

# McMinnville School District #40, McMinnville, Oregon Comprehensive Annual Financial Report

*For the Year Ended June 30, 2014*



Fiscal Services Department  
1500 NE Baker St.  
McMinnville, OR 97128  
503-565-4005



*Achieving Excellence in Education*



**McMinnville School District No. 40  
McMinnville, Oregon**

**Comprehensive Annual  
Financial Report**

**Year Ended June 30, 2014**

Prepared by the  
Business Office

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Maryalice Russell  
Superintendent

Susan Escure  
Director of Finance

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# **INTRODUCTORY SECTION**

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# McMinnville

## School District No. 40

1500 NE. Baker St. McMinnville, Oregon 97128 Phone: 503.565.4000 Fax: 503.565.4031

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November 28, 2014

To the Board of Directors and Citizens of the  
McMinnville School District No. 40  
McMinnville, Oregon

Oregon Municipal Audit Law requires that an independent audit be made of all District funds within six months following the close of the fiscal year. Pursuant to this requirement, the Comprehensive Annual Financial Report of McMinnville School District #40 (the District) for the fiscal year ended June 30, 2014 is hereby submitted.

Management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, the District's management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP). Because the cost of internal controