Unearned revenue	1,300	-	-	1,300	-
Compensated absences	99,348	144,429	19,148	262,925	31,108
Total current liabilities	292,731	497,701	70,761	861,193	175,844
Non-current liabilities:					
Pension related debt - due in one year	22,266	44,480	2,952	69,698	-
Other post employment benefits	183,357	287,807	32,147	503,311	36,084
Net pension liability	1,856,725	3,709,439	136,327	5,702,491	358,868
Pension related debt	275,627	531,553	18,214	825,394	55,715
Total non-current liabilities	2,337,975	4,573,279	189,640	7,100,894	450,667
Total liabilities	2,630,706	5,070,980	260,401	7,962,087	626,511
Deferred inflow of resources					
Deferred inflow of resources - pension	134,553	268,815	9,881	413,249	26,006
Deferred inflow of resources - OPEB	15,148	27,302	2,609	45,059	3,222
Total deferred inflows	149,701	296,117	12,490	458,308	29,228
Net Position					
Net investment in capital assets	54,421,524	385,558	229,332	55,036,414	457,298
Restricted for:					
Building	-	-	1,132,758	1,132,758	-
Unrestricted	25,401,904	(2,141,512)	-	23,260,392	1,704,063
Total net position	\$ 79,823,428	\$ (1,755,954)	\$ 1,362,090	\$ 79,429,564	\$ 2,161,361

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

City of McMinnville, Oregon
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities				Governmental Activities
	Enterprise Funds				Internal Service Funds
	Wastewater Services	Ambulance	Non-major Building	Total	
Operating Revenues					
Charges for services	\$ 9,764,579	\$ 3,051,950	\$ 829,577	\$ 13,646,106	\$ 1,986,029
Intergovernmental	-	160,509	-	160,509	-
Miscellaneous	10,482	34,823	2,433	47,738	89,054
Total operating revenues	<u>9,775,061</u>	<u>3,247,282</u>	<u>832,010</u>	<u>13,854,353</u>	<u>2,075,083</u>
Operating Expenses					
Personnel services	1,861,240	3,499,634	223,847	5,584,721	441,004
Materials and services	1,898,554	729,386	190,928	2,818,868	1,264,224
Depreciation	3,086,653	148,081	13,228	3,247,962	54,940
Total operating expenses	<u>6,846,447</u>	<u>4,377,101</u>	<u>428,003</u>	<u>11,651,551</u>	<u>1,760,168</u>
Operating income (loss)	<u>2,928,614</u>	<u>(1,129,819)</u>	<u>404,007</u>	<u>2,202,802</u>	<u>314,915</u>
Nonoperating Revenues (Expenses)					
Investment earnings	317,028	-	15,644	332,672	14,183
Gain on disposal of capital assets	1,907	-	-	1,907	-
Other revenue	19,622	999	-	20,621	-
Total nonoperating revenues (expenses)	<u>338,557</u>	<u>999</u>	<u>15,644</u>	<u>355,200</u>	<u>14,183</u>
Income (loss) before contributions and transfers	<u>3,267,171</u>	<u>(1,128,820)</u>	<u>419,651</u>	<u>2,558,002</u>	<u>329,098</u>
Capital Contributions and Transfers					
System development revenue	411,498	-	-	411,498	-
Transfers from other funds	-	800,000	-	800,000	-
Transfers to other funds	-	(86,500)	-	(86,500)	-
Total capital contributions and transfers	<u>411,498</u>	<u>713,500</u>	<u>-</u>	<u>1,124,998</u>	<u>-</u>
Change in net position	<u>3,678,669</u>	<u>(415,320)</u>	<u>419,651</u>	<u>3,683,000</u>	<u>329,098</u>
Net position - beginning, as originally reported	76,189,674	(1,259,684)	950,175	75,880,165	1,842,325
Restatement	(44,915)	(80,950)	(7,736)	(133,601)	(10,062)
Net position - beginning, restated	<u>76,144,759</u>	<u>(1,340,634)</u>	<u>942,439</u>	<u>75,746,564</u>	<u>1,832,263</u>
Total net position - ending	<u>\$ 79,823,428</u>	<u>\$ (1,755,954)</u>	<u>\$ 1,362,090</u>	<u>\$ 79,429,564</u>	<u>\$ 2,161,361</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, 2018

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	Wastewater	Ambulance	Building	Total	Internal Service Funds
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 9,618,831	\$ 3,511,298	\$ 832,266	\$ 13,962,395	\$ -
Receipts from interfund services provided	-	-	-	-	1,993,591
Other operating receipts - insurance reimbursements	-	-	-	-	87,167
Payments to suppliers	(2,142,470)	(735,338)	(156,235)	(3,034,043)	(1,332,414)
Payments to employees	(1,980,244)	(3,593,372)	(311,295)	(5,884,911)	(426,296)
Net cash from operating activities	<u>5,496,117</u>	<u>(817,412)</u>	<u>364,736</u>	<u>5,043,441</u>	<u>322,048</u>
Cash Flows From Non-Capital Financing Activities					
Principal paid on pension-related obligations	(19,399)	(10,670)	(27,597)	(57,666)	1,593
Cash received for rental revenue	19,622	999	-	20,621	-
Transfers from other funds	-	913,583	-	913,583	-
Transfers to other funds	-	(86,500)	-	(86,500)	-
Net cash from non-capital financing activities	<u>223</u>	<u>817,412</u>	<u>(27,597)</u>	<u>790,038</u>	<u>1,593</u>
Cash Flows From Capital and Related Financing Activities					
Additions to capital assets	(1,495,479)	-	-	(1,495,479)	-
Proceeds on the disposition of capital assets	5,000	-	-	5,000	-
Development charges and fees	411,498	-	-	411,498	-
Net cash from capital and related financing activities	<u>(1,078,981)</u>	<u>-</u>	<u>-</u>	<u>(1,078,981)</u>	<u>-</u>
Cash Flows From Investing Activities					
Interest received	317,028	-	15,644	332,672	14,183
Increase (decrease) in cash and investments	4,734,387	-	352,783	5,087,170	337,824
Cash and investments - beginning	20,957,209	-	979,098	21,936,307	1,831,868
Cash and investments - ending	<u>\$ 25,691,596</u>	<u>\$ -</u>	<u>\$ 1,331,881</u>	<u>\$ 27,023,477</u>	<u>\$ 2,169,692</u>
Reconciliation of Operating Income (Loss) to					
Net Cash From Operating Activities					
Operating income (loss)	\$ 2,928,614	\$ (1,129,819)	\$ 404,007	\$ 2,202,802	\$ 314,915
Adjustments to reconcile operating income (loss)					
to net cash from operating activities:					
Depreciation	3,086,653	148,081	13,228	3,247,962	54,940
Net pension expense	(117,038)	(64,967)	(99,713)	(281,718)	3,397
Change in current assets and liabilities:					
Receivables	(143,902)	264,016	256	120,370	-
Due from component unit	(12,328)	-	-	(12,328)	-
Prepays	3,051	5,000	-	8,051	5,675
Accounts payable	(240,961)	(10,952)	34,693	(217,220)	(75,402)
Retainage payable	(6,006)	-	-	(6,006)	-
Compensated absences	6,436	(12,608)	8,277	2,105	12,510
Other post employment benefits	(7,439)	(13,408)	(1,281)	(22,128)	(1,582)
Accrued payroll and other payroll liabilities	(963)	(2,755)	5,269	1,551	383
Other liabilities	-	-	-	-	7,212
Net cash from operating activities	<u>\$ 5,496,117</u>	<u>\$ (817,412)</u>	<u>\$ 364,736</u>	<u>\$ 5,043,441</u>	<u>\$ 322,048</u>

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



NOTES TO BASIC FINANCIAL STATEMENTS

- I. Summary of Significant Accounting Policies
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City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

I. Summary of Significant Accounting Policies

The financial statements of the City of McMinnville, Oregon (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements require the application of all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component unit. *Governmental Activities*, which are normally supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from a legally separate *component unit* for which the primary government is financially accountable.

B. 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 units, McMinnville Water and Light Department (Department) and McMinnville Urban Renewal Agency (Agency). 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. 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. Blended Component Unit

In accordance with GASB Statement No. 61, the activities of the McMinnville Urban Renewal Agency (the Agency) are included in the City's financial statements as a blended component unit. The Agency is a legally separate entity, created in July 2013, which is governed by a board comprised of the City Council, as stipulated in the bylaws. The Council has the ability to impose its will on the Agency as determined on the basis of budget adoption, taxing authority, and funding. The purpose of the Agency is to undertake urban renewal projects and activities pursuant to the City's downtown and NE Gateway District redevelopment plans. The financial results of the Agency are reported herein as one debt service fund and one capital projects fund. The Agency also prepares a separate component unit financial report which may be obtained from the Agency's administrative offices at 230 NE Second Street, McMinnville, Oregon 97128.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

3. 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.

C. Basic Financial Statements

1. Government-Wide Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally 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.

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

The *Statement of Net Position* presents information on all of the City's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as net position.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from a function or segment or are otherwise directly affected by it; 2) operating grants and contributions that are restricted to meeting requirements of a particular function or segment; and 3) capital grants and contributions that are restricted to meeting requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

2. Fund Financial Statements

Fund financial statements present information at the individual fund level. Funds are classified and summarized as governmental, proprietary, or fiduciary type. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are combined into a single column in the fund financial statements and are detailed in the supplemental information. Internal service funds are also combined into a single column in the fund financial statements and are detailed in the supplemental information. The City does not report any fiduciary funds.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

D. Measurement Focus and Basis of Accounting

Government-wide financial statements and proprietary fund financial statements are presented using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Capital assets are capitalized and depreciated, and City debt is reported as a liability with premiums and discounts amortized over the life of the debt.

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*. *Measurable* means the amount of the transaction can be determined and 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. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

An unavailable revenue deferred inflow arises on the balance sheets of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes not deemed available to finance operations of the current period. In the government-wide statement of activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the deferred inflow created on the balance sheets of the governmental funds for unavailable revenue, is eliminated.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenses affecting the economic resource status of the government are recognized.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the basic financial statements.

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, 2018

E. Financial Statement Presentation

The financial transactions of the City are recorded in individual funds. A fund is an independent accounting entity with a self-balancing set of accounts comprised of assets, liabilities, deferred inflows/outflows of resources, fund balances, revenues, and expenditures. Fund accounting segregates resources according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

Accounting principles generally accepted in the United States of America (GAAP) set forth minimum criteria for the determination of major funds. The City elected to include the Airport Maintenance fund as major funds due to community interest.

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.
- 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 property taxes levied for payment of principal and interest on general obligation bonds.
- Transportation Fund – accounts for the acquisition and construction of major capital projects related to highways and roads.

Additionally, the City reports non-major funds within the governmental classification which include the following fund types:

- Special Revenue Funds – account for revenue sources that are restricted or committed to expenditures for specific purposes.
- Capital Projects Funds – account for the acquisition and construction of major capital projects other than those being financed by proprietary funds.
- Urban Renewal Debt Service Fund – accounts for urban renewal tax increment revenue and payment of principal and interest on urban renewal debt.

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.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

- Ambulance Fund – accounts for emergency medical services revenues, the General Fund operating support, and related expenses.

The City reports one non-major enterprise fund, the Building Fund.

The City also reports internal service funds within the proprietary fund type. The City's internal service funds include a fund which accounts for the City's property, liability, and workers' compensation insurance and a fund which accounts for computer support, including personnel services, repairs and maintenance, and software and hardware purchases.

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance

1. Cash and Investments

Cash and investments, including restricted cash and investments, consist of cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and the State of Oregon Local Government Investment Pool (LGIP) deposits. Investments in the LGIP are stated at share value, which approximates fair value, and is the value at which the shares can be withdrawn.

The LGIP is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any public funds. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

The City's investment policy, adopted by the City Council, essentially mirrors the requirements of the Oregon Revised Statutes. Currently, the City's investment portfolio consists of investments in the LGIP and a Public Money Market Savings account.

Investments are stated at fair value. Fair value is based on current market prices. Changes in the fair value of investments are recognized as revenue. GASB Statement 72, *Fair Value Measurement and Application*, which was implemented by the City in the fiscal year ending June 30, 2016, provides a fair value hierarchy that prioritized the inputs for valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). There was no material impact to the financial statements caused by the implementation of GASB Statement 72.

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

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

collected within 60 days subsequent to year-end are considered *measurable* and *available* and are recognized as revenues. All other property taxes receivable are offset by deferred inflows of resources as they are deemed unavailable to finance operations of the current period.

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

Receivables of the proprietary fund types and the Department are recorded as revenue when earned. Accounts receivables in the Department also include estimated revenues, that are accrued for power and water deliveries not yet billed to customers from meter reading dates prior to month end (unbilled revenue) and are reversed in the following year when the billings occur. In the Department, the allowance for uncollectible accounts is determined by considering a number of factors, including the length of time trade accounts receivable are past due, the customer's previous loss history, the customer's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. In the Ambulance Fund, a collection percentage is calculated based on payments as a percentage of total charges. To estimate the allowance for uncollectible accounts, the collection percentage is applied to the year-end accounts receivable balance.

3. Inventories and Prepaid Items

Inventories of the Department are valued at the lower of average cost or market and charged against operations or construction in progress as used.

In both government-wide and fund financial statements, certain payments to vendors reflect costs applicable to future City accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Restricted Assets

Certain cash and investments are restricted, including unspent proceeds from bond and other debt issues, and certain monies received for capital improvements.

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 \$10,000 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. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. 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.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

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 acquisition value at the date of donation.

Land, land rights, and easements have an indefinite life and therefore are not amortized. Exhaustible assets of the City and the Department are depreciated using the straight-line method.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

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

6. Renewable Energy Certificates

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

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

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 to be current liabilities. For governmental activities, compensated absences are generally liquidated by the fund that incurred the liability. The significant fund incurring these liabilities is the General Fund. In the governmental fund financial statements, a liability for compensated absences is reported only if they have matured and thus become due.

8. Pension Obligations

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, the City's net pension (asset)/liability, deferred inflows and outflows of resources related to pensions, and pension expense have been determined on the same

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

basis as they are reported by Oregon Public Employees Retirement System (OPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Other Postemployment Benefit Obligations

The City and Department implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ending June 30, 2018. GASB 75 replaces the requirements of GASB Statement 45, GASB Statement 57, and GASB Statement 74. Specifically, GASB 75 recognizes the long-term obligation for health and life insurance benefits offered to retirees. The accounting change adopted to conform to the provisions of GASB 75 has been applied by adjusting the beginning net position for the fiscal year ended June 30, 2018. GASB 75 was early implemented for the year ending June 30, 2017 for post employment benefits related to the City's Length of Service Awards Program (LOSAP) provided as a pension benefit to volunteer fire fighters. See Note IV.D.2 for more information on this OPEB plan.

OPERS - Retirement Health Insurance Account. For purposes of measuring the net OPEB liability/asset, deferred outflows of resources and deferred inflows of resources to OPEB, and OPEB expense, information about the fiduciary net position of the OPERS and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are report by OPERS. For this purpose, OPERS recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

City County Insurance Services (CIS). For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources to OPEB, and OPEB expense, the City has relied on actuarial reports. The City allows retired employees to purchase health insurance at the same rates as active employees. The related expense is recognized as the City pays premiums to CIS; the actuarial valuation of the OPEB liability/asset, along with deferred inflows and outflows related to pensions, includes the calculated cost of providing future benefits to current employees.

10. Long-Term Debt

In the government-wide and proprietary fund type financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Premiums, discounts and deferred amounts on refunding are amortized over the life of the related debt issue. Long-term debt payable is reported net of the related unamortized premium or discount. Issuance costs are reported as period costs in the year of issue.

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.

11. Pensions

A pension liability is reported in government-wide and proprietary fund financial statements as a liability in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Interest and amortization are reported as pension expense in the government wide statement of activities for governmental and business-type activities, and as operating expense in the proprietary funds.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows or resources related to pension, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

12. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two types of deferred inflows that qualify for reporting in this category. *Unavailable revenue* from property taxes is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The governmental funds report unavailable revenues from two sources: property taxes and donations where a timing requirement has not been met. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also reports deferred amounts related to pension. This amount is deferred and recognized as an inflow of resources in the period when the City recognizes pension income. Deferred inflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

13. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

14. Fund Balance

In the governmental fund financial statements, fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepayments.

Fund balance is reported as restricted when the constraints placed on the use of the resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority are 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 during the adoption of the annual budget.

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

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

the General Fund. This classification is also used to report deficit fund balance amounts in other governmental funds.

The City considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. For unrestricted fund balance amounts, the City considers that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

A formal fund balance policy was adopted by the City Council in fiscal year 2011-12. The fund balance policy establishes a goal for General Fund unassigned fund balance levels and is intended to serve as a guide for important budgetary decisions. The policy recommends that cash flow needs, bond credit ratings, unforeseen emergencies, and capital reserves should be considered in determining the minimum fund balance level. Generally, 25 percent of General Fund annual budgeted expenditures provides an adequate cash reserve to cover operating expenditures prior to the receipt of current year property tax revenues. The policy does not stipulate the conditions under which the fund balance may fall below the minimum, but, rather, establishes a target amount that the City believes should be maintained to provide a reasonable level of assurance that day-to-day operations can continue if revenues are insufficient to cover expenditures.

G. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows, the disclosure of contingent assets, liabilities and deferred inflows at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

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, 2018

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. Two General Fund supplemental budgets were approved by the City Council during the current fiscal year. 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 one appropriation transfer during the fiscal year ending June 30, 2018. 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, 2018 was unmodified. The fair value of the City's position in the Pool at June 30, 2017 was 100 percent of the value of the Pool shares. The Pool does not have a credit quality rating by a nationally recognized statistical rating organization and is therefore unrated.

At year end, the City's total book balance for deposits with financial institutions was \$7,668,156 and the bank balance was \$8,186,828. The City's bank balances were covered by \$250,000 Federal Depository Insurance. 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.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

At June 30, 2018, the City's cash and investment balances were as follows:

Cash held in city offices	\$	3,535
Deposits with financial institutions		7,668,156
Cash with fiscal agent		606,790
Oregon State Local Government Investment Pool – City's general account		35,143,648
Oregon State Local Government Investment Pool – Transportation Bond proceeds		9,587,794
Oregon State Local Government Investment Pool – Park System Improvement Bond proceeds		666,330
Oregon State Local Government Investment Pool – Urban Renewal Loan Proceeds		295,723
Total City cash and investments	<u>\$</u>	<u>53,971,976</u>

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

	<u>Governmental Activities</u>	<u>Business-type Activites</u>	<u>Total</u>
Cash and investments			
Unrestricted	\$ 11,812,351	\$ 27,023,477	\$ 38,835,828
Restricted	15,136,149	-	15,136,149
Total cash and investments	<u>\$ 26,948,500</u>	<u>\$ 27,023,477</u>	<u>\$ 53,971,977</u>

At June 30, 2018, the Department's cash and investment balances were as follows:

	<u>Fair Value</u>
Cash on hand	\$ 1,700
Deposits with financial institutions	5,569,051
Oregon State Local Government Investment Pool	42,412,718
Total Department cash and investments	<u>\$ 47,983,469</u>

Custodial credit risk is the risk that, in the event of failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy relating to custodial credit risk. At June 30, 2018, 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.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

B. Receivables

1. Government Funds and Governmental Activities

Receivables as of year-end for the City's governmental individual major, non-major funds in the aggregate and internal service funds are as follows:

Receivables:	General	Airport Maintenance	Debt Service	Total Non-Major	Governmental Activities
Accounts	\$ 616,823	\$ 1,127,357	\$ -	\$ 579,799	\$ 2,323,979
Fire Fees	4,152	-	-	-	4,152
Property Taxes	1,029,227	-	233,244	7,701	1,270,172
Cash with county	202,235	-	49,314	5,906	257,455
Assessments	1,829	-	-	35,922	37,751
Total	\$ 1,854,266	\$ 1,127,357	\$ 282,558	\$ 629,328	\$ 3,893,509

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

	Total Governmental
Gross Revenue	\$ 16,708,114
Less: discounts, etc.	(480,088)
Net revenue	\$ 16,228,026

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

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

2. Business-Type Activities

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

	Wastewater	Ambulance	Building	Business-type Activities
Accounts receivable	\$ 773,884	\$ 1,516,798	\$ 531	\$ 2,291,213
Less: allowance for uncollectable accounts	-	(251,934)	-	(251,934)
Net receivables	\$ 773,884	\$ 1,264,864	\$ 531	\$ 2,039,279

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

Gross revenue	\$ 3,566,914
Less: medical write-offs	(514,964)
Net revenue	\$ 3,051,950

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

3. Non-Cancellable Leases

The City leases certain property with an approximate net capital cost of \$1,535,000 under long-term operating leases. For fiscal year ended June 30, 2018 total depreciation expense was \$34,388. As of June 30, 2018, accumulated depreciation was \$1,346,000. The minimum future payments to be received under these non-cancellable leases are approximately as follows:

June 30,	
2019	\$ 199,300
2020	55,100
2021	51,000
2022	56,800
2023	56,800
2024-28	262,228
Thereafter	403,760
Total	\$ 1,084,988

4. Department

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

Accounts and notes receivable	\$ 4,631,869
Less: allowance for uncollectibles	(48,284)
Net receivables	\$ 4,583,585

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

C. Capital Assets

In the government-wide financial statements, the City's governmental activities' capital asset activity for the year ended June 30, 2018 is illustrated in the following table. Activity includes additions, dispositions, annual depreciation expense and adjustments.

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Non-depreciable:					
Land	\$ 28,374,346	\$ 233,626	\$ -	\$ -	\$ 28,607,972
Easements	1,922,196	-	-	-	1,922,196
Public art	193,235	-	-	-	193,235
Construction in progress	7,307,889	16,773,397	-	(8,202,301)	15,878,985
Total non-depreciable	<u>37,797,666</u>	<u>17,007,023</u>	<u>-</u>	<u>(8,202,301)</u>	<u>46,602,388</u>
Depreciable:					
Land improvements	18,724,478	23,435	-	-	18,747,913
Buildings	32,711,584	90,151	-	-	32,801,735
Machinery and equipment	6,188,149	46,256	-	-	6,234,405
Vehicles	4,967,044	188,577	(68,374)	-	5,087,247
Infrastructure	58,775,476	16,670	-	8,202,301	66,994,447
Total depreciable	<u>121,366,731</u>	<u>365,089</u>	<u>(68,374)</u>	<u>8,202,301</u>	<u>129,865,747</u>
Accumulated depreciation:					
Land improvements	(11,001,899)	(781,822)	-	-	(11,783,721)
Buildings	(19,233,682)	(738,052)	-	-	(19,971,734)
Machinery and equipment	(5,376,171)	(260,794)	-	-	(5,636,965)
Vehicles	(3,235,059)	(269,037)	42,164	-	(3,461,932)
Infrastructure	(38,445,551)	(1,380,101)	-	-	(39,825,652)
Total accumulated depreciation	<u>(77,292,362)</u>	<u>(3,429,806)</u>	<u>42,164</u>	<u>-</u>	<u>(80,680,004)</u>
Governmental activities capital assets, net	<u>\$ 81,872,035</u>	<u>\$ 13,942,306</u>	<u>\$ (26,210)</u>	<u>\$ -</u>	<u>\$ 95,788,131</u>

At June 30, 2018, the City's government-wide governmental activities construction in progress consisted of costs related to park system and street improvement bond projects.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 146,258
Community development	37,156
Public safety:	
Police	492,710
Fire	251,260
Emergency communications	33,504
Highways and streets	1,396,436
Culture and recreation:	
Parks and recreation	638,300
Library	35,172
Airport	344,070
Internal service fund capital asset depreciation in the government- wide financial	54,940
Total governmental activities depreciation expense	<u>\$ 3,429,806</u>

In the government-wide financial statements and proprietary fund financial statements, the City's business-type activities' capital asset activity for the year ended June 30, 2018 is illustrated in the following table. Activity includes additions, dispositions, annual depreciation expense, and adjustments.

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Non-depreciable:					
Land	\$ 785,223	\$ -	\$ -	\$ -	\$ 785,223
Easements	241,444	-	-	-	241,444
Construction in progress	704,378	325,200	-	(728,454)	301,124
Total non-depreciable	1,731,045	325,200	-	(728,454)	1,327,791
Depreciable:					
Land improvements	84,445	-	-	-	84,445
Buildings	54,338,511	-	(31,009)	639,799	54,947,301
Machinery and equipment	2,303,187	154,786	-	-	2,457,973
Vehicles	1,704,676	43,043	(150,283)	-	1,597,436
Infrastructure	45,474,816	972,450	-	88,655	46,535,921
Total Depreciable	103,905,635	1,170,279	(181,292)	728,454	105,623,076
Accumulated depreciation:					
Land improvements	(74,095)	(1,906)	-	-	(76,001)
Buildings	(33,609,894)	(2,010,898)	27,915	-	(35,592,877)
Machinery and equipment	(1,572,496)	(151,086)	-	-	(1,723,582)
Vehicles	(989,494)	(119,565)	150,283	-	(958,776)
Infrastructure	(12,598,710)	(964,507)	-	-	(13,563,217)
Total accumulated depreciation	(48,844,689)	(3,247,962)	178,198	-	(51,914,453)
Business-type activities capital assets, net	\$ 56,791,991	\$ (1,752,483)	\$ (3,094)	\$ -	\$ 55,036,414

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

At June 30, 2018, the City's business-type activities construction in progress consisted of costs related to a remodel project at the Fire Hall, with costs allocated to the Fire Department and the Ambulance Fund.

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

Wastewater	\$ 3,086,653
Ambulance	148,081
Building	13,228
Total business-type activities depreciation expense	\$ 3,247,962

The Department's capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable:				
Land	\$ 7,275,223	\$ 327,202	\$ -	\$ 7,602,425
Construction in progress	2,369,936	4,110,541	(2,371,878)	4,108,599
Total non-depreciable	9,645,159	4,437,743	(2,371,878)	11,711,024
Depreciable:				
Structures and improvements	9,021,935	218,320	-	9,240,255
Water treatment plant	35,000,022	5,476	-	35,005,498
Supply and distribution systems	115,605,220	2,145,388	(377,926)	117,372,682
Furniture and equipment	2,825,940	276,048	-	3,101,988
Transportation equipment	2,993,944	363,792	(136,000)	3,221,736
Total depreciable	165,447,061	3,009,024	(513,926)	167,942,159
Accumulated depreciation:				
Electric plant	(23,673,034)	(1,822,248)	541,180	(24,954,102)
Water plant	(26,306,851)	(1,649,422)	20,937	(27,935,336)
Transportation equipment	(1,745,916)	(264,396)	22,605	(1,987,707)
Total accumulated depreciation	(51,725,801)	(3,736,066)	584,722	(54,877,145)
Governmental activities capital assets, net	\$ 123,366,419	\$ 3,710,701	\$ (2,301,082)	\$ 124,776,038

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

D. Interfund Balances and Transfers

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

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

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	\$ 74,559
Major enterprise fund - Wastewater Fund	Department	733,698
		<u>\$ 808,257</u>

In the government-wide financial statements, the amounts reported as due to/due from balances between the primary government and component unit do not equal. The Department inadvertently netted an invoice that it considered due from the City with the amount it reported as due to component unit on its Statement of Net Position. The invoice for \$16,893 had already been paid and should not have been included. As a result, the Department's due to component unit is understated by \$16,893.

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Interfund Transfers:

	Transfers In:					Total
	General Fund	Transportation Fund	Debt Service Fund	Nonmajor Governmental funds	Enterprise Fund Ambulance Fund	
Transfer Out:						
General Fund	\$ -	\$ -	\$ -	\$ 707,700	\$ 800,000	\$ 1,507,700
Nonmajor Governmental Funds	295,882	400,000	102,919	116,952	-	915,753
Ambulance Fund	-	-	-	86,500	-	86,500
	<u>\$ 295,882</u>	<u>\$ 400,000</u>	<u>\$ 102,919</u>	<u>\$ 911,152</u>	<u>\$ 800,000</u>	<u>\$ 2,509,953</u>

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

E. Due to/from other funds

Receivable Fund	Payable fund	
General Fund	Non major governmental funds	<u>\$2,173,562</u>

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

The amount payable to the General Fund relates to monthly loans from the General Fund to the Urban Renewal fund for accounts payable, a loan for preliminary urban renewal feasibility study costs, and a loan for street improvements in the urban renewal district, as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2019	\$ 116,262
2020	146,060
2021	149,060
2022	152,120
2023	155,230
2024-2029	825,240
2029-2032	629,590
Total	<u>\$ 2,173,562</u>

F. Renewable Energy Certificates (REC) – Department

As of June 30, 2018, the Department has 268,300 RECs banked in its Western Renewable Energy Generation Information System (WREGIS) account, valued at \$3.59 per REC, for a total value of \$962,137. The value of these RECs is based on management’s estimate of fair value.

The Department also holds 259,836 in its WREGIS account for RECs received from Waste Management Renewable Energy. As these RECs are internally generated, they have no corresponding value on the statement on net position at June 30, 2018.

G. Regulatory Asset - Conservation Charges - Department

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

H. Lease Obligations

In 2018, the City entered into a lease agreement as lessee to finance the acquisition of three police patrol vehicles valued at \$135,000. This lease agreement qualifies as a capital lease for accounting purposes and has been recorded at the present value of future minimum lease payments at the inception date. The vehicles have a 10-year estimated useful life. In 2018, \$7,000 was included in accumulated depreciation.

The future minimum lease obligations and the net present value of these minimum leases payments as of June 30, 2018, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 23,918	\$ 6,794
2020	25,461	5,251
2021	27,103	3,609
2022	28,851	1,861
Total	<u>\$ 105,333</u>	<u>\$ 17,515</u>

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

I. 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 and transportation improvements and new public safety and civic hall buildings.

The Park System Improvement and Transportation Bonds are subject to federal arbitrage rebate calculations, although there is no contingent rebatable arbitrage liability as of June 30, 2018 related to these bonds.

The 2006 Public Safety and Civic Buildings Bonds were subject to federal arbitrage rebate calculations. The final calculation was completed in 2016 and there is no contingent rebatable arbitrage liability as of June 30, 2018.

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

2. Full Faith and Credit Obligations

Full Faith and Credit obligations include a loan to purchase fire equipment and a loan from Oregon Department of Transportation related to the Newberg-Dundee Bypass. The fire equipment loan is subject to interest at 3.1% through June 30, 2024 at which time the interest rate will be adjusted based on current market rates. The loan may be prepaid without penalty after June 30, 2021.

In October 2016, the City entered into a financing agreement with JPMorgan Chase Bank to borrow \$3,525,860 to refinance the City's OPERS transition liability. The loan is subject to interest at 2.73% through 2027. The debt will be repaid from both governmental activities and business-type activities, \$2,573,102 and \$952,758, respectively.

In October 2016, the City also entered into a financing agreement with JPMorgan Chase Bank to borrow \$2,192,300 for urban renewal related capital improvements. The loan is subject to interest at 2.04% through 2031.

Annual debt service requirements to maturity for governmental activities, including general obligation bonds and full faith and credit obligations, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 3,102,808	\$ 1,370,475
2020	3,250,559	1,284,705
2021	3,366,202	1,172,751
2022	3,377,920	1,070,509
2023	2,850,026	944,792
2024-2028	15,351,519	2,799,750
2029-2033	6,796,128	463,176
Total	<u>\$ 38,095,162</u>	<u>\$ 9,106,158</u>

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

Annual debt service requirements to maturity for business-type activities for full faith and credit obligations, are as follows:

Year Ending June 30,	Principal	Interest
2019	\$ 69,112	\$ 23,971
2020	74,321	22,049
2021	79,787	19,984
2022	85,529	17,766
2023	91,549	15,391
2024-2028	494,723	35,205
Total	\$ 895,021	\$ 134,366

3. Pension Related Debt

In 2001 the City and Department became members of OPERS Local Government Rate Pool (LGRP). Subsequent to the City joining the LGRP, the Oregon legislature merged the LGRP with the State/Community College Pool, forming the State and Local Government Rate Pool (SLGRP). In 2001, the City elected to become a member of the SLGRP.

Upon joining the LGRP in 2001, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis.

The City and Department elected to pay the balance owed on the PERS transition liability in 2016. The City entered into a financing agreement, as disclosed in Note III.G.2, to pay its share of the transition liability. The Department used available cash to pay its share.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds					
Series 2011 - Parks, interest 2.0-4.0% , original issue \$5,590,000, due 2021	\$ 2,920,000	\$ -	\$ (555,000)	\$ 2,365,000	\$ 570,000
Series 2015 - Public Safety Refunding, interest 2.5-5.0% , original issue \$7,235,000, due 2030	7,170,000	-	(650,000)	6,520,000	670,000
Series 2015 - Transportation, interest 2.5-5.0% , original issue \$16,085,000, due 2030	14,675,000	-	(1,200,000)	13,475,000	875,000
Series 2018 - Transportation, interest 3-4% , original issue \$7,915,000, due 2033	-	7,915,000	-	7,915,000	440,000
Full Faith and Credit Obligations					
2014 Loan - Fire Equipment, interest 3.1-variable% , original amount \$1,370,000, due 2021	1,147,989	-	(80,321)	1,067,668	82,831
2015 Loan - Dundee Bypass, interest 2.26% , total amount \$3,209,600, due 2036	2,223,510	-	(150,997)	2,072,513	154,409
2016 Urban Renewal Improvements, interest 2.04% , total amount \$2,192,300, due 2031	2,192,300	-	(35,000)	2,157,300	100,000
2018 Lease - Police Vehicles, interest 6.45% , original issue \$136	-	136,045	(30,712)	105,333	23,918
Plus: Bond premium	2,996,048	232,519	(287,248)	2,941,319	-
	<u>33,324,847</u>	<u>8,283,564</u>	<u>(2,989,278)</u>	<u>38,619,133</u>	<u>2,916,158</u>
Pension-related debt (PERS transition liability)					
2016 Loan,PERS transition liability refinancing interest 2.73% , total amt of \$3,525,860, due 2027	2,573,102	-	(155,754)	2,417,348	186,668
Other post-employment benefits	1,245,043	394,908	(57,806)	1,582,145	-
Total Governmental Activities	<u>\$ 37,142,992</u>	<u>\$ 8,678,472</u>	<u>\$ (3,202,838)</u>	<u>\$ 42,618,626</u>	<u>\$ 3,102,826</u>
Business-Type Activities					
Pension-related debt (PERS transition liability)					
2016 Loan,PERS transition liability refinancing interest 2.73% , total amt of \$3,525,860, due 2027	\$ 952,758	\$ -	\$ (57,737)	\$ 895,021	\$ 69,112
Other post-employment benefits	391,838	124,339	(28,195)	487,982	-
Total Business-Type Activities	<u>\$ 1,344,596</u>	<u>\$ 124,339</u>	<u>\$ (85,932)</u>	<u>\$ 1,383,003</u>	<u>\$ 69,112</u>

Internal service funds predominantly serve the governmental funds. Accordingly, internal service funds' long-term liabilities of \$36,084 and \$55,715 for other post-employment benefits and pension related debt are included as part of the totals for governmental activities.

For governmental activities, other post-employment benefits are generally liquidated by the fund that incurred the liability. The significant fund incurring these liabilities is the General Fund.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

J. Fund Balances

Fund balances by classification for the year ended June 30, 2018 were as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Airport</u>	<u>Transportation</u>	<u>Debt Service</u>	<u>Other Government Funds</u>	<u>Total Government Funds</u>
Nonspendable:						
In Form:	\$ 2,183,574	\$ -	\$ -	\$ -	\$ -	\$ 2,183,574
Restricted for:						
Street Maintenance	-	-	-	-	2,097,925	2,097,925
Tourism Promotion	-	-	-	-	208,750	208,750
Capital Projects	-	-	10,370,473	-	1,314,368	11,684,841
Debt Service	-	-	-	1,267,786	-	1,267,786
Committed to:						
Emergency	-	-	-	-	156,197	156,197
Assigned to:						
LOSAP	606,790	-	-	-	-	606,790
Special Assessments	-	-	-	-	148,632	148,632
Telecommunications	-	-	-	-	1,850	1,850
Unassigned:	6,179,445	(185,124)	-	-	(1,883,542)	4,110,779
Total fund balances	\$ 8,969,809	\$ (185,124)	\$ 10,370,473	\$ 1,267,786	\$ 2,044,180	\$ 22,467,124

IV. Other Information

A. Risk Management

1. City

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees. The City is covered for comprehensive liability, property, auto liability and physical damage, employer's liability, and workers' compensation insurance through City County Insurance Services (CIS), a public entity risk pool. The pooling agreement does not permit the pool to make additional assessments to its members in the event of unanticipated losses.

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

2. Department

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees. The Department is covered for comprehensive liability, property, auto liability and physical damage, employer's liability, and workers' compensation insurance through City County Insurance Services (CIS), a public entity risk pool.

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

B. Deferred Compensations Plans

The City offers employees two deferred compensation plans and the Department offers employees one deferred compensation plan created in accordance with Internal Revenue Code Section 457. All plan assets are maintained by separate deferred compensation companies and are valued at market. The

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

plans permit employees to defer a portion of their salary until future years. The City does not contribute to the plan. 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. Employees are immediately vested in all contributions to the plan.

C. Other Post-Employment Benefits (OPEB)

The other postemployment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for a retiree post-employment healthcare plan, which is administered by City County Insurance Services (CIS) Trust, and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined benefit plan.

1. Post-Employment Healthcare Plan – City

Plan Description & Benefits Provided:

The City has a Post-Employment Healthcare Plan option available for retirees. It is a substantive postemployment benefits plan offered under Oregon Revised Statutes (ORS) 243. ORS 243.303 requires the City provide retirees and their dependents with an opportunity to participate in group health and dental insurance from the date of retirement to age 65, and the rate would be calculated using claims experience from retirees and active employees for health plan rating purposes. Providing the same rate to retirees as provided to current employees constitutes an implicit rate subsidy for OPEB. This single-employer "plan" is not a stand-alone plan and therefore does not issue its own financial statements.

Employees covered by benefit terms:

At July 1, 2016, the following employees were covered by the benefit terms:

Active employees	170	
Retired employees	8	
Total	178	
	178	

OPEB Liability:

The City's total Post-Employment Healthcare Plan OPEB liability as of June 30, 2018 is \$2,122,140.

Actuarial assumptions and other inputs: The total OPEB liability was determined by an actuarial valuation, as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

Valuation date	July 1, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry Age Normal

Actuarial assumptions:

Inflation rate	2.50%
Discount rate	3.58%
Projected salary increases (weighted average)	3.50%
Healthcare cost trend rate	7.50% - 5.00%
Dental cost trend rate (Per year)	4.50%

The discount rate was based on an assumed municipal bond rate of 3.58% which results in a rounded discount rate for GASB 75 liability of 3.60%.

Healthy Mortality rates used were based on the tables as detailed below:

<u>Employee Class</u>	<u>Mortality Tables</u>
All eligible employees	RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females.

The actuarial assumptions used in the June 30, 2017 valuation report were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2016.

Changes in Total OPEB Liability:

	Total OPEB Liability
BALANCE, June 30, 2017, as adjusted	\$ 2,120,198
Changes for the year:	
Service cost	156,197
Interest on total OPEB liability	64,110
Changes in assumptions or other inputs	(164,168)
Benefit payments	(54,197)
Net changes	<u>1,942</u>
BALANCE, June 30, 2018	<u>\$ 2,122,140</u>

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
Total OPEB Liability	\$ 2,352,331	\$ 2,122,140	\$ 1,912,960

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates:

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current health care trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 1,832,085	\$ 2,122,140	\$ 2,471,781

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2018, the City recognized an OPEB expense of \$205,649. At June 30, 2018, the City reported deferred inflows of resources related to OPEB from the following source:

	Outflows of Resources	Inflows of Resources
Differences between actual and expected experience	\$ -	\$ -
Changes of assumptions or inputs	-	(149,510)
Contributions made subsequent to measurement date***	63,858	n/a
Total	\$ 63,858	\$ (149,510)

***Amount shown is expected benefit payments in the current fiscal year.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2019	\$ 49,200
2020	(14,658)
2021	(14,658)
2022	(14,658)
2023	(14,658)
Thereafter	(76,220)
Total	\$ (85,652)

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

2. Oregon Public Employees' Retirement Systems (OPERS) Retirement Health Insurance Account (RHIA)

Plan Description - The City contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. ORS 238.420 established this trust fund and authorizes the Oregon Legislature to establish and amend the benefit provisions. PERS issues a publicly available financial report that includes financial statements and required supplementary information which can be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, telephone (503) 598-7377, or by URL <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Benefits Provided – RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible employees. 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 City, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. The plan has been closed to new entrants since January 1, 2004.

Contributions – 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. Participating cities are contractually required to contribute to RHIA at a rate assessed each year by PERS.

OPEB Assets, Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

At June 30, 2018, the City reported an asset of \$52,013 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation date as of December 31, 2015. The City's proportionate share of the RHIA net OPEB asset has been determined based on the City's contributions to the RHIA program (as reported by PERS) during the Measurement Period ending on the corresponding Measurement Date. The City's proportionate share at the current measurement was 0.17139914% and 0.18195731% at the prior measurement date.

For the year ended June 30, 2018, the City recognized an OPEB expense (income) of \$(284). At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Outflows(Inflows) of Resources
Net difference between projected and actual earnings on investments	\$ -	\$ (24,090)	\$ (24,090)
Changes in proportionate share	-	(1,521)	(1,521)
Total (prior to post-measurement date contributions)	-	(25,611)	(25,611)
Contributions made subsequent to measurement date	62,858	-	62,858
Net deferred outflow / (inflows) of resources	<u>\$ 62,858</u>	<u>\$ (25,611)</u>	<u>\$ 37,247</u>

\$62,858 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Changes in Proportionate Share	Outflow of Resources	Inflow of Resources
Fiscal Year Ending June 30, 2019	\$ (6,023)	\$ (563)	\$ (6,586)
2020	(6,023)	(563)	(6,586)
2021	(6,022)	(395)	(6,417)
2022	(6,022)	-	(6,022)
2023	-	-	-
Thereafter	-	-	-
Totals	<u>\$ (24,090)</u>	<u>\$ (1,521)</u>	<u>\$ (25,611)</u>

Actuarial Methods & Assumptions – The total OPEB liability in the December 31, 2015 actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation date	December 31, 2015
Measurement date	June 30, 2017
Actuarial cost method	Entry Age Normal
Experience study	2014, published September 23, 2015
Actuarial assumptions:	
Inflation rate	2.50%
Long-term expected rate of return	7.50%
Discount rate	7.50%
Projected salary increases	3.50%
Retiree healthcare participation:	
Healthy retirees	38%
Disabled retirees	20%
Healthcare cost trend rate	Not applicable

Mortality Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as describe in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct generational per Scale BB, disabled mortality table.

Discount rate – The discount rate used to measure the total OPEB liability at June 30, 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA plan's fiduciary net position was projected to be available to make all projected future benefit payment of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

Depletion Date Projection – GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB Liability. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

Assumed Asset Allocation:

Asset Class/Strategy	Range	Range	Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	14.0%	21.0%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			<u>100.0%</u>

Long-Term Expected Rate of Return – To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Return (Geometric)
Core Fixed Income	8.00 %	4.00 %
Short-Term Bonds	8.00	3.61
Bank/Leveraged Loans	3.00	5.42
High Yield Bonds	1.00	6.20
Large/Mid Cap US Equities	15.75	6.70
Small Cap US Equities	1.31	6.99
Micro Cap US Equities	1.31	7.01
Developed Foreign Equities	13.13	6.73
Emerging Market Equities	4.12	7.25
Non-US Small Cap Equities	1.88	7.22
Private Equity	17.50	7.97
Real Estate (Property)	10.00	5.84
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds - Diversified	2.50	4.64
Hedge Fund - Event-driven	0.63	6.72
Timber	1.88	5.85
Farmland	1.88	6.37
Infrastructure	3.75	7.13
Commodities	1.88	4.58
Assumed Inflation - Mean		2.50

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

Sensitivity of the City's proportionate share of the net OPEB asset to changes in the discount rate:

The following presents the City's proportionate share of the net OPEB liability/(asset), as well as what the City's proportionate share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) 1% Decrease (6.50%) Discount Rate (7.50%) 1% Increase (8.50%)

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net OPEB liability (asset)	\$ 7,250	\$ (52,013)	\$ (102,420)

The RHIA plan is unaffected by health care cost trends since the benefit is limited to a \$60 monthly payment toward Medicare companion insurance premiums. Consequently, disclosure of a healthcare cost trend analysis is not applicable.

OPEB plan fiduciary net position:

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued OPERS financial report.

Aggregate Net OPEB Liability/Asset, Pension Expense, & Net Deferred Outflow/Inflow of Resourced Related to OPEB:

The tables below present the aggregate balance (in millions) of the City's net OPEB liability/(asset), OPEB expense, and net deferred inflows and outflows as of June 30, 2018:

	Deferred Outflow of Resources	Deferred Inflow of Resources	Liability/(Asset)	OPEB Expense
Healthcare Plan (CIS)	\$ 63,858	\$ (149,510)	\$ 2,122,140	\$ 205,649
RHIA	62,858	(25,611)	(52,013)	(284)
Total	\$ 126,716	\$ (175,121)	\$ 2,070,127	\$ 205,365

D. Employee Retirement Pension Plan

1. Oregon Public Employees Retirement System (OPERS)

Plan Description. The City and the Department are participating employers in the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

ORS 238 Tier One/Tier Two Retirement Benefits. The PERS retirement allowance benefit is payable monthly for life. It may be selected from thirteen retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

average salary. A percentage (2 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General services employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of eligible service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60.

Death Benefits. Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met: (1) member was employed by a OPERS employer at the time of death; (2) member died within 120 days after termination of OPERS-covered employment; (3) member died as a result of injury sustained while employed in a OPERS-covered job; or (4) member was on an official leave of absence from a OPERS-covered job at the time of death.

Disability Benefits. A member with ten or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes after Retirement. Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law the cap on the cost-of-living changes in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

ORS 238A OPSRP Pension Program Benefits. The Pension Program provides benefits to members hired on or after August 29, 2003. Benefits under this portion of OPSRP provide a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

For police and fire members, 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

For general service members, 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65 or age 58 with 30 years of retirement credit.

Members become vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

Death Benefits. Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits. A member who has accrued ten or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes after Retirement. Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the cost-of-living changes in fiscal year 2016 and beyond will vary based on the amount of the annual benefit.

OPSRP Individual Account Program (IAP). An IAP member becomes vested on the date the employee account is established or on the date the rollover account is established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5, 10, 15, or 20 year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits. Upon the death of a non-retired member, the beneficiary receives, in a lump sum, the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum amount.

Recordkeeping. OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions. OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation. The City's rates for the year ended June 30, 2018 were 22.99 percent for OPERS members, 14.02 percent for general service OPSRP members, 18.79 percent for police and fire OPSRP members, and 6.00 percent for the Individual Account Program (IAP). The Department's rates are 16.49 for OPERS and 10.63 percent for OPSRP. The contribution requirements for plan members and the City and Department are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Employer contributions for the City and Department for the year ended June 30, 2018, were approximately \$2,421,000 and \$908,000, respectively, excluding amounts to fund employer specific liabilities.

A four-year Schedule of Contributions can be found in the Required Supplementary Information, which immediately follows the Notes in this report.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

Pension Assets, Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources related to Pensions

Information included in the following section for the Department is as reported in the "Report of Independent Auditors and Combined Financial Statements for McMinnville Water and Light Department" for fiscal years ending June 30, 2018 and 2017. Due to differences used by the City and the Department for calculation of pension liabilities, pension expenses, and deferred outflows and inflows of resources related to pensions, City and Department amounts, in the aggregate, do not agree to amounts reported by OPERS. Variances in these amounts are immaterial.

At June 30, 2018, the City and Department reported liabilities of \$21,330,356 and \$8,004,641, respectively for their proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Their proportionate shares were based on a projection of their long-term share of contributions to the pension plan relative to the projected contributions of all participating members of the cost sharing pool, actuarially determined. The City's proportionate share of the net pension liability as of the measurement date was 0.15823662 percent and the Department's proportion was 0.05938144 percent. The City's and Department's proportionate share at the prior measurement date was 0.16659065 percent and 0.06251645 percent, respectively.

For the year ended June 30, 2018, the City and Department recognized pension expense (income) of (\$964,028) and (\$1,898,013), respectively. The Department has elected to use regulatory accounting to recognize pension expense in conjunction with the required employer contribution rates. Accordingly, the Department recognized pension expense (income) related to Tier One/Tier Two and OPSRP of (\$361,768).

At June 30, 2018, the City and Department reported deferred outflows of resources and deferred inflows of resources related to pensions excluding LOSAP from the following sources:

	City		Department	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,031,545	\$ -	\$ 387,108	\$ -
Change of assumptions	3,888,144	-	1,459,103	-
Net difference between projected and actual earnings				
on pension plan investments	219,753	-	82,466	538,506
Changes in proportionate share	45,583	1,434,983	17,106	-
Differences between employer contributions and				
employer's proportionate share of contributions	3,555,488	110,779	1,334,267	41,572
Contributions subsequent to the measurement date	2,420,608	-	908,381	-
Total	<u>\$ 11,161,121</u>	<u>\$ 1,545,762</u>	<u>\$ 4,188,431</u>	<u>\$ 580,078</u>

For City and Department, the amount of the balance of deferred outflows of resources that will be recognized as a reduction of the net pension liability is \$2,420,608 and \$908,381, respectively.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

- Actuarial cost method
 - Amortization method

 - Equivalent single amortization period
 - Asset valuation method
 - Actuarial assumptions
 - Inflation rate
 - Long-Term Expected Rate of Return
 - Projected salary increases
 - Cost of Living Adjustment
 - Mortality
- Entry Age Normal
 Amortized as a level percentage of payroll; Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year); Amortization periods are closed
 Twenty years
 Market value of assets
 2.50 percent
 7.50 percent
 3.50 percent
 Blend of 2.00 percent COLA and graded COLA
 Healthy retirees and beneficiaries:
 RP-2000 Sex-distinct, generational per Scale BB with collar adjustments and set-backs as described in the valuation.

 Active members:
 Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation

 Disabled retirees:
 Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct generational per Scale BB, disabled mortality table

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Long-Term Expected Rate of Return. The long term expected rate of return is based on a consistent set of underlying assumptions for each asset class and includes adjustment for the inflation assumption. These assumptions are not based on historical return, but instead are based on a forward-looking capital market economic model. To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00 %	4.00 %
Short-Term Bonds	8.00	3.61
Bank/Leveraged Loans	3.00	5.42
High Yield Bonds	1.00	6.20
Large/Mid Cap US Equities	15.75	6.70
Small Cap US Equities	1.31	6.99
Micro Cap US Equities	1.31	7.01
Developed Foreign Equities	13.13	6.73
Emerging Market Equities	4.12	7.25
Non-US Small Cap Equities	1.88	7.22
Private Equity	17.50	7.97
Real Estate (Property)	10.00	5.84
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds - Diversified	2.50	4.64
Hedge Fund - Event-driven	0.63	6.72
Timber	1.88	5.85
Farmland	1.88	6.37
Infrastructure	3.75	7.13
Commodities	1.88	4.58
Assumed Inflation - Mean		2.50

Depletion Date Projection. GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; that is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

Based on these circumstances, it is PERS' independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the defined benefit pension plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's and Department's proportionate share of the net pension asset to changes in the discount rate. The following represents the City's proportionate share of the pension (asset)/liability calculated using the discount rate of 7.50 percent, as well as what the City's share of the net pension (asset)/liability would be if it were calculated using a discount rate that is one percentage point lower than the current rate or one percentage point higher than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of net pension (asset)/liability	\$ 3,629,972	\$ 21,330,356	\$ 8,770,465
Department's proportionate share of net pension (asset)/liability	1,362,219	8,004,641	3,291,292

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Payable to OPERS. At June 30, 2018, the City's payable to OPERS for defined benefit contributions was approximately \$280,000. This amount represents legally required contributions to the plan for services incurred in the current fiscal year. The Department did not have outstanding contributions at June 30, 2018.

Changes in Plan Provisions During the Measurement Period. On July 28, 2017, the OPERS Board adopted a 7.20% assumed rate. The adopted assumed rate will be effective January 1, 2018. The effect on the City's net pension liability is unknown and there were no changes during the June 30, 2017 measurement period that require disclosure.

Changes in Plan Provisions Subsequent to Measurement Date. On July 28, 2017, the OPERS Board adopted a 7.20% assumed rate. The adopted assumed rate will be effective January 1, 2018. The effect on the City's net pension liability is unknown and there were no changes subsequent to the June 30, 2017 measurement period that require disclosure.

Members of OPERS and OPSRP are required to contribute 6 percent of their salary covered under the plan which is invested in the IAP. The City and Department make this contribution on behalf of their employees. The City contributed approximately \$818,000 for the year ended June 30, 2018.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

2. McMinnville Fire Department Length of Service Awards Program

Plan Description

Effective July 1, 1994, the City established the McMinnville Fire Department Length of Service Awards Program (LOSAP), a non-qualified retirement plan for the City's volunteer fire fighters. The LOSAP is a length of service award plan as provided for in Internal Revenue Code Section 457(e)(11)(A)(ii). The purpose of the LOSAP is to provide a retirement income for volunteers in recognition of their service to the City. This is a single employer, stand-alone plan, which does not issue its own financial statements.

Plan Benefits

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.

Contributions.

The City's LOSAP plan is unfunded as defined by governmental accounting standards. Contributions to the plan are determined on a pay-as-you-go basis. The LOSAP Master Plan does not require the City to guarantee the pay out of benefits nor to continue the plan. In addition, it is not intended that any trust for the benefit of participants is to be created by setting aside assets and/or purchasing annuities. However, the City has set aside assets and/or purchased annuities to discharge all or part of its expected benefit payments under the LOSAP. These assets remain in the name of the City and do not qualify as plan assets.

At June 30, 2018 there were 21 active employees, 20 inactive employees that are entitled but not yet receiving benefit payments and 5 inactive employees that are receiving benefit payments.

Employer contributions for the City were \$86,451, \$90,250, and \$95,276 for fiscal years 2018, 2017, and 2016, respectively.

Pension Assets, Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources related to Pensions

For the year ended June 30, 2018, the LOSAP pension expense as defined by GASB 75 was \$51,665.

For the LOSAP plan, at June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City	
	Deferred Outflows of	Deferred Inflows of
Difference between expected and actual experience	\$ 27,661	\$ -
Change of assumptions	-	(47,425)
Total	\$ 27,661	\$ (47,425)

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

Deferred outflows of resources related to pensions will be recognized and deferred inflows of resources will be recognized in pension expense (income) as follows:

Year ended June 30:	Change in Assumptions	Change in Experience	Total
2019	\$ (8,413)	\$ 4,200	\$ (4,213)
2020	(8,413)	4,200	(4,213)
2021	(8,413)	4,200	(4,213)
2022	(8,413)	4,200	(4,213)
2023	(7,808)	4,101	(3,707)
Thereafter	(5,976)	6,768	792
	<u>\$ (47,436)</u>	<u>\$ 27,669</u>	<u>\$ (19,767)</u>

Actuarial Assumptions. Costs and liabilities for LOSAP were calculated using the entry age normal actuarial cost method.

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

Actuarial Methods and Assumptions.

- Valuation Date June 30, 2018
- Measurement Date June 30, 2018
- Actuarial cost method Entry Age Normal
- Actuarial assumptions
 - Discount Rate 3.87 percent
 - Inflation Rate 2.5 percent
 - Annuity Purchases-0 to 30 years 4.6 percent
 - Annuity Purchases-30+ years 3.0 percent
- Mortality rates RP 2014 Blue Collar generational tables projected forward using Scale MP 2017

Liabilities will be satisfied through the purchase of annuities. The cost of these annuities was based on the interest rates listed above.

Sensitivity of the proportionate share of the LOSAP net pension liability to changes in the discount rate. The following represents the proportionate share of the LOSAP pension liability calculated using the discount rate of 3.87 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Net pension (asset)/liability	\$ 1,017,087	\$ 976,812	\$ 938,454

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

Changes in total pension liability:

Beginning total pension liability:	\$ 1,004,271
Benefit payments	(86,451)
Service cost	18,686
Interest on total pension liability	37,192
Change in assumptions	(23,461)
Experience (gain)/loss	26,575
Change in total pension liability	(27,459)
Ending total pension liability	\$ 976,812

E. Commitments and Contingencies

1. City

At June 30, 2018, the City was committed to eleven contracts. In the major governmental funds, a total of approximately \$4,884,500 was committed for construction contracts, with \$2,739,000 for street improvement projects and \$265,300 for runway rehabilitation at the Municipal Airport. In the non-major fund for Urban Renewal \$220,000 was committed for construction contracts. In the Wastewater Fund, a business-type activity, approximately \$472,600 remained for Wastewater Facility Construction and \$3,669,000 on contracts for sanitary sewer rehabilitation projects.

The City purchases workers' compensation insurance from City County Insurance Services, a public entity risk pool. The initial premium contribution for the plan is calculated using a retrospective rate. The premium is then adjusted throughout the period of coverage based on the City's actual workers' compensation claims. The premium is subject to a minimum (initial contribution) and a maximum limit. The maximum limit is designed to compensate the insurer if larger than expected losses are incurred. At June 30, 2018, the City had five open plan years with a total potential remaining liability of \$1,160,000. The potential remaining liability is the difference between the premium that has been paid by the City and the maximum limit for the premium. For comparison purposes, workers' compensation retrospective plan premiums paid by the City in fiscal years ended June 30, 2018, 2017, and 2016 were \$187,000, \$235,000 and \$215,000, respectively.

In 2013, the City entered into a loan agreement with the Oregon Department of Transportation (ODOT) in the amount of \$3,209,600 at 2.26% interest per annum. The loan is to cover the City's portion of costs for Phase 1 of the Newberg-Dundee Bypass constructed by ODOT and will be repaid with Federal and State transportation funds. The City made a principal and interest payment on the City's share of ODOT's expended funds through February 2018. Principal and interest payments will continue until January 2036. At June 30, 2018 ODOT had expended approximately \$2,379,000 of City funds on the project and interest of approximately \$112,000 had accrued.

2. Department

The Department purchases power from Priest Rapids Development and Wanapum Development and is required to pay a portion of the development costs under these contracts through April 1, 2052, which coincides with the expiration of the new FERC license (unless terminated earlier under terms of the contract.) Costs associated with these contracts for the year ended June 30, 2018 were approximately \$662,000.

F. Major Customer and Supplier – Department

Department sales of electricity were made to one major commercial customer during the year ended June 30, 2018 in amounts exceeding ten percent of total sales. This customer accounted for approximately \$13,469,000 of revenues during the year ended June 30, 2018. At June 30, 2018, accounts receivable from this same customer amounted to approximately \$1,273,000.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

Department purchases were made from one major supplier of power, including supply, transmission and distribution during the year ended June 30, 2018 in amounts exceeding ten percent of the total of such purchases. The supplier accounted for \$31,000,000 of purchases during the year ended June 30, 2018. At June 30, 2018, amounts due to this same supplier, and included in accounts payable, amounted to \$2,507,000.

G. Jointly Governed Organization

1. City

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

YCOM is partially funded by member contributions, which are based on a cost-sharing formula determined by the YCOM Executive Board. The City paid \$793,000 in member contributions to YCOM in fiscal year 2018. YCOM also receives 911 Excise Taxes that are charged on telephone exchange access services and are collected by the State of Oregon. The City received approximately \$29,000 from YCOM for providing operational space within the Police Department.

The governing body of YCOM is a five-member Executive Board. The five members include the Sheriff of Yamhill County, a Yamhill County Commissioner, a representative of the City of McMinnville, a representative of YCOM's city members excluding the City of McMinnville, and a representative of YCOM's fire districts. The Sheriff serves as the Chair of the Executive Board. The Executive Board members have full voting powers over all areas affecting YCOM including budget, public policy, and administration.

Associate members do not receive direct public safety communication services but wish to remain affiliated with YCOM. Associate members may not serve on the Executive Board. Contributions for associate members are determined by the Executive Board.

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

H. BPA Overpayment - Department

The Residential Exchange Program (REP) is used to distribute financial benefits of the Federal Columbia River Power System to the residential and small farm customers of the region's investor-owned utilities (IOUs). On May 3, 2007, the United States Ninth Circuit Court of Appeals (Court) ruled that Bonneville Power Administration (BPA) exceeded its settlement authority in 2000 when it executed the REP settlements with six IOUs, holding that BPA's decision to allocate costs of the settlements to publicly-owned utilities were 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 2018 credits for 2002-2006 look back adjustments were \$1,089,000. Future look back credits have not yet been determined.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

I. McMinnville Rural Fire Protection District

McMinnville Rural Fire Protection District (MRFPD) contracts with the City for fire protection services. For fiscal year 2018, the City received \$365,000 from MRFPD for contract services, which is included in Fire Department Charges for Services in the Government Wide Statement of Activities and in the General Fund's Intergovernmental Revenue in the Fund Financial Statement of Revenues, Expenditures, and Changes in Fund Balances.

J. Restatement

Restatement of Net Position:

Based on implementation of GASB Statement 75, the City and Department restated the beginning net position for the governmental activities and business-type activities.

Net position has been restated as follows:

City:	Governmental Activities	Business-Type Activities	Total
Net position - beginning, as originally reported	\$ 62,276,634	\$ 75,880,165	\$ 138,156,799
Cumulative effect of change in accounting principle	(385,646)	(133,601)	(519,247)
Net position - beginning, as restated	\$ 61,890,988	\$ 75,746,564	\$ 137,637,552

Department:	Business-Type Activities
Net position - beginning, as originally reported	\$ 163,651,182
Cumulative effect of change in accounting principle	(1,187,975)
Net position - beginning, as restated	\$ 162,463,207

Restatement of Fund Balance:

In fiscal year 2016-2017 the City entered into a financing agreement with JPMorgan Chase to borrow \$2,192,300 for urban renewal capital projects. The full amount of the proceeds were placed in the Urban Renewal Capital Projects Fund. After the end of the fiscal year it was determined that \$163,000 of the bond proceeds could be used for reimbursement of costs already paid on eligible projects. That money was paid out of the Urban Renewal Debt Service Fund. Therefore, \$163,000 of the money placed in the Urban Renewal Capital Projects Fund should have gone into the Urban Renewal Debt Service Fund.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2018

There is no net effect on the Statement of Revenues, Expenditures, and Changes in Fund Balance for governmental funds because the restatement affects two non-major governmental funds.

	<u>Urban Renewal Debt Service Fund</u>	<u>Urban Renewal Capital Projects Fund</u>	<u>Total</u>
Fund balance - beginning, as originally reported	\$ (2,082,124)	\$ 1,538,021	\$ (544,103)
Effect of restatement	<u>163,000</u>	<u>(163,000)</u>	<u>-</u>
Fund balance - beginning, as restated	<u>\$ (1,919,124)</u>	<u>\$ 1,375,021</u>	<u>\$ (544,103)</u>

K. Deficit Fund Balance/Net Position

The following funds had a deficit fund balance/net position at June 30, 2018. These deficits will be financed through future revenues.

<u>Fund</u>	<u>Amount</u>
Airport Maintenance Fund	\$ (185,123)
Urban Renewal Debt Service Fund	\$ (1,883,542)
Ambulance Fund	\$ (1,755,954)



REQUIRED SUPPLEMENTARY INFORMATION

- Required Supplementary Information Schedules
- Notes to Required Supplementary Information



REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES

- Schedule of the Proportionate Share of OPEB Liability
- Schedule of Contributions to OPEB Liability
- Schedule of Changes in OPEB Liability
- Schedule of the Proportionate Share of the Net Pension Liability
- Schedule of Contributions



Required Supplementary Information

City of McMinnville, Oregon Schedule of the Proportionate Share of OPEB Liability For the last two fiscal years

City - OPERS Retirement Health Insurance Account

Measurement Date June 30,	Proportion of the net pension liability (asset) (a)	Proportionate share of the net pension liability (asset) (b)	Covered payroll (c)	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll (b/c)	Plan fiduciary net position as a percentage of the total pension liability
2017	0.12462946%	\$ (52,013)	\$ 12,704,671	-0.41%	108.90%
2016	0.13230662%	35,930	12,346,146		

Department - OPERS Retirement Health Insurance Account

Measurement Date June 30,	Proportion of the net pension liability (asset) (a)	Proportionate share of the net pension liability (asset) (b)	Covered payroll (c)	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll (b/c)	Plan fiduciary net position as a percentage of the total pension liability
2017	0.04676968%	\$ (19,519)	\$ 4,999,100	-0.39%	108.90%
2016	0.04965069%	13,483	4,876,213		

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Required Supplementary Information (Continued)

**City of McMinnville, Oregon
Schedule of Contributions to OPEB Liability
For the last two fiscal years**

City - OPERS Retirement Health Insurance Account

Year ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percent of covered payroll
	(a)	(b)	(a-b)	(c)	(b/c)
2018	\$ 62,455	\$ 62,455	\$ -	\$ 13,566,496	0.46%
2017	61,907	61,907	-	12,704,671	0.49%

Department - OPERS Retirement Health Insurance Account

Year ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percent of covered payroll
	(a)	(b)	(a-b)	(c)	(b/c)
2018	\$ 24,000	\$ 24,000	\$ -	\$ 4,865,881	0.49%
2017	23,000	23,000	-	4,999,100	0.46%

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

City of McMinnville, Oregon
Schedule of Changes in OPEB Liability
For the last fiscal year

City	OPEB Health Plan
Balance, June 30, 2017	\$ 2,120,198
Changes for the year:	
Service cost	156,197
Interest on OPEB liability	64,110
Changes in assumptions or other inputs	(164,168)
Benefit payments	(54,197)
Net changes	(1,942)
Balance, June 30, 2018	\$ 2,122,140

Department	OPEB Health Plan
Balance, June 30, 2017, as adjusted	\$ 2,463,025
Changes for the year:	
Service cost	88,568
Interest on OPEB liability	70,010
Changes in assumptions or other inputs	(138,226)
Benefit payments	(164,408)
Net changes	(144,056)
Balance, June 30, 2018	\$ 2,318,969

The OPEB Health Plan is a healthcare option available to City and Department retirees. The City and Department provide an implicit rate subsidy for the retiree post-employment health plan.

LOSAP is a length of service award plan for the City's volunteer fire fighters. The provides monthly pension payments to vested volunteer fire fighters s that have attained entitlement age. The plan is unfunded and contributions are determined on a pay-as- you go basis

Required Supplementary Information

City of McMinnville, Oregon Schedule of the Proportionate Share of the Net Pension Liability

City

Measurement Date June 30,	Proportion of the net pension liability (asset) (a)	Proportionate share of the net pension liability (asset) (b)	Covered payroll (c)	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll (b/c)	Plan fiduciary net position as a percentage of the total pension liability
2017	0.15823662%	\$ 21,330,356	\$ 12,704,671	167.89%	83.12%
2016	0.16659100%	25,009,124	12,346,146	202.47%	80.50%
2015	0.18762836%	10,772,610	11,689,472	92.16%	91.90%
2014	0.18541902%	(4,202,920)	11,141,496	-37.72%	103.60%
2013	0.18541902%	9,462,204	10,951,360	86.02%	91.97%

Department

Measurement Date June 30,	Proportion of the net pension liability (asset) (a)	Proportionate share of the net pension liability (asset) (b)	Covered payroll (c)	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll (b/c)	Plan fiduciary net position as a percentage of the total pension liability
2017	0.05938144%	\$ 8,004,641	\$ 4,999,100	160.12%	83.12%
2016	0.06251600%	9,385,171	4,876,213	192.47%	80.50%
2015	0.07041000%	3,990,001	4,858,713	81.83%	91.88%
2014	0.06593000%	(1,494,371)	4,665,911	-30.76%	103.60%
2013	0.06592673%	3,364,338	n/a	-	91.97%

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Required Supplementary Information (Continued)

City of McMinnville, Oregon Schedule of Contributions For the last four fiscal years

City

Year ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percent of covered payroll
	(a)	(b)	(a-b)	(c)	(b/c)
2018	\$ 2,420,608	\$ 2,420,608	\$ -	\$ 13,566,496	17.84%
2017	2,144,698	2,144,698	-	12,704,671	16.88%
2016	2,115,936	2,115,936	-	12,346,146	17.14%
2015	1,692,462	1,692,462	-	11,689,472	14.48%
2014	1,658,475	1,658,475	-	11,141,496	14.89%

Department

Year ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percent of covered payroll
	(a)	(b)	(a-b)	(c)	(b/c)
2018	\$ 908,381	\$ 908,381	\$ -	\$ 4,865,881	18.67%
2017	804,840	804,840	-	4,999,100	16.10%
2016	691,701	691,701	-	4,876,213	14.19%
2015	601,765	601,765	-	4,858,713	12.39%
2014	589,680	589,680	-	4,665,911	13.10%

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

City of McMinnville, Oregon
Notes to Required Supplementary Information
Year Ended June 30, 2018

Changes in Benefit Terms

The 2013 Oregon Legislature made a series of changes to PERS that lowered projected future benefit payments from the System. These changes included reductions to future Cost of Living Adjustments (COLA) made through Senate Bills 822 and 861. Senate Bill 822 also required the contribution rates scheduled to be in effect from July 2013 to June 2015 to be reduced. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

Changes of Assumptions

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability. The changes include the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated.

OTHER SUPPLEMENTARY INFORMATION

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



COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

- Governmental Funds
- Proprietary Funds



GOVERNMENTAL FUNDS

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





City of McMinnville, Oregon
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2018

Special Revenue Funds

	Special Assessment	Transient Lodging Tax	Telecomm- unications	Emergency Commun- ications	Street
Assets					
Cash and investments	\$ 150,985	\$ -	\$ 1,850	\$ 150,892	\$ 1,923,427
Receivables	35,922	294,580	61,799	8,222	207,534
Prepays	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total assets	186,907	294,580	63,649	159,114	2,130,961
Liabilities					
Accounts payable	2,345	-	61,799	2,917	15,432
Due to other funds	-	-	-	-	-
Accrued payroll and other payroll liabilities	-	-	-	-	17,604
Unearned revenue	-	-	-	-	-
Advances from other funds	-	85,830	-	-	-
Total liabilities	2,345	85,830	61,799	2,917	33,036
Deferred inflows of resources					
Deferred revenue taxes	-	-	-	-	-
Deferred revenue other	35,930	-	-	-	-
Total deferred inflows of resources	35,930	-	-	-	-
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	-	208,750	-	-	2,097,925
Committed	-	-	-	156,197	-
Assigned	148,632	-	1,850	-	-
Unassigned	-	-	-	-	-
Total fund balances	148,632	208,750	1,850	156,197	2,097,925
Total liabilities, deferred inflows of resources, and fund balances	\$ 186,907	\$ 294,580	\$ 63,649	\$ 159,114	\$ 2,130,961

Total	Debt Service	Capital Projects Funds			Total	Total Nonmajor Governmental Funds
	Urban Renewal Debt Service	Public Safety Facilities Constr	Park Development	Urban Renewal		
\$ 2,227,154	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,227,154
608,057	13,607	-	7,664	-	7,664	629,328
-	-	-	-	-	-	-
-	287,114	-	1,247,068	293,589	1,540,657	1,827,771
2,835,211	300,721	-	1,254,732	293,589	1,548,321	4,684,253
82,493	-	-	-	14,765	14,765	97,258
-	2,173,562	-	-	-	-	2,173,562
17,604	-	-	-	-	-	17,604
-	-	-	219,188	-	219,188	219,188
85,830	-	-	-	-	-	85,830
185,927	2,173,562	-	219,188	14,765	233,953	2,593,442
-	10,701	-	-	-	-	10,701
35,930	-	-	-	-	-	35,930
35,930	10,701	-	-	-	-	46,631
-	-	-	-	-	-	-
2,306,675	-	-	1,035,544	278,824	1,314,368	3,621,043
156,197	-	-	-	-	-	156,197
150,482	-	-	-	-	-	150,482
-	(1,883,542)	-	-	-	-	(1,883,542)
2,613,354	(1,883,542)	-	1,035,544	278,824	1,314,368	2,044,180
\$ 2,835,211	\$ 300,721	\$ -	\$ 1,254,732	\$ 293,589	\$ 1,548,321	\$ 4,684,253

City of McMinnville, Oregon
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

Special Revenue Funds

	Special Assessment	Transient Lodging Tax	Telecomm- unications	Emergency Commun- ications	Street
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	59,565	-	-	-	-
Licenses and permits	-	947,467	249,210	29,877	27
Intergovernmental	-	-	-	7,500	2,164,426
Charges for services	-	-	-	15,990	-
Miscellaneous	4,886	3,155	25	1,723	30,441
Total Revenues	64,451	950,622	249,235	55,090	2,194,894
Expenditures					
Current:					
General government:	65,902	598,269	249,210	-	-
Public Safety	-	-	-	829,331	-
Highways and streets	-	-	-	-	1,677,517
Culture and recreation	-	-	-	-	-
Capital outlay:					
Culture and recreation	-	-	-	-	-
Highways and streets	-	-	-	-	-
Debt service:					
Interest	-	-	-	-	-
Total expenditures	65,902	598,269	249,210	829,331	1,677,517
Excess (deficiency) of revenues over (under) expenditures	(1,451)	352,353	25	(774,241)	517,377
Other Financing Sources (Uses):					
Transfers from other funds	-	-	-	794,200	-
Transfers to other funds	-	(295,882)	-	-	(400,000)
Total other financing sources (Uses)	-	(295,882)	-	794,200	(400,000)
Net change in fund balances	(1,451)	56,471	25	19,959	117,377
Fund balance - beginning, as reported	150,083	152,279	1,825	136,238	1,980,548
Restatement	-	-	-	-	-
Fund balance - beginning, restated	150,083	152,279	1,825	136,238	1,980,548
Fund balances - ending	\$ 148,632	\$ 208,750	\$ 1,850	\$ 156,197	\$ 2,097,925

Total	Debt Service	Capital Projects Funds			Total	Nonmajor Governmental Funds
	Urban Renewal Debt Service	Public Safety Facilities Constr	Park Development	Urban Renewal		
\$ -	\$ 204,046	\$ -	\$ -	\$ -	\$ -	\$ 204,046
59,565	-	-	-	-	-	59,565
1,226,581	-	-	-	-	-	1,226,581
2,171,926	-	-	21,259	-	21,259	2,193,185
15,990	-	-	204,412	-	204,412	220,402
40,230	4,515	39	19,550	15,860	35,449	80,194
<u>3,514,292</u>	<u>208,561</u>	<u>39</u>	<u>245,221</u>	<u>15,860</u>	<u>261,120</u>	<u>3,983,973</u>
913,381	-	-	-	-	-	913,381
829,331	-	-	-	-	-	829,331
1,677,517	-	-	-	157,617	157,617	1,835,134
-	-	-	153,155	-	153,155	153,155
-	-	-	1,141	-	1,141	1,141
-	-	-	-	1,071,392	1,071,392	1,071,392
-	56,027	-	-	-	-	56,027
<u>3,420,229</u>	<u>56,027</u>	<u>-</u>	<u>154,296</u>	<u>1,229,009</u>	<u>1,383,305</u>	<u>4,859,561</u>
<u>94,063</u>	<u>152,534</u>	<u>39</u>	<u>90,925</u>	<u>(1,213,149)</u>	<u>(1,122,185)</u>	<u>(875,588)</u>
794,200	-	-	-	116,952	116,952	911,152
(695,882)	(116,952)	(2,919)	(100,000)	-	(102,919)	(915,753)
<u>98,318</u>	<u>(116,952)</u>	<u>(2,919)</u>	<u>(100,000)</u>	<u>116,952</u>	<u>14,033</u>	<u>(4,601)</u>
<u>192,381</u>	<u>35,582</u>	<u>(2,880)</u>	<u>(9,075)</u>	<u>(1,096,197)</u>	<u>(1,108,152)</u>	<u>(880,189)</u>
2,420,973	(2,082,124)	2,880	1,044,619	1,538,021	2,585,520	2,924,369
-	163,000	-	-	(163,000)	(163,000)	-
<u>2,420,973</u>	<u>(1,919,124)</u>	<u>2,880</u>	<u>1,044,619</u>	<u>1,375,021</u>	<u>2,422,520</u>	<u>2,924,369</u>
<u>\$ 2,613,354</u>	<u>\$ (1,883,542)</u>	<u>\$ -</u>	<u>\$ 1,035,544</u>	<u>\$ 278,824</u>	<u>\$ 1,314,368</u>	<u>\$ 2,044,180</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 72,300	\$ 72,300	\$ 59,565	\$ (12,735)
Miscellaneous	1,600	1,600	4,886	3,286
Total revenues	<u>73,900</u>	<u>73,900</u>	<u>64,451</u>	<u>(9,449)</u>
Expenditures				
General government:				
Materials and services	72,300	72,300	59,565	12,735
Contingencies	20,000	20,000	-	20,000
Total expenditures	<u>92,300</u>	<u>92,300</u>	<u>59,565</u>	<u>32,735</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,400)</u>	<u>(18,400)</u>	<u>4,886</u>	<u>23,286</u>
Other Financing Sources (Uses)				
Transfers to other funds	<u>(6,337)</u>	<u>(6,337)</u>	<u>(6,337)</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,337)</u>	<u>(6,337)</u>	<u>(6,337)</u>	<u>-</u>
Net change in fund balances	<u>(24,737)</u>	<u>(24,737)</u>	<u>(1,451)</u>	<u>23,286</u>
Fund balances, budgetary basis - beginning	150,357	150,357	150,083	(274)
Fund balances, budgetary basis - ending	<u>\$ 125,620</u>	<u>\$ 125,620</u>	<u>\$ 148,632</u>	<u>\$ 23,012</u>
Reconciliation:				
Expenditures, budgetary basis			\$ 59,565	
Transfers to other funds - services provided			6,337	
Other financing sources (uses), modified accrual basis			<u>\$ 65,902</u>	
Other financing sources (uses), budgetary basis			\$ (6,337)	
Transfers to other funds - services provided			6,337	
Other financing sources (uses), modified accrual basis			<u>\$ -</u>	

City of McMinnville, Oregon
Transient Lodging Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 670,674	\$ 955,674	\$ 947,467	\$ (8,207)
Miscellaneous	1,700	1,700	3,155	1,455
Total revenues	<u>672,374</u>	<u>957,374</u>	<u>950,622</u>	<u>(6,752)</u>
Expenditures				
General government:				
Materials and services	468,200	643,200	598,269	44,931
Total expenditures	<u>468,200</u>	<u>643,200</u>	<u>598,269</u>	<u>44,931</u>
Excess (deficiency) of revenues over (under) expenditures	<u>204,174</u>	<u>314,174</u>	<u>352,353</u>	<u>38,179</u>
Other Financing Sources (Uses)				
Transfers to other funds	(204,174)	(314,174)	(295,882)	18,292
Total other financing sources (uses)	<u>(204,174)</u>	<u>(314,174)</u>	<u>(295,882)</u>	<u>18,292</u>
Net change in fund balances	-	-	56,471	56,471
Fund balances, budgetary basis - beginning	-	-	152,279	152,279
Fund balances, budgetary basis - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,750</u>	<u>\$ 208,750</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 243,785	\$ 255,785	\$ 249,210	\$ (6,575)
Miscellaneous	100	100	25	(75)
Total revenues	<u>243,885</u>	<u>255,885</u>	<u>249,235</u>	<u>(6,650)</u>
Expenditures				
General government:				
Materials and services	243,785	255,785	249,210	6,575
Contingencies	1,450	1,450	-	1,450
Total expenditures	<u>245,235</u>	<u>257,235</u>	<u>249,210</u>	<u>8,025</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,350)</u>	<u>(1,350)</u>	<u>25</u>	<u>1,375</u>
Net change in fund balances	<u>(1,350)</u>	<u>(1,350)</u>	<u>25</u>	<u>1,375</u>
Fund balances - beginning	1,767	1,767	1,825	58
Fund balances - ending	<u>\$ 417</u>	<u>\$ 417</u>	<u>\$ 1,850</u>	<u>\$ 1,433</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 31,800	\$ 31,800	\$ 29,877	\$ (1,923)
Intergovernmental	7,500	7,500	7,500	-
Charges for services	15,730	15,730	15,990	260
Miscellaneous	1,000	1,000	1,723	723
Total revenues	<u>56,030</u>	<u>56,030</u>	<u>55,090</u>	<u>(940)</u>
Expenditures				
Public safety:				
Materials and services	855,616	855,616	829,331	26,285
Contingencies	75,000	75,000	-	75,000
Total expenditures	<u>930,616</u>	<u>930,616</u>	<u>829,331</u>	<u>101,285</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(874,586)</u>	<u>(874,586)</u>	<u>(774,241)</u>	<u>100,345</u>
Other Financing Sources (Uses)				
Transfers from other funds	809,600	809,600	794,200	(15,400)
Total other financing sources (uses)	<u>809,600</u>	<u>809,600</u>	<u>794,200</u>	<u>(15,400)</u>
Net change in fund balances	(64,986)	(64,986)	19,959	84,945
Fund balances - beginning	134,819	134,819	136,238	1,419
Fund balances - ending	<u>\$ 69,833</u>	<u>\$ 69,833</u>	<u>\$ 156,197</u>	<u>\$ 86,364</u>

City of McMinnville, Oregon
Street Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 50	\$ 50	\$ 27	\$ (23)
Intergovernmental	2,000,000	2,000,000	2,164,426	164,426
Miscellaneous	20,700	20,700	30,441	9,741
Total revenues	<u>2,020,750</u>	<u>2,020,750</u>	<u>2,194,894</u>	<u>174,144</u>
Expenditures				
Highways and streets:				
Personnel services	800,977	800,977	783,859	17,118
Materials and services	907,017	907,017	646,917	260,100
Capital Outlay	45,906	45,906	-	45,906
Contingencies	250,000	250,000	-	250,000
Total expenditures	<u>2,003,900</u>	<u>2,003,900</u>	<u>1,430,776</u>	<u>573,124</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,850</u>	<u>16,850</u>	<u>764,118</u>	<u>747,268</u>
Other Financing Sources (Uses)				
Transfers to other funds	(646,741)	(646,741)	(646,741)	-
Total other financing sources (uses)	<u>(646,741)</u>	<u>(646,741)</u>	<u>(646,741)</u>	<u>-</u>
Net change in fund balances	(629,891)	(629,891)	117,377	747,268
Fund balances, budgetary basis - beginning	1,827,275	1,827,275	1,980,548	153,273
Fund balances, budgetary basis - ending	<u>\$ 1,197,384</u>	<u>\$ 1,197,384</u>	<u>\$ 2,097,925</u>	<u>\$ 900,541</u>
Reconciliation:				
Expenditures, budgetary basis			\$ 1,430,776	
Transfers to other funds - services provided			246,741	
Expenditures, modified accrual basis			<u>\$ 1,677,517</u>	
Other financing sources (uses), budgetary basis			\$ (646,741)	
Transfers to other funds - services provided			246,741	
Other financing sources (uses), modified accrual basis			<u>\$ (400,000)</u>	

City of McMinnville, Oregon
Urban Renewal Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 176,710	\$ 176,710	\$ 204,046	\$ 27,336
Miscellaneous	2,400	2,400	4,515	2,115
Total revenues	<u>179,110</u>	<u>179,110</u>	<u>208,561</u>	<u>29,451</u>
Expenditures				
Debt service	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	<u>179,110</u>	<u>179,110</u>	<u>208,561</u>	<u>29,451</u>
Other Financing Sources (Uses)				
Transfers to other funds	(313,905)	(313,905)	(230,595)	83,310
Net change in fund balances	<u>(134,795)</u>	<u>(134,795)</u>	<u>(22,034)</u>	<u>112,761</u>
Fund balance - beginning, as reported	300,732	300,732	149,054	(151,678)
Restatement	-	-	163,000	163,000
Fund balance - beginning, restated	<u>300,732</u>	<u>300,732</u>	<u>312,054</u>	<u>11,322</u>
Fund balances - ending	<u>\$ 165,937</u>	<u>\$ 165,937</u>	<u>290,020</u>	<u>\$ 124,083</u>
Add (subtract):				
Interfund loan balance			(2,173,562)	
Fund balance, modified accrual basis			<u>\$ (1,883,542)</u>	
Reconciliation:				
Other financing sources (uses), budgetary basis			\$ (230,595)	
Transfers to other funds - interfund loan repayment			57,615	
Transfers to other funds - interfund loan interest			56,028	
Other financing sources (uses), modified accrual basis			<u>\$ (116,952)</u>	

City of McMinnville, Oregon
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 3,257,200	\$ 3,257,200	\$ 3,335,228	\$ 78,028
Miscellaneous	4,000	4,000	18,439	14,439
Total revenues	3,261,200	3,261,200	3,353,667	92,467
Expenditures				
Debt service	3,417,100	3,417,100	3,417,100	-
Excess (deficiency) of revenues over (under) expenditures	(155,900)	(155,900)	(63,433)	92,467
Other Financing Sources				
Transfers from other funds	103,052	103,052	102,919	(133)
Net change in fund balances	(52,848)	(52,848)	39,486	92,334
Fund balances - beginning	1,141,562	1,141,562	1,228,300	86,738
Fund balances - ending	\$ 1,088,714	\$ 1,088,714	\$ 1,267,786	\$ 179,072

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 100	\$ 100	\$ 39	\$ (61)
Other Financing (Uses)				
Transfers to other funds	(3,052)	(3,052)	(2,919)	133
Net change in fund balances	(2,952)	(2,952)	(2,880)	72
Fund balances, budgetary basis - beginning	2,952	2,952	2,880	(72)
Fund balances, budgetary basis - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 260,000	\$ 260,000	\$ 21,259	\$ (238,741)
Charges for services	248,860	248,860	204,412	(44,448)
Miscellaneous	341,288	341,288	19,550	(321,738)
Total revenues	<u>850,148</u>	<u>850,148</u>	<u>245,221</u>	<u>(604,927)</u>
Expenditures				
Culture and recreation:				
Materials and services	135,258	135,258	94,796	40,462
Capital outlay	1,545,330	1,545,330	1,141	1,544,189
Contingencies	3,356	3,356	-	3,356
Total expenditures	<u>1,683,944</u>	<u>1,683,944</u>	<u>95,937</u>	<u>1,588,007</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(833,796)</u>	<u>(833,796)</u>	<u>149,284</u>	<u>983,080</u>
Other Financing Sources (Uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	(158,359)	(158,359)	(158,359)	-
Total other financing sources (uses)	<u>(158,359)</u>	<u>(158,359)</u>	<u>(158,359)</u>	<u>-</u>
Net change in fund balances	(992,155)	(992,155)	(9,075)	983,080
Fund balances, budgetary basis - beginning	1,008,155	1,008,155	1,044,619	36,464
Fund balances, budgetary basis - ending	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 1,035,544</u>	<u>\$ 1,019,544</u>
Reconciliation:				
Expenditures, budgetary basis			\$ 95,937	
Transfers to other funds - services provided			58,359	
Expenditures, modified accrual basis			<u>\$ 154,296</u>	
Other financing sources (uses), budgetary basis			\$ (158,359)	
Transfers to other funds - services provided			58,359	
Other financing sources (uses), modified accrual basis			<u>\$ (100,000)</u>	

City of McMinnville, Oregon
Urban Renewal Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 7,900	\$ 7,900	\$ 15,860	\$ 7,960
Total revenues	<u>7,900</u>	<u>7,900</u>	<u>15,860</u>	<u>7,960</u>
Expenditures				
Materials and Services	237,141	237,141	132,591	104,550
Capital Outlay	1,132,000	1,132,000	1,071,392	60,608
Contingencies	51,631	51,631	-	51,631
Total expenditures	<u>1,420,772</u>	<u>1,420,772</u>	<u>1,203,983</u>	<u>216,789</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,412,872)</u>	<u>(1,412,872)</u>	<u>(1,188,123)</u>	<u>224,749</u>
Transfers from other funds	212,876	212,876	116,952	(95,924)
Transfers to other funds	(25,026)	(25,026)	(25,026)	-
Total other financing sources (uses)	<u>187,850</u>	<u>187,850</u>	<u>91,926</u>	<u>(95,924)</u>
Net change in fund balances	<u>(1,225,022)</u>	<u>(1,225,022)</u>	<u>(1,096,197)</u>	<u>128,825</u>
Fund balance - beginning, as reported	1,225,022	1,225,022	1,538,021	312,999
Restatement	-	-	(163,000)	(163,000)
Fund balance - beginning, restated	<u>1,225,022</u>	<u>1,225,022</u>	<u>1,375,021</u>	<u>149,999</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,824</u>	<u>\$ 278,824</u>
Reconciliation:				
Expenditures, budgetary basis			\$ 1,203,983	
Transfers to other funds - services provided			25,026	
Expenditures, modified accrual basis			<u>\$ 1,229,009</u>	
Other financing sources (uses), budgetary basis			\$ 91,926	
Transfers to other funds - services provided			25,026	
Other financing sources (uses), modified accrual basis			<u>\$ 116,952</u>	

City of McMinnville, Oregon
Transportation Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 600,887	\$ 600,887	\$ 544,874	\$ (56,013)
Charges for services	200,000	200,000	325,256	125,256
Miscellaneous	74,600	74,600	182,658	108,058
Total revenues	875,487	875,487	1,052,788	177,301
Expenditures				
Highways and streets:				
Materials and services	1,992,700	1,992,700	1,010,206	982,494
Capital outlay	11,322,000	11,322,000	9,486,575	1,835,425
Debt Service	201,248	201,248	201,248	-
Contingencies	500,000	500,000	-	500,000
Total expenditures	14,015,948	14,015,948	10,698,029	3,317,919
Excess (deficiency) of revenues over (under) expenditures	(13,140,461)	(13,140,461)	(9,645,241)	3,495,220
Other Financing Sources (Uses)				
Bonds issued	7,915,000	7,915,000	7,915,000	-
Premium on refunding bonds issued	-	-	289,575	289,575
Transfers from other funds	400,000	400,000	400,000	-
Transfers to other funds	(165,846)	(165,846)	(165,846)	-
Total other financing sources (uses)	8,149,154	8,149,154	8,438,729	289,575
Net change in fund balances	(4,991,307)	(4,991,307)	(1,206,512)	3,784,795
Fund balances, budgetary basis - beginning	11,457,792	11,457,792	11,576,985	119,193
Fund balances, budgetary basis - ending	\$ 6,466,485	\$ 6,466,485	\$ 10,370,473	\$ 3,903,988
Reconciliation:				
Expenditures, budgetary basis			\$ 10,698,029	
Transfers to other funds - services provided			165,846	
Expenditures, modified accrual basis			<u>\$ 10,863,875</u>	
Other financing sources (uses), budgetary basis			\$ 8,438,729	
Transfers to other funds - services provided			165,846	
Other financing sources (uses), modified accrual basis			<u>\$ 8,604,575</u>	

PROPRIETARY FUNDS

- Combining Statement of Net Position – Internal Service Funds
- Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds
- Combining Statement of Cash Flows – Internal Service Funds
- Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:
 - Wastewater Services Fund
 - Wastewater Capital Fund
 - Wastewater Services Fund Reconciliation of Budgetary Basis to Full Accrual Basis
 - Ambulance Fund
 - Building Fund
 - Information Systems & Services Fund
 - Insurance Services Fund



City of McMinnville
Combining Statement of Net Position
Internal Service Funds
June 30, 2018

	Information Systems & Services	Insurance Services	Total Internal Service Funds
Assets			
Current assets:			
Cash and investments	\$ 227,030	\$ 1,942,662	\$ 2,169,692
Total current assets	227,030	1,942,662	2,169,692
Non-current assets:			
Capital assets:			
Depreciable capital assets	2,323,590	-	2,323,590
Accumulated depreciation	(1,866,292)	-	(1,866,292)
Total Non-current assets	457,298	-	457,298
Total assets	684,328	1,942,662	2,626,990
Deferred outflows of resources			
Deferred outflow of resources - pension	187,778	-	187,778
Deferred outflow of resources - OPEB	2,332	-	2,332
Total deferred outflows of resources	190,110	-	190,110
Liabilities			
Current liabilities:			
Accounts payable	22,204	21,776	43,980
Accrued payroll and other payroll liabilities	8,908	-	8,908
Claims payable	-	91,848	91,848
Compensated absences	31,108	-	31,108
Total current liabilities	62,220	113,624	175,844
Non-current liabilities:			
Other post employment benefits	36,084	-	36,084
Pension related debt	55,715	-	55,715
Net pension liability	358,868	-	358,868
Total non-current liabilities	450,667	-	450,667
Total liabilities	512,887	113,624	626,511
Deferred inflow of resources			
Deferred inflow of resources - pension	26,006	-	26,006
Deferred inflow of resources - OPEB	3,222	-	3,222
Total deferred inflows of resources	29,228	-	29,228
Net position			
Invested in capital assets	457,298	-	457,298
Unrestricted	(124,975)	1,829,038	1,704,063
Total Net Position	\$ 332,323	\$ 1,829,038	\$ 2,161,361

City of McMinnville
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2018

	Information Systems & Services	Insurance Services	Total Internal Service Funds
Operating revenues			
Charges for services	\$ 930,068	\$ 1,055,961	\$ 1,986,029
Miscellaneous	1,887	87,167	89,054
Total Operating revenues	<u>931,955</u>	<u>1,143,128</u>	<u>2,075,083</u>
Operating expenses			
Personnel services	441,004	-	441,004
Materials and services	500,217	764,007	1,264,224
Depreciation	54,940	-	54,940
Total operating expenses	<u>996,161</u>	<u>764,007</u>	<u>1,760,168</u>
Operating income (loss)	<u>(64,206)</u>	<u>379,121</u>	<u>314,915</u>
Nonoperating Revenues			
Investment earnings	2,955	11,228	14,183
Total nonoperating revenues	<u>2,955</u>	<u>11,228</u>	<u>14,183</u>
Change in Net Position:	(61,251)	390,349	329,098
Net position - beginning, as originally reported	403,636	1,438,689	1,842,325
Restatement	(10,062)	-	(10,062)
Net position - beginning, restated	<u>393,574</u>	<u>1,438,689</u>	<u>1,832,263</u>
Net position - ending	<u>\$ 332,323</u>	<u>\$ 1,829,038</u>	<u>\$ 2,161,361</u>

City of McMinnville, Oregon
Combining Statement of Cash Flows
Internal Services Funds
For the Year Ended June 30, 2018

	Information Systems & Services	Insurance Services	Total
Cash Flows From Operating Activities			
Receipts from interfund services provided	\$ 931,955	\$ 1,061,636	\$ 1,993,591
Other operating receipts	-	87,167	87,167
Payments to suppliers	(497,020)	(835,394)	(1,332,414)
Payments to employees	(426,296)	-	(426,296)
Net cash from operating activities	8,639	313,409	322,048
Cash Flows From Non-Capital Financing Activities			
Change in proportionate share of pension related obligation	1,593	-	1,593
Cash Flows From Capital and Related Financing Activities			
Additions to capital assets	-	-	-
Cash Flows From Investing Activities			
Interest received	2,955	11,228	14,183
Increase in Cash and Investments	13,187	324,637	337,824
Cash and Investments - Beginning	213,843	1,618,025	1,831,868
Cash and Investments - Ending	\$ 227,030	\$ 1,942,662	\$ 2,169,692
Reconciliation of Operating Income to Net Cash From Operating Activities			
Operating income	\$ (64,206)	\$ 379,121	\$ 314,915
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	54,940	-	54,940
Pension expense	3,397	-	3,397
Change in current assets and liabilities:			
Prepays	-	5,675	5,675
Accounts payable	3,197	(78,599)	(75,402)
Compensated absences	12,510	-	12,510
Other post employment benefits	(1,582)	-	(1,582)
Accrued payroll and other payroll liabilities	383	-	383
Other liabilities	-	7,212	7,212
Net cash from operating activities	\$ 8,639	\$ 313,409	\$ 322,048

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 9,842,228	\$ 9,842,228	\$ 9,784,201	\$ (58,027)
Miscellaneous	14,100	14,100	26,910	12,810
Total revenues	<u>9,856,328</u>	<u>9,856,328</u>	<u>9,811,111</u>	<u>(45,217)</u>
Expenditures				
Wastewater:				
Wastewater services administration	639,955	639,955	595,672	44,283
Plant	1,818,891	1,818,891	1,686,259	132,632
Environmental services	494,920	494,920	438,444	56,476
Conveyance systems	791,502	791,502	642,343	149,159
Contingencies	300,000	300,000	-	300,000
Total expenditures	<u>4,045,268</u>	<u>4,045,268</u>	<u>3,362,718</u>	<u>682,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,811,060</u>	<u>5,811,060</u>	<u>6,448,393</u>	<u>637,333</u>
Other Financing Sources (Uses)				
Transfers to other funds	<u>(5,973,386)</u>	<u>(5,973,386)</u>	<u>(5,973,386)</u>	<u>-</u>
Total other financing sources (uses)	<u>(5,973,386)</u>	<u>(5,973,386)</u>	<u>(5,973,386)</u>	<u>-</u>
Net change in fund balances	<u>(162,326)</u>	<u>(162,326)</u>	<u>475,007</u>	<u>637,333</u>
Fund balances, budgetary basis - beginning	2,265,183	2,265,183	2,250,624	(14,559)
Fund balances, budgetary basis - ending	<u>\$ 2,102,857</u>	<u>\$ 2,102,857</u>	<u>\$ 2,725,631</u>	<u>\$ 622,774</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 325,000	\$ 325,000	\$ 411,498	\$ 86,498
Miscellaneous	185,150	185,150	305,600	120,450
Total revenues	<u>510,150</u>	<u>510,150</u>	<u>717,098</u>	<u>206,948</u>
Expenditures				
Wastewater:				
Materials and services	2,065,393	2,065,393	540,216	1,525,177
Capital outlay	3,375,509	3,375,509	938,170	2,437,339
Contingencies	500,000	500,000	-	500,000
Total expenditures	<u>5,940,902</u>	<u>5,940,902</u>	<u>1,478,386</u>	<u>4,462,516</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,430,752)</u>	<u>(5,430,752)</u>	<u>(761,288)</u>	<u>4,669,464</u>
Other Financing Sources (Uses)				
Transfers from other funds	5,643,071	5,643,071	5,643,071	-
Transfers to other funds	(221,294)	(221,294)	(221,294)	-
Total other financing sources (uses)	<u>5,421,777</u>	<u>5,421,777</u>	<u>5,421,777</u>	<u>-</u>
Net change in fund balances	(8,975)	(8,975)	4,660,489	4,669,464
Fund balances, budgetary basis - beginning	19,355,937	19,355,937	19,620,315	264,378
Fund balances, budgetary basis - ending	<u>\$ 19,346,962</u>	<u>\$ 19,346,962</u>	<u>\$ 24,280,804</u>	<u>\$ 4,933,842</u>

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

City of McMinnville, Oregon
Wastewater Services Fund
Reconciliation of Budgetary Basis to Full Accrual Basis
For the Year Ended June 30, 2018

Reconciliation:

Wastewater Services Fund balances, budgetary basis - ending	\$ 2,725,631
Wastewater Capital Fund balances, budgetary basis - ending	24,280,804
Capital assets	105,635,984
Accumulated depreciation	(51,214,460)
Compensated absences payable	(99,348)
Other post employment benefits	(183,357)
Net pension liability	(1,856,725)
Deferred outflows of resources	982,493
Deferred inflows of resources	(149,701)
Pension-related obligation	(297,893)
Net position, full accrual - ending	<u>\$ 79,823,428</u>

Wastewater Services charges for services, budgetary basis	\$ 9,784,201
Wastewater Capital charges for services, budgetary basis	411,498
Development charges and fees	(411,498)
Other revenue, property rentals	(19,622)
Charges for services, full accrual basis	<u>\$ 9,764,579</u>

Wastewater Services expenditures, budgetary basis	\$ 3,362,718
Wastewater Capital expenditures, budgetary basis	1,478,386
Change in compensated absences	6,436
Change in other post employment benefits	(3,252)
Pension expense	(121,225)
Principal payment on pension-related obligations	(19,399)
Expenditures capitalized	(1,495,479)
Transfers to other funds - services provided	551,609
Depreciation	3,086,653
Operating expenses, full accrual basis	<u>\$ 6,846,447</u>

Wastewater Services other financing sources (uses), budgetary basis	\$ (5,973,386)
Wastewater Capital other financing sources (uses), budgetary basis	5,421,777
Transfers to other funds - services provided	551,609
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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 12,500	\$ 164,602	\$ 160,509	\$ (4,093)
Charges for services	3,895,000	3,895,000	3,531,243	(363,757)
Miscellaneous	32,800	32,800	35,822	3,022
Total revenues	<u>3,940,300</u>	<u>4,092,402</u>	<u>3,727,574</u>	<u>(364,828)</u>
Expenditures				
Ambulance:				
Personnel services	3,454,925	3,614,027	3,601,287	12,740
Materials and services	941,305	1,029,305	1,007,458	21,847
Capital outlay	24,285	24,285	-	24,285
Contingencies	300,000	205,000	-	205,000
Total expenditures	<u>4,720,515</u>	<u>4,872,617</u>	<u>4,608,745</u>	<u>263,872</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(780,215)</u>	<u>(780,215)</u>	<u>(881,171)</u>	<u>(100,956)</u>
Other Financing Sources (Uses)				
Transfers from other funds	800,000	800,000	800,000	-
Transfers to other funds	(325,092)	(325,092)	(323,392)	1,700
Total other financing sources (uses)	<u>474,908</u>	<u>474,908</u>	<u>476,608</u>	<u>1,700</u>
Net change in fund balances	<u>(305,307)</u>	<u>(305,307)</u>	<u>(404,563)</u>	<u>(99,256)</u>
Fund balances, budgetary basis - beginning	1,529,575	1,529,575	1,568,089	38,514
Fund balances, budgetary basis - ending	<u>\$ 1,224,268</u>	<u>\$ 1,224,268</u>	<u>1,163,526</u>	<u>\$ (60,742)</u>
Add (deduct):				
Allowance for uncollectibles			(251,934)	
Capital assets			932,996	
Accumulated depreciation			(547,438)	
Deferred outflows			1,960,721	
Compensated absences payable			(144,429)	
Net pension liability			(3,709,439)	
Other post employment benefits			(287,807)	
Pension-related debt			(576,033)	
Deferred inflows			(296,117)	
Net position, full accrual - ending			<u>\$ (1,755,954)</u>	
Reconciliation:				
Charges for service, budgetary basis			3,531,243	
Medical write-offs			(514,964)	
Change in allowance for uncollectibles			35,671	
Charges for services, full accrual basis			<u>\$ 3,051,950</u>	
Expenditures, budgetary basis			\$ 4,608,745	
Change in compensated absences			(12,608)	
Change in other post employment benefits			(5,861)	
Change in pension expense			(72,514)	
Change in pension-related debt			(10,670)	
Medical write-offs			(514,964)	
Transfers to other funds - services provided			236,892	
Depreciation			148,081	
Operating expenses, full accrual basis			<u>\$ 4,377,101</u>	
Other financing sources (uses), budgetary basis			\$ 476,608	
Transfers to other funds - services provided			236,892	
Total contributions and transfers, full accrual basis			<u>\$ 713,500</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 427,500	\$ 427,500	\$ 829,577	\$ 402,077
Miscellaneous	10,500	10,500	18,077	7,577
Total revenues	<u>438,000</u>	<u>438,000</u>	<u>847,654</u>	<u>409,654</u>
Expenditures				
Building:				
Personnel services	449,897	399,897	344,161	55,736
Materials and services	69,968	119,968	88,399	31,569
Capital Outlay	20,671	20,671	18,144	2,527
Contingencies	75,000	75,000	-	75,000
Total expenditures	<u>615,536</u>	<u>615,536</u>	<u>450,704</u>	<u>164,832</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(177,536)</u>	<u>(177,536)</u>	<u>396,950</u>	<u>574,486</u>
Other Financing Sources (Uses)				
Transfers to other funds	(84,385)	(84,385)	(84,385)	-
Total other financing sources (uses)	<u>(84,385)</u>	<u>(84,385)</u>	<u>(84,385)</u>	<u>-</u>
Net change in fund balances	(261,921)	(261,921)	312,565	574,486
Fund balances, budgetary basis - beginning	773,488	773,488	968,234	194,746
Fund balances, budgetary basis - ending	<u>\$ 511,567</u>	<u>\$ 511,567</u>	<u>1,280,799</u>	<u>\$ 769,232</u>
Add (deduct):				
Capital assets			381,887	
Accumulated depreciation			(152,555)	
Deferred outflows of resources			73,237	
Compensated absences payable			(19,148)	
Pension-related debt			(21,166)	
OPEB liability			(32,147)	
Net pension liability			(136,327)	
Deferred inflows of resources			(12,490)	
Net position, full accrual - ending			<u>\$ 1,362,090</u>	
Reconciliation:				
Expenditures, budgetary basis			\$ 450,704	
Change in compensated absences			8,277	
Change in pension liability			(100,434)	
Change in pension-related debt			(27,597)	
Change in other post employment benefits			(560)	
Transfers to other funds - services provided			84,385	
Depreciation			13,228	
Operating expenses, full accrual basis			<u>\$ 428,003</u>	
Other financing sources (uses), budgetary basis			\$ (84,385)	
Transfers to other funds - services provided			84,385	
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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 639,195	\$ 639,195	\$ 500,217	\$ (138,978)
Miscellaneous	1,900	1,900	4,842	2,942
Total revenues	<u>641,095</u>	<u>641,095</u>	<u>505,059</u>	<u>(136,036)</u>
Expenditures				
Personnel services	429,851	429,851	425,086	4,765
Materials and services	531,995	531,995	451,839	80,156
Capital outlay	119,200	119,200	48,378	70,822
Contingencies	65,000	65,000	-	65,000
Total expenditures	<u>1,146,046</u>	<u>1,146,046</u>	<u>925,303</u>	<u>220,743</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(504,951)</u>	<u>(504,951)</u>	<u>(420,244)</u>	<u>84,707</u>
Other Financing Sources (Uses)				
Transfers from other funds	429,851	429,851	429,851	-
Total other financing sources (uses)	<u>429,851</u>	<u>429,851</u>	<u>429,851</u>	<u>-</u>
Net change in fund balances	(75,100)	(75,100)	9,607	84,707
Fund balances, budgetary basis - beginning	183,645	183,645	186,311	2,666
Fund balances, budgetary basis - ending	<u>\$ 108,545</u>	<u>\$ 108,545</u>	<u>195,918</u>	<u>\$ 87,373</u>
Add (deduct):				
Capital assets			2,323,590	
Accumulated depreciation			(1,866,292)	
Pension liability			(358,868)	
Deferred outflows of resources			190,110	
Deferred inflows of resources			(29,228)	
Compensated absences payable			(31,108)	
Other post employment benefits			(36,084)	
Pension-related debt			(55,715)	
Net position, full accrual - ending			<u>\$ 332,323</u>	
Reconciliation:				
Charges for services, budgetary basis			\$ 500,217	
Transfers from other funds - services provided			429,851	
Charges for services, full accrual basis			<u>\$ 930,068</u>	
Expenditures, budgetary basis			\$ 925,303	
Change in compensated absences			12,510	
Change in other post employment benefits			(692)	
Pension expense			4,100	
Depreciation			54,940	
Operating expenses, full accrual basis			<u>\$ 996,161</u>	
Other financing sources, budgetary basis			429,851	
Transfers from other funds - services provided			(429,851)	
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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 1,155,264	\$ 1,155,264	\$ 1,055,961	\$ (99,303)
Miscellaneous	167,400	167,400	98,395	(69,005)
Total revenues	<u>1,322,664</u>	<u>1,322,664</u>	<u>1,154,356</u>	<u>(168,308)</u>
Expenditures				
Materials and services	1,104,300	1,104,300	711,027	393,273
Contingencies	100,000	100,000	-	100,000
Total expenditures	<u>1,204,300</u>	<u>1,204,300</u>	<u>711,027</u>	<u>493,273</u>
Excess (deficiency) of revenues over (under) expenditures	<u>118,364</u>	<u>118,364</u>	<u>443,329</u>	<u>324,965</u>
Other Financing Sources (Uses)				
Transfers to other funds	(45,768)	(45,768)	(45,768)	-
Total other financing sources (uses)	<u>(45,768)</u>	<u>(45,768)</u>	<u>(45,768)</u>	<u>-</u>
Net change in fund balances	72,596	72,596	397,561	324,965
Fund balances, budgetary basis - beginning	1,620,481	1,620,481	1,523,325	(97,156)
Fund balances, budgetary basis - ending	<u>\$ 1,693,077</u>	<u>\$ 1,693,077</u>	<u>1,920,886</u>	<u>\$ 227,809</u>
Add (deduct):				
Insurance claims payable			(91,848)	
Net position, full accrual - ending			<u>\$ 1,829,038</u>	
Reconciliation:				
Expenditures, budgetary basis			\$ 711,027	
Transfers to other funds - services provided			45,768	
Change in insurance claims liability			7,212	
Operating expenses, full accrual basis			<u>\$ 764,007</u>	
Other financing sources (uses), budgetary basis			\$ (45,768)	
Transfers to other funds - services provided			45,768	
Total contributions and transfers, full accrual basis			<u>\$ -</u>	

OTHER FINANCIAL SCHEDULES

- Schedule of Accountability for Independently Elected Officials



City of McMinnville, Oregon
Schedule of Accountability for Independently Elected Officials
June 30, 2018

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



STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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





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

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Primary Government:			
Governmental activities:			
Invested in capital assets (a) (d)	\$ 64,720,490	\$ 64,577,951	\$ 62,431,482
Restricted (e)	3,011,121	3,223,454	3,745,053
Unrestricted (b)	<u>9,478,673</u>	<u>8,881,472</u>	<u>9,436,731</u>
Total governmental activities net position (c)	<u>\$ 77,210,284</u>	<u>\$ 76,682,877</u>	<u>\$ 75,613,266</u>
Business-type activities:			
Invested in capital assets (a)	\$ 35,556,686	\$ 38,573,448	\$ 41,736,064
Restricted	374,891	284,065	183,776
Unrestricted	<u>19,339,695</u>	<u>19,444,666</u>	<u>18,683,904</u>
Total business-type activities net position (c)	<u>\$ 55,271,272</u>	<u>\$ 58,302,179</u>	<u>\$ 60,603,744</u>
Primary government:			
Invested in capital assets	\$ 100,277,176	\$ 103,151,399	\$ 104,167,546
Restricted	3,386,012	3,507,519	3,928,829
Unrestricted (g) (h)	<u>28,818,368</u>	<u>28,326,138</u>	<u>28,120,635</u>
Total primary government net position (c)	<u>\$ 132,481,556</u>	<u>\$ 134,985,056</u>	<u>\$ 136,217,010</u>
Component unit:			
Water and Light:			
Invested in capital assets (f)	\$ 97,147,985	\$ 103,852,317	\$ 103,521,631
Unrestricted (g) (h)	<u>33,751,837</u>	<u>28,853,295</u>	<u>32,006,301</u>
Total component unit	<u>\$ 130,899,822</u>	<u>\$ 132,705,612</u>	<u>\$ 135,527,932</u>

(a) In fiscal year 2009-10, the City implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This required a restatement of beginning net position of \$1,372,088 for governmental activities and \$231,078 for business-type activities making a total adjustment to primary government of \$1,603,166 for retroactive easements.

(b) In fiscal year 2010-11, the City recorded prior period adjustment of \$316,997 in governmental activities to account for assets set aside in an investment account for the Length of Service Awards program (LOSAP). Beginning net position is restated from \$76,365,880 to \$76,682,877.

(c) In fiscal year 2012-13, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result, net assets have been renamed to net position.

(d) In fiscal year 2013-14, the City had a restatement to account for a change in accounting principle. The City changed street and sewer infrastructure depreciation from the composite method to the straight line method. This required a restatement of beginning net position of \$3,263,218 for governmental activities.

Fiscal Year Ended June 30,

<u>2012</u>	<u>2013</u>	<u>2014 Restated</u>	<u>2015 Restated</u>	<u>2016</u>	<u>2017</u>	<u>2018 Restated</u>
\$ 59,774,579	\$ 60,826,806	\$ 59,579,789	\$ 59,688,968	\$ 60,243,871	\$ 66,165,718	\$ 72,977,099
4,034,072	4,139,865	5,932,257	23,156,125	22,841,795	16,277,620	15,270,498
9,748,354	10,719,116	9,663,248	(11,568,107)	(20,675,519)	(20,166,704)	(18,800,083)
<u>\$ 73,557,005</u>	<u>\$ 75,685,787</u>	<u>\$ 75,175,294</u>	<u>\$ 71,276,986</u>	<u>\$ 62,410,147</u>	<u>\$ 62,276,634</u>	<u>\$ 69,447,514</u>
\$ 44,032,172	\$ 45,568,283	\$ 48,275,891	\$ 55,205,674	\$ 58,125,477	\$ 56,791,990	\$ 55,036,414
148,044	178,933	299,781	482,442	437,036	707,615	1,132,758
18,976,324	20,057,090	20,417,335	15,948,799	14,733,277	18,380,560	23,260,392
<u>\$ 63,156,540</u>	<u>\$ 65,804,306</u>	<u>\$ 68,993,007</u>	<u>\$ 71,636,915</u>	<u>\$ 73,295,790</u>	<u>\$ 75,880,165</u>	<u>\$ 79,429,564</u>
\$ 103,806,751	\$ 106,395,089	\$ 107,855,680	\$ 114,894,642	\$ 118,369,348	\$ 122,957,708	\$ 128,013,513
4,182,116	4,318,798	6,232,038	23,638,567	23,278,831	16,985,235	16,403,256
28,724,678	30,776,206	30,080,583	4,380,692	(5,942,242)	(1,786,144)	4,460,309
<u>\$ 136,713,545</u>	<u>\$ 141,490,093</u>	<u>\$ 144,168,301</u>	<u>\$ 142,913,901</u>	<u>\$ 135,705,937</u>	<u>\$ 138,156,799</u>	<u>\$ 148,877,078</u>
\$ 106,683,105	\$ 115,135,213	\$ 118,079,561	\$ 121,446,462	\$ 123,113,177	\$ 123,366,419	\$ 124,776,038
33,671,841	31,952,469	35,154,147	36,515,824	36,415,854	40,284,763	45,312,269
<u>\$ 140,354,946</u>	<u>\$ 147,087,682</u>	<u>\$ 153,233,708</u>	<u>\$ 157,962,286</u>	<u>\$ 159,529,031</u>	<u>\$ 163,651,182</u>	<u>\$ 170,088,307</u>

(e) In fiscal year 2013-14, the City had a restatement to recognize revenue of \$383,161. Governmental activities net position required a restatement increasing restricted net positions for Highways and Streets by \$155,728 and unrestricted net position by \$227,433.

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

(g) In fiscal year 2014-15, the City and the Department had a restatement of \$11,324,390 and \$4,026,413, respectively, to account for the implementation of GASB Statement 68, Accounting and Financial Reporting for Pensions and to correct an error relating to accounting for transition liability.

(g) In fiscal year 2017-18, the City and the Department had a restatement of \$526,351 and \$1,187,975, respectively, to account for the implementation of GASB Statement 75, Accounting and Financial Reporting for Other post-employment benefits (OPEB).

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

Functions/Programs	2009	2010	2011
Expenses			
Primary government:			
Governmental activities:			
General government	\$ 2,347,704	\$ 2,060,894	\$ 2,158,145
Community development (d)	1,246,693	1,299,144	1,328,719
Public safety:			
Police	7,265,395	7,366,299	7,137,485
Fire	2,522,183	2,544,874	2,686,012
Highways and streets	3,616,479	3,478,409	3,453,560
Culture and recreation:			
Parks and recreation	3,985,158	4,014,812	4,095,241
Library	1,534,563	1,567,266	1,469,682
Airport	640,968	517,465	784,816
Interest on long-term debt	871,822	826,167	786,277
Total governmental activities expenses	<u>24,030,965</u>	<u>23,675,330</u>	<u>23,899,937</u>
Business-type activities:			
Wastewater	5,873,978	5,811,243	5,753,542
Ambulance	2,373,384	2,449,268	2,532,569
Building (d)	596,800	446,236	415,676
Total business-type activities expenses	<u>8,844,162</u>	<u>8,706,747</u>	<u>8,701,787</u>
Total primary government expenses	<u>\$ 32,875,127</u>	<u>\$ 32,382,077</u>	<u>\$ 32,601,724</u>
Component unit:			
Water and Light	<u>\$ 33,326,936</u>	<u>\$ 36,062,095</u>	<u>\$ 37,802,141</u>

(a) Includes transfers from the General Fund to Ambulance Fund to subsidize operations. During 2008-09, Building net position of \$763,000 was transferred from governmental to business-type activities.

(b) From fiscal years 2008-09 through 2014-15, transportation system development charges were lower due to a significant drop in construction activity with increases in fiscal years 2010-11, 2014-15, and 2015-16. Prior to 2016-17, systems development charges were included in charges for services. They are now included in capital grants and contributions.

(c) From fiscal years 2007-08 through 2014-15, developer donations decreased due to a significant drop in construction activity. In 2016-17 and 2017-18 FAA and Oregon Department of Transportation Grant monies of \$3,593,000 and \$641,395 respectively were received for a Runway Rehabilitation Project at the McMinnville Municipal Airport.

(d) Beginning fiscal year 2008-09, Building became a business-type activity.

(e) Beginning in fiscal year 2008-09 and continuing through fiscal year 2015-16, interest revenue decreased due to significantly lower interest rates. For governmental activities, interest revenue increased due to higher interest rates and interest earned on bond proceeds. For business-type activities, interest revenue increased due to higher interest rates.

Fiscal Year Ended June 30,

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 1,918,406	\$ 1,869,910	\$ 2,031,927	\$ 2,065,497	\$ 7,389,396	\$ 3,233,556	\$ 3,103,821
1,289,638	1,283,292	1,215,961	949,452	1,341,282	1,536,152	1,631,905
7,800,297	7,710,365	8,370,060	7,084,384	11,604,781	9,664,865	9,126,532
2,466,866	2,534,766	2,537,593	2,048,332	2,766,437	3,155,530	3,135,785
3,347,084	3,839,179	2,443,173	2,964,608	4,804,574	3,539,224	3,224,152
4,174,915	4,074,988	4,113,605	3,810,278	5,103,934	4,246,590	4,018,893
1,507,964	1,416,283	1,343,265	1,092,515	1,448,885	1,581,460	1,466,633
552,179	553,974	560,272	692,357	1,147,840	598,401	697,787
613,154	525,129	484,383	519,917	614,253	1,229,866	1,028,859
<u>23,670,503</u>	<u>23,807,886</u>	<u>23,100,239</u>	<u>21,227,340</u>	<u>36,221,382</u>	<u>28,785,644</u>	<u>27,434,367</u>
5,853,298	5,818,847	5,808,434	5,523,163	7,811,354	7,039,396	6,846,447
3,068,413	3,395,105	3,508,377	2,868,982	5,125,215	4,934,709	4,377,101
406,630	277,561	283,842	225,229	453,557	361,604	428,003
<u>9,328,341</u>	<u>9,491,513</u>	<u>9,600,653</u>	<u>8,617,374</u>	<u>13,390,126</u>	<u>12,335,709</u>	<u>11,651,551</u>
<u>\$ 32,998,844</u>	<u>\$ 33,299,399</u>	<u>\$ 32,700,892</u>	<u>\$ 29,844,714</u>	<u>\$ 49,611,508</u>	<u>\$ 41,121,353</u>	<u>\$ 39,085,918</u>
<u>\$ 40,626,635</u>	<u>\$ 41,583,845</u>	<u>\$ 43,187,324</u>	<u>\$ 42,099,300</u>	<u>\$ 44,911,690</u>	<u>\$ 46,506,252</u>	<u>\$ 46,597,185</u>

(Continued)

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

<u>Functions/Programs</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Program revenues			
Primary government:			
Governmental activities:			
Charges for services:			
General government	\$ 540,622	\$ 496,923	\$ 485,866
Community development (d)	503,816	488,288	515,582
Public safety:			
Police	981,277	956,903	817,709
Fire	278,779	295,593	323,276
Highways and streets (b)	131,051	169,585	324,786
Culture and recreation:			
Parks and recreation	1,071,145	1,073,688	1,217,185
Library	54,417	58,820	55,200
Airport	188,858	220,329	233,651
Operating grants and contributions	1,764,579	2,554,203	2,174,634
Capital grants and contributions (c)	3,278,780	1,087,252	1,935,658
Total governmental activities program revenues	<u>8,793,324</u>	<u>7,401,584</u>	<u>8,083,547</u>
Business-type activities:			
Charges for services:			
Wastewater	8,351,447	8,244,213	8,292,062
Ambulance	2,390,286	2,320,010	2,275,122
Building (d)	201,002	334,380	295,934
Operating grants and contributions	3,065	33,979	-
Capital grants and contributions (c)	-	34,704	-
Total business-type activities program revenues	<u>10,945,800</u>	<u>10,967,286</u>	<u>10,863,118</u>
Total primary government program revenues	<u>\$ 19,739,124</u>	<u>\$ 18,368,870</u>	<u>\$ 18,946,665</u>
Component unit:			
Water and Light:			
Charges for services	\$ 34,620,277	\$ 35,302,190	\$ 36,534,385
Operating grants and contributions	187,957	510,961	187,233
Capital grants and contributions	364,500	254,723	334,413
Total component unit program revenues	<u>\$ 35,172,734</u>	<u>\$ 36,067,874</u>	<u>\$ 37,056,031</u>
Net revenue (expense)			
Primary government:			
Governmental activities	\$ (15,237,641)	\$ (16,273,746)	\$ (15,816,390)
Business-type activities	2,101,638	2,260,539	2,161,331
Total primary government net revenue (expense)	<u>\$ (13,136,003)</u>	<u>\$ (14,013,207)</u>	<u>\$ (13,655,059)</u>
Component unit:			
Water and Light	<u>\$ 1,845,798</u>	<u>\$ 5,779</u>	<u>\$ (746,110)</u>

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 482,333	\$ 477,936	\$ 569,633	\$ 719,791	\$ 1,074,482	\$ 1,102,898	\$ 853,756
524,366	571,421	611,380	743,044	770,042	128,813	198,648
824,755	905,505	730,264	673,672	751,326	688,349	451,940
313,154	340,253	347,407	378,028	419,445	562,245	593,475
194,534	190,481	160,383	344,459	253,342	14	5,737
1,223,292	1,248,255	1,317,763	1,574,113	1,525,952	1,116,841	1,449,251
56,719	69,482	45,433	55,294	44,693	38,658	39,914
237,082	239,436	244,969	247,965	260,293	256,854	313,680
2,263,584	2,234,195	2,281,464	2,460,484	2,654,786	2,364,801	3,097,992
674,099	761,169	679,849	1,949,416	2,542,985	2,686,710	6,938,770
<u>6,793,918</u>	<u>7,038,133</u>	<u>6,988,545</u>	<u>9,146,266</u>	<u>10,297,346</u>	<u>8,946,183</u>	<u>13,943,163</u>
8,453,886	8,554,156	9,076,321	9,911,181	9,166,543	9,323,139	9,775,061
2,739,983	2,846,540	2,646,881	2,911,613	3,373,134	3,494,130	3,247,282
297,204	290,537	390,852	561,441	393,079	612,659	832,010
-	564	-	76	-	-	-
24,943	106,632	37,206	377,475	650,082	617,329	411,498
<u>11,516,016</u>	<u>11,798,429</u>	<u>12,151,260</u>	<u>13,761,786</u>	<u>13,582,838</u>	<u>14,047,257</u>	<u>14,265,851</u>
<u>\$ 18,309,934</u>	<u>\$ 18,836,562</u>	<u>\$ 19,139,805</u>	<u>\$ 22,908,052</u>	<u>\$ 23,880,184</u>	<u>\$ 22,993,440</u>	<u>\$ 28,209,014</u>
\$ 41,122,520	\$ 43,030,261	\$ 44,662,133	\$ 44,944,442	\$ 45,275,019	\$ 46,246,552	\$ 46,994,299
400,388	-	-	-	-	-	-
242,183	474,900	909,683	1,560,929	974,832	1,076,976	1,660,556
<u>\$ 41,765,091</u>	<u>\$ 43,505,161</u>	<u>\$ 45,571,816</u>	<u>\$ 46,505,371</u>	<u>\$ 46,249,851</u>	<u>\$ 47,323,528</u>	<u>\$ 48,654,855</u>
\$ (16,876,585)	\$ (16,769,753)	\$ (16,111,694)	\$ (12,081,074)	\$ (25,924,036)	\$ (19,839,461)	\$ (13,491,204)
2,187,675	2,306,916	2,550,607	5,144,412	192,712	1,711,548	2,614,300
<u>\$ (14,688,910)</u>	<u>\$ (14,462,837)</u>	<u>\$ (13,561,087)</u>	<u>\$ (6,936,662)</u>	<u>\$ (25,731,324)</u>	<u>\$ (18,127,913)</u>	<u>\$ (10,876,904)</u>
<u>\$ 1,138,456</u>	<u>\$ 1,921,316</u>	<u>\$ 2,384,492</u>	<u>\$ 4,406,071</u>	<u>\$ 1,338,161</u>	<u>\$ 817,276</u>	<u>\$ 2,057,670</u>

(Continued)

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

<u>Functions/Programs</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General revenues and other changes in net position			
Primary government:			
Governmental activities:			
Taxes			
Property taxes	\$ 11,053,039	\$ 11,573,566	\$ 11,860,485
Franchise taxes	2,140,723	2,191,818	2,202,237
Transient lodging taxes	-	-	-
Unrestricted state shared revenues	672,334	685,444	692,662
Unrestricted investment earnings (e)	235,839	57,829	60,685
Gain (loss) on disposal of capital assets	-	-	4,858
Other, net	-	-	-
Transfers (a)	<u>(1,208,811)</u>	<u>(451,403)</u>	<u>(74,148)</u>
Total governmental activities	<u>12,893,124</u>	<u>14,057,254</u>	<u>14,746,779</u>
Business-type activities:			
Unrestricted investment earnings (e)	321,409	87,887	66,086
Gain (loss) on disposal of capital assets	-	-	-
Other, net	-	-	-
Transfers (a)	<u>1,208,811</u>	<u>451,403</u>	<u>74,148</u>
Total business-type activities	<u>1,530,220</u>	<u>539,290</u>	<u>140,234</u>
Total primary government	<u>\$ 14,423,344</u>	<u>\$ 14,596,544</u>	<u>\$ 14,887,013</u>
Component unit:			
Water and Light:			
Unrestricted investment earnings (e)	\$ 872,186	\$ 323,950	\$ 425,450
Gain (loss) on disposal of capital assets	-	-	-
Timber sales, net of related expenses	1,726,608	832,598	1,355,475
Other, net	1,118,365	643,463	1,787,505
Interest expense	-	-	-
Total component unit	<u>\$ 3,717,159</u>	<u>\$ 1,800,011</u>	<u>\$ 3,568,430</u>
Change in net position			
Primary government:			
Governmental activities	\$ (2,344,517)	\$ (2,216,492)	\$ (1,069,611)
Business-type activities	<u>3,631,858</u>	<u>2,799,829</u>	<u>2,301,565</u>
Total primary government	<u>\$ 1,287,341</u>	<u>\$ 583,337</u>	<u>\$ 1,231,954</u>
Component unit:			
Water and Light	<u>\$ 5,562,957</u>	<u>\$ 1,805,790</u>	<u>\$ 2,822,320</u>

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 11,880,645	\$ 12,145,519	\$ 12,457,511	\$ 12,937,499	\$ 14,751,884	\$ 15,028,217	\$ 16,228,026
2,441,291	2,486,923	2,538,348	2,548,881	2,504,237	2,420,309	2,541,802
-	-	235,874	574,911	644,878	691,102	947,467
683,388	760,551	807,749	834,087	825,156	913,376	1,114,681
85,988	95,507	97,482	78,040	86,079	317,994	377,589
3,475	3,300	1,637	(56,454)	-	-	-
-	-	-	-	617,243	483,825	551,665
<u>(274,463)</u>	<u>(239,644)</u>	<u>(537,400)</u>	<u>(389,542)</u>	<u>(1,327,911)</u>	<u>(715,800)</u>	<u>(713,500)</u>
<u>14,820,324</u>	<u>15,252,156</u>	<u>15,601,201</u>	<u>16,527,422</u>	<u>18,101,566</u>	<u>19,139,023</u>	<u>21,047,730</u>
90,657	101,206	100,694	89,688	76,170	157,027	332,672
-	-	-	-	(50,308)	-	-
-	-	-	-	112,390	-	22,528
<u>274,463</u>	<u>239,644</u>	<u>537,400</u>	<u>389,542</u>	<u>1,327,911</u>	<u>715,800</u>	<u>713,500</u>
<u>365,120</u>	<u>340,850</u>	<u>638,094</u>	<u>479,230</u>	<u>1,466,163</u>	<u>872,827</u>	<u>1,068,700</u>
<u>\$ 15,185,444</u>	<u>\$ 15,593,006</u>	<u>\$ 16,239,295</u>	<u>\$ 17,006,652</u>	<u>\$ 19,567,729</u>	<u>\$ 20,011,850</u>	<u>\$ 22,116,430</u>
\$ 422,467	\$ 182,845	\$ 199,400	\$ 167,244	\$ 264,782	\$ 469,319	\$ 803,958
-	-	-	(199,620)	(913,815)	-	-
2,605,898	3,962,482	2,243,586	3,324,530	2,364,804	1,837,271	2,721,512
660,193	666,093	1,318,548	1,019,342	1,304,702	998,285	2,041,960
-	-	-	37,424	(60,735)	-	-
<u>\$ 3,688,558</u>	<u>\$ 4,811,420</u>	<u>\$ 3,761,534</u>	<u>\$ 4,348,920</u>	<u>\$ 2,959,738</u>	<u>\$ 3,304,875</u>	<u>\$ 5,567,430</u>
\$ (2,056,261)	\$ (1,517,597)	\$ (510,493)	\$ 4,446,348	\$ (7,822,470)	\$ (700,438)	\$ 7,556,526
2,552,795	2,647,766	3,188,701	5,623,642	1,658,875	2,584,375	3,683,000
<u>\$ 496,534</u>	<u>\$ 1,130,169</u>	<u>\$ 2,678,208</u>	<u>\$ 10,069,990</u>	<u>\$ (6,163,595)</u>	<u>\$ 1,883,937</u>	<u>\$ 11,239,526</u>
<u>\$ 4,827,014</u>	<u>\$ 6,732,736</u>	<u>\$ 6,146,026</u>	<u>\$ 8,754,991</u>	<u>\$ 4,297,899</u>	<u>\$ 4,122,151</u>	<u>\$ 7,625,100</u>

City of McMinnville, Oregon
Fund Balances, Governmental Funds
Last Ten Years

(modified accrual basis of accounting)

	June 30,			
	2009	2010	2011	2012
General Fund:				
Reserved (a)	\$ 97,022	n/a	n/a	n/a
Unreserved (b)	7,261,955	n/a	n/a	n/a
Nonspendable	n/a	\$ 111,314	\$ 126,335	\$ 43,590
Restricted	n/a	-	-	-
Assigned	n/a	300,000	801,368	968,301
Unassigned (d)	n/a	5,987,227	6,403,635	6,465,935
Total General Fund	<u>\$ 7,358,977</u>	<u>\$ 6,398,541</u>	<u>\$ 7,331,338</u>	<u>\$ 7,477,826</u>
Airport Maintenance Fund:				
Reserved	\$ -	n/a	n/a	n/a
Unreserved (b)	567,087	n/a	n/a	n/a
Nonspendable	n/a	\$ -	\$ -	\$ 5,788
Restricted	n/a	170,883	-	-
Committed (d)	n/a	500,373	564,391	663,499
Total Airport Maintenance Fund	<u>\$ 567,087</u>	<u>\$ 671,256</u>	<u>\$ 564,391</u>	<u>\$ 669,287</u>
Transportation Fund: (c)				
Reserved	\$ 1,532,374	n/a	n/a	n/a
Unreserved, reported in (b):				
Capital projects funds	241,021	n/a	n/a	n/a
Restricted (e)	n/a	\$ 1,400,796	\$ 1,393,538	\$ 1,351,185
Assigned	n/a	-	-	124,636
Unassigned	n/a	-	(41,474)	-
Total Transportation Fund	<u>\$ 1,773,395</u>	<u>\$ 1,400,796</u>	<u>\$ 1,352,064</u>	<u>\$ 1,475,821</u>
All other governmental funds: (b) (c) (d)				
Reserved	\$ 6,469,626	n/a	n/a	n/a
Unreserved, reported in:				
Special revenue funds	474,482	n/a	n/a	n/a
Capital projects funds	36,265	n/a	n/a	n/a
Nonspendable	n/a	\$ -	\$ 5	\$ 49
Restricted	n/a	3,737,104	3,121,369	3,289,500
Committed	n/a	35,000	-	-
Assigned	n/a	1,110,785	1,122,826	1,101,847
Unassigned	n/a	-	-	-
Total all other governmental funds	<u>\$ 6,980,373</u>	<u>\$ 4,882,889</u>	<u>\$ 4,244,200</u>	<u>\$ 4,391,396</u>

(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) 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.

(c) In fiscal year 2014-15 and 2015-16, the Debt Service Fund was included with All Other Governmental Funds and the Transportation Fund was a major fund.

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

	2013	2014	2015	2016	2017	2018
	n/a	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a	n/a
\$	21,603	\$ 22,722	\$ 22,056	\$ 68,332	\$ 2,245,416	\$ 361,923
	-	1,351,766	94,897	-	-	-
	1,162,639	557,316	593,735	647,141	673,696	673,696
	<u>7,117,669</u>	<u>8,053,592</u>	<u>7,575,581</u>	<u>6,768,660</u>	<u>6,444,745</u>	<u>7,934,190</u>
\$	<u>8,301,911</u>	<u>\$ 9,985,396</u>	<u>\$ 8,286,269</u>	<u>\$ 7,484,133</u>	<u>\$ 9,363,857</u>	<u>\$ 8,969,809</u>
	n/a	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a	n/a
\$	-	\$ -	\$ 247	\$ -	\$ -	\$ -
	-	-	-	-	-	-
	679,749	726,852	824,777	868,723	635,411	(185,123)
\$	<u>679,749</u>	<u>\$ 726,852</u>	<u>\$ 825,024</u>	<u>\$ 868,723</u>	<u>\$ 635,411</u>	<u>\$ (185,123)</u>
	n/a	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a	n/a
\$	1,750,620	\$ 1,900,683	\$ 20,298,178	\$ 17,445,877	\$ 11,576,985	\$ 10,370,473
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	<u>1,750,620</u>	<u>\$ 1,900,683</u>	<u>\$ 20,298,178</u>	<u>\$ 17,445,877</u>	<u>\$ 11,576,985</u>	<u>\$ 10,370,473</u>
	n/a	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a	n/a
\$	45	\$ 4	\$ 7,920	\$ 4	\$ 45	\$ -
	3,343,808	3,771,285	4,106,209	5,395,914	4,700,635	4,888,829
	-	262,238	109,721	117,120	136,238	156,197
	1,158,861	814,162	831,013	156,556	151,909	150,482
	-	-	-	(188,784)	(836,157)	(1,883,542)
\$	<u>4,502,714</u>	<u>\$ 4,847,689</u>	<u>\$ 5,054,863</u>	<u>\$ 5,480,810</u>	<u>\$ 4,152,670</u>	<u>\$ 3,311,966</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues:				
Property taxes	\$ 10,876,161	\$ 11,280,695	\$ 11,841,678	\$ 11,944,449
Special assessments	55,139	49,479	54,810	51,121
Licenses and permits (e)	2,252,979	2,297,980	2,305,008	2,551,413
Intergovernmental (d) (i)	5,760,900	3,783,213	4,859,494	3,658,577
Charges for services	2,319,771	2,370,147	2,565,362	2,615,582
Fines and forfeitures	862,073	858,474	761,389	761,046
Miscellaneous (a)	557,474	299,817	439,118	243,314
Total revenues	<u>22,684,497</u>	<u>20,939,805</u>	<u>22,826,859</u>	<u>21,825,502</u>
Expenditures:				
Current:				
General government (e)	1,943,082	1,853,247	1,803,989	1,703,755
Community development	1,254,944	1,248,671	1,249,944	1,236,352
Public safety	9,072,067	9,291,156	9,262,859	9,658,834
Highways and streets	1,460,403	1,398,891	1,331,764	1,471,788
Culture and recreation	4,678,701	5,352,686	4,456,751	4,737,874
Airport (d)	3,004,101	161,128	1,597,357	136,289
Capital outlay:				
General government (b)	3,231,395	211,037	-	-
Public safety (c)	159,798	79,561	-	-
Highways and streets	391,442	232,857	510,243	503,781
Culture and recreation	446,908	2,280,916	991,098	-
Debt service:				
Principal	1,073,748	907,046	910,000	950,000
Interest	887,418	840,332	802,340	716,608
Bond refunding (j)	-	-	-	5,835,000
Total expenditures	<u>27,604,007</u>	<u>23,857,528</u>	<u>22,916,345</u>	<u>26,950,281</u>
Other financing sources (uses):				
Bond proceeds - par/premium (h) (j)	-	-	-	-
Refunding bonds issued - par/premium (f) (h)	-	-	-	5,926,316
Payment to refunded bond escrow agent (h)	-	-	-	-
Proceeds from full faith and credit obligation (g) (i)	-	-	-	-
Transfers from other funds (e)	5,922,648	987,133	1,075,400	1,469,044
Police vehicles - lease purchase	-	-	-	-
Transfers to other funds (e)	(6,774,724)	(1,395,760)	(1,164,400)	(1,748,244)
Total other financing sources (uses)	<u>(852,076)</u>	<u>(408,627)</u>	<u>(89,000)</u>	<u>5,647,116</u>
Net change in fund balances	<u>\$ (5,771,586)</u>	<u>\$ (3,326,350)</u>	<u>\$ (178,486)</u>	<u>\$ 522,337</u>
Non-capital expenditures:				
Total expenditures	\$ 27,604,007	\$ 23,857,528	\$ 22,916,345	\$ 26,950,281
Less: capital asset expenditures	(7,070,726)	(3,969,444)	(2,896,576)	(929,903)
Non-capital expenditures	<u>\$ 20,533,281</u>	<u>\$ 19,888,084</u>	<u>\$ 20,019,769</u>	<u>\$ 26,020,378</u>
Debt service as a percentage of non-capital expenditures	9.6%	8.8%	8.6%	6.4%

Fiscal Year Ended June 30,

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 12,041,594	\$ 12,435,395	\$ 12,866,111	\$ 14,688,381	\$ 15,097,552	\$ 16,165,021
53,608	59,515	54,328	57,151	53,265	59,565
2,591,208	2,872,975	3,225,701	3,247,694	3,461,315	3,975,367
3,626,937	3,683,458	3,846,363	4,340,890	5,969,106	9,704,144
2,729,936	2,854,528	3,613,848	3,327,315	3,501,405	3,748,962
748,677	608,740	522,900	580,010	566,537	638,281
334,355	358,783	425,410	523,785	455,973	1,137,878
<u>22,126,315</u>	<u>22,873,394</u>	<u>24,554,661</u>	<u>26,765,226</u>	<u>29,105,153</u>	<u>35,429,218</u>
1,664,094	1,804,140	2,298,268	3,245,287	3,020,757	3,110,103
1,226,600	1,165,511	1,221,604	1,295,680	1,352,798	1,681,015
9,670,602	10,223,535	12,215,631	11,044,821	11,388,862	12,329,098
1,431,792	1,485,187	1,775,502	3,364,488	4,180,581	3,011,186
4,419,442	4,427,361	4,698,934	4,855,542	4,916,702	5,306,436
242,727	201,804	328,733	784,495	2,258,610	6,142,718
-	-	-	-	-	-
-	-	-	-	-	-
479,459	527,054	502,116	1,735,138	5,601,383	10,557,967
1,621	40,751	410,867	4,650	142,519	1,141
1,075,000	1,070,000	1,173,594	1,600,529	6,025,848	2,889,141
575,375	535,025	540,023	950,387	1,153,618	1,289,328
-	-	32,000	-	-	-
<u>20,786,712</u>	<u>21,480,368</u>	<u>25,197,272</u>	<u>28,881,017</u>	<u>40,041,678</u>	<u>46,318,133</u>
-	-	18,238,688	-	-	8,204,575
-	-	8,493,436	-	-	-
-	-	(8,414,899)	-	-	-
-	1,370,000	-	-	6,101,705	-
1,111,637	874,500	1,026,200	1,148,148	1,717,161	1,709,953
-	-	-	-	-	136,045
<u>(1,613,737)</u>	<u>(1,411,900)</u>	<u>(1,697,100)</u>	<u>(2,217,148)</u>	<u>(2,432,961)</u>	<u>(2,423,454)</u>
<u>(502,100)</u>	<u>832,600</u>	<u>17,646,325</u>	<u>(1,069,000)</u>	<u>5,385,905</u>	<u>7,627,119</u>
<u>\$ 837,503</u>	<u>\$ 2,225,626</u>	<u>\$ 17,003,714</u>	<u>\$ (3,184,791)</u>	<u>\$ (5,550,620)</u>	<u>\$ (3,261,796)</u>
\$ 20,786,712	\$ 21,480,368	\$ 25,197,272	\$ 28,881,017	\$ 40,041,678	\$ 46,318,133
<u>(781,819)</u>	<u>(790,400)</u>	<u>(2,609,978)</u>	<u>(3,554,796)</u>	<u>(9,534,993)</u>	<u>(17,372,112)</u>
<u>\$ 20,004,893</u>	<u>\$ 20,689,968</u>	<u>\$ 22,587,294</u>	<u>\$ 25,326,221</u>	<u>\$ 30,506,685</u>	<u>\$ 28,946,021</u>

8.2%

7.8%

7.6%

10.1%

23.5%

14.4%
(Continued)

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

- (a) From fiscal year 2008-09 through 2015-16, interest revenue decreased due to significantly lower interest rates.
- (b) During fiscal year 2007-08, construction began on the new Civic Hall and continued into fiscal year 2009-10.
- (c) In fiscal year 2007-08, construction began on the new Public Safety building and continued into fiscal year 2009-10
- (d) During fiscal year 2008-09, 2010-11 and from fiscal years 2015-16 to 2017-18, the City improved runways and taxiways at McMinnville Municipal Airport financed by capital grants of; \$2,570,000, \$1,250,000 and \$7,321,000, respectively, from the Federal Aviation Administration and Oregon Department of Transportation.
- (e) 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, elimination transfers for services provided and used.
- (f) During fiscal year 2011-12, the 2001 Park Improvement Bonds were refunded.
- (g) During fiscal year 2012-13, the City received the proceeds from a full faith and credit bank loan to purchase Fire vehicles.
- (h) During fiscal year 2014-15, the 2006 Public Safety Building Bonds were refunded and the City received proceeds from a Transportation Bond.
- (i) During fiscal year 2016-17, the City received proceeds from full faith and credit bank loans for the Dundee Bypass Project, Urban Renewal Improvements (Alpine Ave), and to refinance the pension-related debt (PERS transition liability), of \$383,545, \$2,192,300 and \$3,525,860 respectively.
- (j) During fiscal year 2017-18, the City received proceeds from a Transportation Bond.



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

Functions/Programs	2009	2010	2011	2012
Primary government:				
Governmental activities:				
General government	\$ 625,093	\$ 617,801	\$ 626,400	\$ 639,086
Community development (b)	564,006	539,378	583,847	576,426
Public safety:				
Police	1,256,009	1,175,560	1,053,124	1,011,817
Fire	280,264	386,813	333,420	313,471
Highways and streets (a) (c) (e) (f)	1,807,909	2,264,864	2,417,477	2,463,150
Culture and recreation:				
Parks and recreation (c)	1,325,613	1,946,469	1,385,067	1,349,716
Library	173,587	199,667	196,990	203,170
Airport (d)	2,760,843	271,032	1,487,222	237,082
Total governmental activities	<u>8,793,324</u>	<u>7,401,584</u>	<u>8,083,547</u>	<u>6,793,918</u>
Business-type activities:				
Wastewater (c)	8,352,547	8,303,950	8,292,062	8,478,806
Ambulance	2,392,251	2,328,956	2,275,122	2,740,006
Building (b)	201,002	334,380	295,934	297,204
Total business-type activities	<u>10,945,800</u>	<u>10,967,286</u>	<u>10,863,118</u>	<u>11,516,016</u>
Total primary government	<u>\$ 19,739,124</u>	<u>\$ 18,368,870</u>	<u>\$ 18,946,665</u>	<u>\$ 18,309,934</u>
Component unit:				
Water and light	<u>\$ 35,172,734</u>	<u>\$ 36,067,874</u>	<u>\$ 37,056,031</u>	<u>\$ 41,765,091</u>

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

(b) Beginning fiscal year 2008-09, Building became a business-type activity.

(c) System Development Charges and subdivision capital contributions fluctuate significantly depending on trends in the construction industry.

(d) During fiscal year 2008-09, 2010-11 and from fiscal years 2015-16 to 2017-18, the City improved runways and taxiways at McMinnville Municipal Airport financed by capital grants from the Federal Aviation Administration and Oregon Department of Transportation.

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

Fiscal Year Ended June 30,

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 635,997	\$ 668,316	\$ 814,832	\$ 1,074,482	\$ 1,125,530	\$ 1,102,966
638,007	666,128	805,423	770,042	128,813	198,648
1,050,176	758,739	857,084	786,951	693,864	785,721
340,253	351,282	381,205	434,106	581,430	604,240
2,504,676	2,573,312	3,889,429	4,058,810	2,728,669	3,040,293
1,420,302	1,522,760	1,767,924	1,710,213	1,460,744	1,717,003
209,286	203,039	206,989	204,017	220,229	232,476
239,436	244,969	423,380	824,717	2,006,904	6,261,816
<u>7,038,133</u>	<u>6,988,545</u>	<u>9,146,266</u>	<u>9,863,338</u>	<u>8,946,183</u>	<u>13,943,163</u>
8,660,788	9,113,527	10,288,656	9,816,625	9,940,468	10,186,559
2,847,104	2,646,881	2,911,689	3,373,134	3,494,130	3,247,282
290,537	390,852	561,441	393,079	612,659	832,010
<u>11,798,429</u>	<u>12,151,260</u>	<u>13,761,786</u>	<u>13,582,838</u>	<u>14,047,257</u>	<u>14,265,851</u>
<u>\$ 18,836,562</u>	<u>\$ 19,139,805</u>	<u>\$ 22,908,052</u>	<u>\$ 23,446,176</u>	<u>\$ 22,993,440</u>	<u>\$ 28,209,014</u>
<u>\$ 43,505,161</u>	<u>\$ 45,571,816</u>	<u>\$ 46,505,371</u>	<u>\$ 45,275,019</u>	<u>\$ 47,323,528</u>	<u>\$ 48,654,855</u>

(f) Oregon federal exchange funds for Highways and streets 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
2009	\$ 1,793,465,695	\$ 4,796,418	\$ 1,788,669,277	\$ 36,203,485	\$ 1,096,031	\$ 35,107,454
2010	1,866,248,886	5,327,078	1,860,921,808	39,153,409	1,255,289	37,898,120
2011	1,938,691,631	5,050,009	1,933,641,622	40,372,768	1,286,344	39,086,424
2012	1,981,655,597	5,018,459	1,976,637,138	33,334,829	1,272,526	32,062,303
2013	2,050,340,335	5,380,560	2,044,959,775	34,743,081	1,228,355	33,514,726
2014	2,084,562,884	4,959,055	2,079,603,829	35,236,986	1,211,444	34,025,542
2015	2,157,707,874	5,050,892	2,152,656,982	30,584,711	1,195,071	29,389,640
2016	2,302,471,713	5,366,804	2,297,104,909	34,626,648	1,160,696	33,465,952
2017	2,329,698,291	5,488,880	2,324,209,411	35,552,777	1,171,282	34,381,495
2018	2,431,501,933	6,128,344	2,425,373,589	36,572,350	1,249,396	35,322,954

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) During fiscal year 2009-10, Oregon Department of Revenue revalued Comcast Corporation's assessed value due to expansion of services provided. During fiscal year 2012-13, Cascade Steel Rolling Mills, Inc appealed the State Department of Revenue's valuation of its' McMinnville mill. The state agreed to lower the assessed value of the property by approximately \$10 million.

(b) Excludes tax-exempt property.

Personal Property	Utilities	Total		Total Maximum Assessed Value as a Percentage of Estimated Real Market Value	Total Direct Tax Rate
Maximum Assessed Value	Maximum Assessed Value (a)	Maximum Assessed Value (b)	Estimated Real Market Value		
84,195,411	30,751,714	1,938,723,856	3,281,260,714	59.1 %	5.85
85,379,738	50,416,314	2,034,615,980	3,267,741,423	62.3	5.84
83,890,083	50,239,949	2,106,858,078	3,193,379,293	66.0	5.74
80,942,534	50,636,473	2,140,278,448	2,806,089,205	76.3	5.70
80,238,487	40,432,100	2,199,145,088	2,767,634,640	79.5	5.65
78,234,266	41,303,400	2,233,167,037	2,748,715,501	81.2	5.72
82,315,868	40,151,340	2,304,513,830	2,861,726,286	80.5	5.13
80,930,768	38,880,800	2,450,382,429	3,119,905,725	78.5	6.23
84,909,545	44,490,351	2,494,650,965	3,418,882,530	73.0	6.18
81,535,244	41,793,532	2,591,403,059	3,979,311,670	65.1	6.44

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 (a)	Debt Service	Urban Renewal	Total Direct	Operating	Debt Service	Total
2009	5.02	0.83	-	5.85	2.57	-	2.57
2010	5.02	0.82	-	5.84	2.57	-	2.57
2011	5.02	0.72	-	5.74	2.57	-	2.57
2012	5.02	0.68	-	5.70	2.57	-	2.57
2013	5.02	0.63	-	5.65	2.57	-	2.57
2014	5.02	0.70	-	5.72	2.57	-	2.57
2015	5.02	0.07	0.04	5.13	2.57	-	2.57
2016	5.02	1.16	0.05	6.23	2.58	-	2.58
2017	5.02	1.08	0.07	6.18	2.58	-	2.58
2018	5.02	1.34	0.08	6.44	2.58	-	2.58

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

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

Overlapping Rates						Total Direct and Overlapping Rates
McMinnville School District No. 40			Other Taxing Districts (b)			
Operating	Debt Service	Total	Operating & Local Option	Debt Service	Total	
4.15	2.76	6.91	1.09	0.08	1.17	16.50
4.15	2.79	6.94	1.18	0.18	1.36	16.71
4.15	2.77	6.92	1.09	0.17	1.26	16.49
4.15	2.83	6.98	1.08	0.25	1.34	16.59
4.15	2.83	6.98	1.08	0.27	1.36	16.55
4.15	2.72	6.87	1.08	0.23	1.32	16.48
4.15	2.79	6.94	1.08	0.27	1.35	15.99
4.15	2.72	6.87	1.08	0.28	1.36	17.04
4.15	2.74	6.89	1.08	0.28	1.36	17.00
4.15	2.60	6.75	1.08	0.27	1.35	17.12

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

Taxpayer	Type of Business	Fiscal Year Ended June 30, 2018		
		Assessed Value	Percentage	Rank
Cascade Steel Rolling Mills, Inc.	Steel production	\$ 62,905,392	2.43 %	1
Willamette Valley Medical Center, LLC	Health care	55,303,652	2.13	2
The Falls at McMinnville LLC	Developer/event center	21,980,432	0.85	3
HCP SH ELP1 Properties LLC (a)	Retirement community	19,360,788	0.75	4
Comcast Corporation	Cable television	18,564,900	0.72	5
Lowes Home Improvement Warehouse, Inc.	Home improvement retail store	17,129,164	0.66	6
Reef McMinnville Plaza LLC	Commercial real estate management	12,571,544	0.49	7
Betty Lou's, Inc.	Food manufacturer	10,584,920	0.41	8
Lassen Doran Properties	Auto sales	9,839,355	0.38	9
Frontier Communications	Telephone communication	9,216,000	0.36	10
Air Liquide Industrial U S, LP	Liquid oxygen, nitrogen, argon	-	-	
Hillside Senior Living Community LLC (a)	Retirement community	-	-	
Verizon, Inc.	Telephone communication	-	-	
Homette (Skyline Corporation and Nomad)	Mobile home and RV manufacturing	-	-	
NBS-McMinnville Plaza	Commercial real estate management	-	-	
Northwest Natural Gas Co.	Natural gas distributor	-	-	
Diane Foods, Inc.	Mexican food preparation	-	-	
Total principal property tax payers		237,456,147	9.16	
All other property tax payers		<u>2,353,946,912</u>	<u>90.84</u>	
Total		<u>\$ 2,591,403,059</u>	<u>100.00</u> %	

Source: Yamhill County Assessor's Office

(a) Hillside Senior Living Community LLC has been acquired by another company, although the property and facilities are the same.

Fiscal Year Ended June 30, 2009

<u>Assessed</u>	<u>Value</u>	<u>Percentage</u>	<u>Rank</u>
\$	68,727,247	3.54 %	1
	56,648,007	2.92	2
	-	-	
	-	-	
	-	-	
	15,295,788	0.79	4
	-	-	
	-	-	
	-	-	
	-	-	
	10,672,268	0.55	7
	16,916,449	0.87	3
	12,492,600	0.64	5
	9,108,948	0.47	9
	9,324,078	0.48	8
	11,784,500	0.61	6
	<u>7,242,390</u>	0.37	10
	218,212,275	11.26	
	<u>1,720,511,581</u>	<u>88.74</u>	
\$	<u>1,938,723,856</u>	<u>100.00</u> %	

City of McMinnville, Oregon
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Levy			Collected within the Fiscal Year of the Levy	
	Original	Adjustments (a)	Total Adjusted	Amount	Percentage of Original Levy
2009	11,343,510	(260,082)	11,083,428	10,482,923	92.4 %
2010	11,873,607	(252,447)	11,621,160	10,896,434	91.8
2011	12,105,863	(301,340)	11,804,523	11,193,766	92.5
2012	12,215,194	(319,177)	11,896,017	11,323,050	92.7
2013	12,457,781	(361,195)	12,096,586	11,507,271	92.4
2014	12,783,321	(338,882)	12,444,439	11,893,500	93.0
2015	13,220,677	(357,861)	12,862,816	12,320,010	93.2
2016	15,205,508	(499,925)	14,705,583	14,162,369	93.1
2017	15,439,224	(452,492)	14,986,732	14,670,232	95.0
2018	16,679,694	(437,197)	16,242,497	15,545,247	93.2

Source: Yamhill County Assessor's Office

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

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Adjusted Levy
596,644	11,079,567	99.97 %
680,782	11,577,216	99.62
579,481	11,773,247	99.74
556,668	11,879,718	99.86
563,046	12,070,317	99.78
516,272	12,409,772	99.72
476,932	12,796,942	99.49
386,114	14,548,483	98.93
214,442	14,884,674	99.32
-	15,545,247	95.71

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

<u>Customer Type</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Water consumption (e):			
Residential	\$ 77,035,569	\$ 76,504,331	\$ 74,859,499
Commercial - no average (b)	57,137,000	50,828,300	53,747,000
Commercial - with average (c)	<u>10,111,714</u>	<u>9,585,906</u>	<u>9,363,800</u>
 Total	 <u>144,284,283</u>	 <u>136,918,537</u>	 <u>137,970,299</u>

Residential sewer rates: (a)			
Service charge per residential unit	\$ 17.05	\$ 17.05	\$ 17.05
Volume charge per 100 cubic feet of water used (d)	4.47	4.47	4.47
Commercial and industrial sewer rates:			
Service charge per account	17.05	17.05	17.05
Volume charge per 100 cubic feet of water used	5.46	5.46	5.46

Sources: 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.

Fiscal Year Ended June 30,

2012	2013	2014	2015	2016	2017	2018
\$ 75,685,450	\$ 75,773,900	\$ 75,498,100	\$ 75,212,200	\$ 75,670,000	\$ 75,912,502	\$ 75,958,939
50,717,903	56,242,500	53,151,400	51,733,900	53,543,500	44,729,900	43,761,700
8,999,000	7,882,400	5,879,700	5,727,300	5,824,500	6,221,000	5,861,500
<u>135,402,353</u>	<u>139,898,800</u>	<u>134,529,200</u>	<u>132,673,400</u>	<u>135,038,000</u>	<u>126,863,402</u>	<u>125,582,139</u>

\$	17.05	\$	17.05	\$	17.25	\$	17.73	\$	18.60	\$	19.25	\$	20.00
	4.59		4.77		4.94		5.08		5.22		5.36		5.49
	17.05		17.05		17.25		17.73		18.60		19.25		20.00
	5.62		5.89		6.13		6.30		6.48		6.65		6.81

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		
2009	\$ 17.05	\$ 4.47	\$ 17.05	\$ 5.46	\$ 7,919,502	4.02 %
2010	17.05	4.47	17.05	5.46	7,848,888	(0.89)
2011	17.05	4.47	17.05	5.46	7,940,854	1.17
2012	17.05	4.59	17.05	5.62	7,993,971	0.67
2013	17.05	4.77	17.05	5.89	8,233,885	3.00
2014	17.25	4.94	17.25	6.13	8,601,036	4.46
2015	17.73	5.08	17.73	6.30	9,166,951	6.58
2016	18.60	5.22	18.60	6.48	9,166,543	(0.00)
2017	19.25	5.36	19.25	6.65	9,287,932	1.32
2018	20.00	5.49	20.00	6.81	9,764,579	5.13

Source: City of McMinnville Engineering Department

Note: Sewer rates are set by City Council taking into consideration the City's Sewer Mater Plan which provides recommendations for future operational and capital needs. In 2015, City Council adopted the updated Wastewater System Financial Plan which continues the City's policy of moderate annual rate increases.

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
2009	11,630	1,545	13,175
2010	11,319	1,199	12,518
2011	11,768	1,246	13,014
2012	11,664	1,170	12,834
2013	11,784	1,164	12,948
2014	12,042	1,097	13,139
2015	12,280	1,157	13,437
2016	12,121	1,083	13,204
2017	12,493	1,113	13,606
2018	12,770	1,151	13,921

Source: McMinnville Water & Light Department

City of McMinnville, Oregon
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Obligation Bonds	Less Amount Available in Debt Service Fund (a)	Net General Obligation Bonded Debt	Percentage of Estimated Real Market Value (b)	Per Capita (c)	Other Full Faith & Credit Bank Loan
2009	\$ 19,659,842	\$ 850,000	\$ 18,809,842	0.57	\$ 574	\$ -
2010	18,780,067	910,000	17,870,067	0.55	554	-
2011	17,860,292	950,000	16,910,292	0.53	524	-
2012	16,966,610	1,075,000	15,891,610	0.57	490	-
2013	15,848,203	1,070,000	14,778,203	0.53	455	-
2014	14,734,796	1,105,000	13,629,796	0.50	417	1,370,000
2015	32,140,210	1,525,000	30,615,210	1.07	925	1,766,096
2016	30,333,129	1,850,000	28,483,129	0.91	853	3,221,241
2017	27,761,049	1,228,000	26,533,049	0.78	788	8,136,901
2018	33,216,319	1,268,000	31,948,319	0.80	945	7,714,829

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements (Note III. G).

- (a) Amount of fund balance restricted for principal payments.
- (b) See Schedule of Assessed and Estimated Actual Value of Property for estimated real market value data.
- (c) See Schedule of Demographic and Economic Statistics for population data.
- (d) Includes general bonded debt, other governmental activities debt, and business-type activities debt. In fiscal year 2014-15, the primary government debt was restated from net to gross.
- (e) See Schedule of Demographic and Economic Statistics for personal income data.

n/a - not available

<u>Governmental Activities Debt</u>		<u>Business-Type Activities</u>			<u>Notes Payable</u>	<u>Total Primary Government (d)</u>	<u>Percentage of Personal Income (e)</u>	<u>Per Capita (c)</u>
<u>Notes Payable</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Full Faith & Credit Bank Loan</u>					
\$ 27,877	\$ 7,743	\$ 13,620,889	\$ -	\$ 444,727	\$ 33,761,078	3.19 %	1,031	
-	-	11,116,102	-	-	29,896,169	2.88	927	
-	-	8,486,315	-	-	26,346,607	2.46	816	
-	-	5,731,528	-	-	22,698,138	2.03	700	
-	-	2,891,742	-	-	18,739,945	1.64	576	
-	-	-	-	-	16,104,796	1.34	492	
-	-	-	-	-	33,906,306	2.60	1,025	
-	-	-	-	-	33,554,370	2.51	1,004	
-	-	-	952,758	-	36,850,708	2.57	1,095	
-	105,333	-	895,092	-	41,931,573	n/a	1,240	

City of McMinnville, Oregon
Direct and Overlapping Governmental Activities Debt
June 30, 2018

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
Direct:			
General obligation bonded debt - City	\$ 33,216,319	100.00 %	\$ 33,216,319
Other governmental activities debt - City	7,820,162	100.00 %	<u>7,820,162</u>
Total direct debt			<u>41,036,481</u>
Overlapping:			
General obligation bonded debt:			
Chemeketa Community College	70,070,000	7.20	5,045,040
McMinnville School District No. 40	124,450,000	77.08	95,926,060
Other governmental activities debt:			
Chemeketa Community College	42,220,826	7.20	3,039,899
Willamette Education Service District	22,097,051	6.53	1,442,937
Yamhill County	7,608,556	28.10	2,138,004
McMinnville School District No. 40	24,669,739	77.08	<u>19,015,435</u>
Total overlapping debt			<u>126,607,376</u>
Total direct and overlapping debt			<u>\$ 167,643,857</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total estimated real market value	\$ 3,281,260,714	\$ 3,267,741,423	\$ 3,193,379,293	\$ 2,806,089,205
Debt limitation:				
3% of estimated real market value	98,437,821	98,032,243	95,801,379	84,182,676
Debt applicable to limitation:				
Total general obligation bonded debt	19,490,000	18,620,000	17,710,000	16,515,000
Less amount available for payment of general obligation principal	<u>(850,000)</u>	<u>(910,000)</u>	<u>(950,000)</u>	<u>(1,075,000)</u>
Net debt applicable to limitation	<u>18,640,000</u>	<u>17,710,000</u>	<u>16,760,000</u>	<u>15,440,000</u>
Total remaining debt limit	<u>\$ 79,797,821</u>	<u>\$ 80,322,243</u>	<u>\$ 79,041,379</u>	<u>\$ 68,742,676</u>
Total net debt applicable to limitation as a percentage of debt limit	18.94%	18.07%	17.49%	18.34%

Fiscal Year Ended June 30,

2013	2014	2015	2016	2017	2018
\$ 2,767,634,640	\$ 2,748,715,501	\$ 2,861,726,286	\$ 3,119,905,725	\$ 3,418,882,530	\$ 3,979,311,670
83,029,039	82,461,465	85,851,789	93,597,172	102,566,476	119,379,350
15,440,000	14,370,000	28,580,000	27,055,000	24,765,000	30,275,000
<u>(1,070,000)</u>	<u>(1,105,000)</u>	<u>(1,525,000)</u>	<u>(2,290,000)</u>	<u>(1,228,300)</u>	<u>(1,267,785)</u>
<u>14,370,000</u>	<u>13,265,000</u>	<u>27,055,000</u>	<u>24,765,000</u>	<u>23,536,700</u>	<u>29,007,215</u>
<u>\$ 68,659,039</u>	<u>\$ 69,196,465</u>	<u>\$ 58,796,789</u>	<u>\$ 68,832,172</u>	<u>\$ 79,029,776</u>	<u>\$ 90,372,135</u>
17.31%	16.09%	31.51%	26.46%	22.95%	24.30%

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	Unemployment Rate (c)
2009	32,760	\$ 1,057,787,640	\$ 32,289	6,650	11.5 %
2010	32,240	1,036,935,120	32,163	6,411	10.0
2011	32,270	1,071,138,110	33,193	6,490	8.8
2012	32,435	1,117,515,490	34,454	6,464	8.5
2013	32,510	1,139,442,990	35,049	6,606	8.1
2014	32,705	1,198,703,660	36,652	6,620	6.6
2015	33,080	1,303,054,280	39,391	6,734	5.4
2016	33,405	1,335,331,470	39,974	6,794	5.1
2017	33,665	1,431,974,440	42,536	6,778	4.5
2018	33,810	n/a	n/a	6,764	3.1

Sources: Population information is provided by Portland State University certified yearly estimates. The current fiscal year population is based on the preliminary Oregon population estimate. Per capita personal income is provided by Office of Economic Analysis. School enrollment is provided by McMinnville School District No. 40, adjusted from the preliminary estimate in the current year to official count in the following year. Unemployment numbers are provided by the Bureau of Labor Statistics.

- (a) Personal income is calculated using population and per capita personal income figures.
- (b) Per capital personal income figures are for Yamhill County in total, not just the City of McMinnville.
- (c) Unemployment numbers prior to fiscal year 2015 was provided by the Oregon Employment Department.

n/a - not available



City of McMinnville, Oregon
Principal Employers
Current Year and Nine Years Ago

		<u>Fiscal Year Ended June 30, 2018</u>		
<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>	<u>Percentage</u>	<u>Rank</u>
McMinnville School District #40	Education	744	5.00	%
Yamhill County	County government	524	3.52	
Willamette Valley Medical Center, LLC	Health care	500	3.36	
Cascade Steel Rolling Mills, Inc.	Steel production	406	2.73	
Linfield College	Higher education - liberal arts	400	2.69	
Meggitt Polymer	Sealing solutions manufacturing	398	2.67	
City of McMinnville	City government	216	1.45	
Betty Lou's Inc	Snack manufacturer	200	1.34	
Oregon Mutual Insurance Company	Insurance products and services	181	1.22	
Express Professionals	Temp agency	175	1.18	
Wal-Mart Stores, Inc.	Retail merchandise	158	1.06	
Skyline Corporation (Homette and Nomad)	Mobile home and RV manufacturing	150	1.01	
Evergreen Enterprises, Inc.	Air freight, helicopters, agriculture	-	-	
Total principal employers		4,052	27.22	
All other employers (estimated)		<u>10,833</u>	<u>72.78</u>	
Total		<u>14,885</u>	<u>100.00</u>	%

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

Fiscal Year Ended June 30, 2009

<u>Number of</u> <u>Employees</u>	<u>Percentage</u>	<u>Rank</u>
712	5.11 %	1
390	2.80	6
575	4.12	2
439	3.15	5
468	3.36	3
120	0.86	10
-	-	-
-	-	-
210	1.51	8
205	1.47	9
-	-	-
275	1.97	7
<u>450</u>	<u>3.23</u>	4
3,844	27.58	
<u>10,096</u>	<u>72.42</u>	
<u>13,940</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
2009	153	\$ 10,832,643	140	\$ 12,649,511
2010	134	42,913,099	144	9,466,331
2011	125	29,802,629	128	11,586,050
2012	113	29,242,652	101	11,698,859
2013	112	12,025,990	116	12,698,093
2014	141	12,233,453	173	21,608,492
2015	169	27,786,301	189	30,794,301
2016	124	8,342,488	197	29,861,929
2017	160	53,721,846	148	17,227,703
2018	144	67,534,920	168	25,020,298

Source: City of McMinnville Building Division

- (a) Commercial, industrial, schools, churches, and public buildings; including additions and major repairs.
- (b) Manufactured, single family, duplex homes; and multiple family units. Including additions and major repairs.



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

Functions/Programs	Fiscal Year Ended June 30,					
	2009	2010	2011	2012	2013	2014
Primary government:						
Governmental activities:						
General government	15.48	15.32	14.84	14.49	13.38	13.31
Community development	11.20	11.35	11.35	10.35	9.60	9.39
Public safety:						
Police:						
Sworn	36.00	35.00	34.00	35.00	34.00	37.00
Non-sworn	14.92	14.92	13.45	13.57	14.77	11.18
Fire (a)	16.75	16.99	16.40	14.95	14.03	14.48
Highways and streets	9.15	8.84	8.83	8.90	8.90	8.66
Culture and recreation:						
Parks and recreation:						
Full-time	15.00	15.00	15.00	15.00	14.00	14.00
Part-time	27.89	29.61	29.26	29.18	28.67	27.94
Library	17.93	17.93	17.31	17.01	15.55	15.38
Total governmental activities	<u>164.32</u>	<u>164.96</u>	<u>160.44</u>	<u>158.45</u>	<u>152.90</u>	<u>151.34</u>
Business-type activities:						
Wastewater	19.04	19.22	19.46	20.46	22.40	20.46
Ambulance (a)	16.04	15.72	16.32	20.72	20.46	22.65
Building	5.90	3.75	3.65	3.65	2.00	1.90
Total business-type activities	<u>40.98</u>	<u>38.69</u>	<u>39.43</u>	<u>44.83</u>	<u>44.86</u>	<u>45.01</u>
Total primary government	<u>205.30</u>	<u>203.65</u>	<u>199.87</u>	<u>203.28</u>	<u>197.76</u>	<u>196.35</u>

Source: City of McMinnville Adopted Budgets

(a) In fiscal year 2011-12, the allocation of certain fire and ambulance positions was changed to more closely align personnel costs with actual hours worked in each function, resulting in a decrease in fire FTE and an increase in ambulance FTE.

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
13.71	14.11	14.65	14.78
9.83	10.54	11.25	11.57
37.00	37.00	41.00	41.00
13.39	12.73	13.73	13.73
14.47	14.75	15.40	15.57
8.68	8.71	7.07	8.82
14.00	17.00	17.85	15.00
29.94	27.00	27.59	30.44
<u>15.52</u>	<u>15.45</u>	<u>15.31</u>	<u>15.42</u>
<u>156.54</u>	<u>157.29</u>	<u>163.85</u>	<u>166.33</u>
21.46	21.46	20.50	21.37
22.65	22.95	25.02	25.02
<u>2.00</u>	<u>3.25</u>	<u>3.75</u>	<u>3.75</u>
<u>46.11</u>	<u>47.66</u>	<u>49.27</u>	<u>50.14</u>
<u>202.65</u>	<u>204.95</u>	<u>213.12</u>	<u>216.47</u>

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

Functions/Programs	2009	2010	2011	2012
Primary government:				
Police:				
Calls for service (a) (e)	28,401	29,133	27,848	32,153
Crimes: (a)				
Part I Crimes Against Persons	1,093	1,302	1,404	1,206
Part II Crimes Against Property	2,975	2,784	2,949	2,873
Part III Behavioral Crimes	1,138	1,070	1,032	1,107
Total crimes	<u>5,206</u>	<u>5,156</u>	<u>5,385</u>	<u>5,186</u>
Traffic crashes	228	297	265	276
Traffic citations/warnings	9,559	7,090	5,754	10,581
Fire:				
Self fire inspections conducted	-	-	-	-
On-site fire inspections conducted	230	320	375	450
Fire responses	869	815	800	923
Fire/rescue responses	3,120	3,212	3,303	2,823
Level of insurance service	Class 3	Class 3	Class 3	Class 3
Parks and recreation:				
Aquatic center attendance:				
General recreation programs	71,877	79,998	84,094	70,629
Fitness classes	16,830	19,801	19,852	19,487
Swim instruction	14,790	14,381	15,318	15,312
School district #40 programs	8,759	5,949	6,179	5,323
Rental attendance	14,651	13,747	13,857	24,245
Total attendance	<u>126,907</u>	<u>133,876</u>	<u>139,300</u>	<u>134,996</u>

Fiscal Year Ended June 30,

2013	2014	2015	2016	2017	2018
29,419	29,823	31,047	29,059	33,342	na
1,251	1,132	1,234	998	1,130	na
2,677	2,418	2,442	2,014	2,075	na
1,133	1,287	1,364	1,317	1,290	na
<u>5,061</u>	<u>4,837</u>	<u>5,040</u>	<u>4,329</u>	<u>4,495</u>	<u>na</u>
235	334	284	373	268	na
8,522	8,003	8,838	6,038	10,852	na
-	-	-	-	-	-
512	562	484	375	300	577
650	786	856	866	817	967
2,912	2,932	2,996	3,024	3,018	2,989
Class 3	Class 3	Class 3	Class 3	Class 3	Class 3
70,500	73,729	84,301	85,715	77,399	62,723
18,586	18,229	19,989	25,790	23,377	23,876
16,016	16,862	16,523	15,333	13,604	13,523
4,953	6,454	6,177	7,263	7,350	6,108
24,730	18,789	14,794	12,608	13,804	14,058
<u>134,785</u>	<u>134,063</u>	<u>141,784</u>	<u>146,709</u>	<u>135,534</u>	<u>120,288</u>

(Continued)

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

<u>Functions/Programs</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Community center and recreation programs:				
Facility reservations	1,373	1,932	1,944	1,960
Children's programs (children per session):				
Kids on the block (after school) (b)	648	781	950	594
STARS (summer)	114	57	60	60
Community Center Programs (per year) (f)				
Youth Programs	n/a	n/a	n/a	n/a
Adult Programs	n/a	n/a	n/a	n/a
Community Center Drop-In Participants (g)	n/a	n/a	n/a	n/a
Recreational sports:				
Soccer:				
Participants	2,443	2,039	1,907	2,054
Teams	201	187	169	173
Matches	1,279	1,190	910	857
Baseball/softball:				
Participants	1,230	920	1,188	1,067
Teams	96	87	105	89
Games	643	590	588	577
Other sports:				
Participants	443	472	560	486
Games/matches	354	377	394	378
Senior center:				
Attendance (d)	16,950	17,800	16,838	27,782
Facility rentals	123	130	208	327
Senior meals served	22,890	22,000	19,500	19,250
Day trips taken	12	12	24	16
Day trip attendance	212	220	276	163
Overnight trips taken	5	8	9	16
Overnight trip attendance	77	120	70	50
Park maintenance:				
Picnic reservations (a)	135	116	145	160
Library:				
Items circulated	363,204	378,061	381,814	382,344
Items in collections / resources	104,059	112,461	117,016	192,766
Service hours per week	51	51	51	51

2013	2014	2015	2016	2017	2018
2,559	2,698	2,051	1,848	2,796	2,595
682	694	449	447	407	373
55	62	65	65	71	75
n/a	n/a	n/a	2,144	3,313	4,091
n/a	n/a	n/a	392	423	392
n/a	n/a	n/a	5,941	7,215	9,026
1,837	1,694	1,683	1,606	1,634	1,555
147	140	173	155	158	150
787	730	824	780	731	748
1,162	1,042	1,120	1,100	950	978
91	83	93	97	78	82
600	506	535	513	427	437
492	554	598	615	571	492
331	346	357	333	305	254
29,001	27,779	27,610	28,558	30,866	33,400
269	194	203	212	190	175
24,574	27,997	19,920	23,164	24,801	24,818
19	19	15	18	11	10
207	265	221	249	153	131
11	12	6	8	5	2
69	37	34	18	10	5
155	154	160	160	179	180
352,211	351,672	359,093	384,347	371,872	360,300
136,629	87,995	142,904	152,121	160,363	162,807
45	45	45	45	45	45

(Continued)

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

<u>Functions/Programs</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Community development:				
Building division:				
Building permits issued	222	207	192	119
Plumbing permits issued	224	269	298	132
Mechanical permits issued	241	266	197	103
Demolition permits issued	11	10	5	5
Fire life safety permits issued	41	21	33	12
Miscellaneous permits issued	48	41	40	28
Manufactured home permits issued	7	22	17	4
Total permits issued	<u>794</u>	<u>836</u>	<u>782</u>	<u>403</u>
Wastewater Services:				
Daily average treatment in gallons (c)	2,948,000	2,937,000	3,461,000	2,960,000
Service connections:				
Residential	11,398	11,319	11,768	11,664
General services/commercial	1,326	1,199	1,246	1,170
Ambulance:				
Emergency Medical Service (EMS) calls	5,185	5,480	5,603	5,713
EMS patients transported	4,163	4,001	4,100	4,204
Component unit:				
Water and light:				
Water system:				
Daily average consumption in gallons	5,000,000	4,200,000	4,400,000	4,324,000
Service connections:				
Residential	11,718	11,617	12,063	11,886
General services/commercial	1,573	1,424	1,521	1,479
Electric system:				
Type	public power	public power	public power	public power
Service connections:				
Residential	13,027	13,000	13,051	13,116
General services/small industrial	2,689	2,158	2,182	2,184
Large industrial	2	2	2	2

Source: City of McMinnville departments

(a) Calendar year

(b) 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.

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

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

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
201	282	270	261	250	358
243	275	184	233	227	246
173	232	245	301	309	310
12	4	6	10	15	17
29	40	60	37	43	49
26	44	44	56	43	67
2	8	21	15	5	5
<u>686</u>	<u>885</u>	<u>830</u>	<u>913</u>	<u>892</u>	<u>1,052</u>
2,740,000	3,240,000	2,950,000	3,310,000	2,758,000	2,735,000
11,784	12,042	12,280	12,121	12,493	12,770
1,164	1,097	1,157	1,083	1,113	1,151
5,795	5,879	6,211	7,248	7,028	7,000
4,388	4,385	4,546	5,156	5,234	4,902
5,020,000	4,500,000	4,700,000	4,800,000	4,300,000	4,500,000
12,006	12,192	12,431	12,238	12,619	12,882
1,485	1,511	1,551	1,475	1,479	1,542
public power	public power	public power	public power	public power	public power
13,160	13,260	13,526	13,616	13,807	13,909
2,206	2,189	2,002	2,293	2,224	2,247
2	2	2	2	2	2

(e) Beginning in 2011, calls for service data includes officer-initiated activity, in previous years the call for service data was the actual requests for police officer service from the community.

(f) Beginning in 2016, the Community Center started tracking programs for youth, adults and general drop-in participants.

(g) Beginning in 2017-18, the Community Center started hosting the Senior Center Fitness program and classes.

n/a - not available

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

Functions/Programs	2009	2010	2011
Primary government:			
General government:			
Computers - desktops and laptops	210	251	264
Computers - physical servers	21	33	21
Police:			
Station	1	1	1
Off-site evidence facility	1	1	1
Training facility	1	1	1
Patrol units	15	15	15
Command vehicle	1	1	1
Motorcycles	2	2	2
Fire:			
Stations	1	1	1
Training facility	1	1	1
Vehicles	16	16	16
Highways and streets:			
Miles of streets	103	103	103
Miles of storm drain sewers	75	75	75
Number of street lights	n/a	n/a	2,677
Parks and recreation:			
Aquatic center	1	1	1
Community center	1	1	1
Senior citizen center	1	1	1
Parks:			
Neighborhood parks (a)	2	2	3
Community parks	5	5	5
Linear park	2	2	2
Mini parks and play lots	7	7	7
Nature parks	2	2	2
Special use park (b)	-	1	1
Greenway/greenspaces	15	15	15
Park system acreage (a)	347	353	353
Tennis courts (d)	4	4	4
Pickleball courts (d)	-	-	-
Baseball/softball fields	11	11	11
Soccer fields	11	11	11
Outdoor basketball courts	7	7	8
Skate parks	2	2	2
Library:			
Facility	1	1	1
Bookmobile	1	1	1

Fiscal Year Ended June 30,

2012	2013	2014	2015	2016	2017	2018
264	267	285	280	285	291	290
14	17	17	17	12	12	12
1	1	1	1	1	1	1
1	1	1	1	1	1	1
1	1	1	1	1	1	1
16	14	14	15	15	15	15
2	2	2	2	2	2	2
2	2	2	2	2	2	2
1	2	2	2	2	2	2
1	1	1	1	1	1	1
16	16	16	16	16	16	16
103	103	103	104	104	104	105
75	76	76	77	77	78	79
2,684	2,684	2,679	2,679	2,679	2,697	2,719
1	1	1	1	1	1	1
1	1	1	1	1	1	1
1	1	1	1	1	1	1
3	3	3	3	3	3	3
5	5	5	5	5	5	5
2	2	2	2	2	2	2
7	7	7	7	7	7	7
2	2	2	2	2	2	2
1	1	1	1	1	1	1
15	15	15	15	15	15	15
353	353	353	357	357	357	357
4	4	4	4	4	4	2
-	-	-	-	-	-	6
11	11	11	11	11	11	11
11	11	11	11	11	11	11
8	8	8	8	8	8	8
2	2	2	2	2	2	2
1	1	1	1	1	1	1
1	1	1	1	1	1	1

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

Functions/Programs	2009	2010	2011
Primary government (continued):			
Airport:			
Runways	2	2	2
Runway 04/22: 100 ft x 5420 ft with 1,000 ft asphalt stopway (e)			
Runway 17/35: 75 ft x 4394 ft			
Connecting taxiways	2	2	2
Automated weather station	1	1	1
Instrument landing system (ILS)	1	1	1
Precision approach path indicator (PAPI)	2	2	2
FAA automated flight service station	-	-	-
City owned hangars:			
Maintenance	2	2	2
Rental	27	27	27
Land leased hangars:			
Private	83	83	84
Corporate	2	2	2
Wastewater Services:			
Treatment plant	1	1	1
Maximum daily capacity of treatment plant in gallons	5,600,000	5,600,000	5,600,000
Miles of sanitary sewers	152	152	152
Ambulance:			
Vehicles	3	3	4
Component unit:			
Water and light:			
Water system:			
Maximum daily capacity of plant in gallons (c)	13,300,000	13,300,000	22,000,000
Watershed storage in billions of gallons	3.5	3.5	3.5
Miles of water mains	154	154	172
Fire hydrants	1,017	1,023	1,023
Electric system:			
Substations	7	8	7
Miles of distribution	318	318	314

Source: City of McMinnville departments

(a) 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. In fiscal year 2014-15, NW Neighborhood park land was purchased.

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

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

(d) In fiscal year 2017-18, six pickleball courts replaced two tennis courts in lower city park.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
2	2	2	2	2	2	2
2	2	2	2	2	2	2
1	1	1	1	1	1	1
1	1	1	1	1	1	1
2	2	2	2	2	2	1
-	-	-	-	-	-	-
2	2	2	2	2	2	2
27	27	27	27	27	27	27
84	84	84	84	84	84	84
2	2	2	2	2	2	2
1	1	1	1	1	1	1
5,600,000	5,600,000	5,600,000	5,600,000	5,600,000	6,100,000	6,100,000
152	152	153	155	155	156	157
5	5	5	6	6	7	7
22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
3.5	3.5	3.5	3.5	3.5	3.5	3.5
172	172	175	176	177	177	178
1,023	1,024	1,044	1,055	1,061	1,068	1,068
7	7	7	7	7	7	7
320	323	325	326	329	332	331

(e) During fiscal years 2016-17 through 2017-18 a rehabilitation project of Runway 04/22 was in place. The Runway's dimensions prior to 2016-17 was 150 ft x 5420 ft with a 1,000 ft asphalt stopway.

n/a - not available



COMPLIANCE SECTION

- Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting on an Audit of Financial Statements Performed in Accordance with *Oregon State Regulations*



INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *OREGON STATE REGULATION*

Honorable Mayor and City Council
City of McMinnville, Oregon

We have audited the basic financial statements of City of McMinnville, Oregon, as of and for the year ended June 30, 2018 and have issued our report thereon dated December 27, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of McMinnville, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162 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:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- 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, and 279C).
- Accountability for collecting or receiving money by elected officials. The City of McMinnville does not have any elected officials collecting or receiving money.

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. In connection with our testing, nothing came to our attention that caused us to believe City of McMinnville, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows:

At June 30, 2018, the following funds had a deficit budgetary basis fund balance:

<u>Fund</u>	<u>Amount</u>
Airport Maintenance Fund	\$ (185,123)

OAR 162-10-0230 Internal Control

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

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 combination of deficiencies, in 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina & Company, LLP
West Linn, Oregon
December 27, 2018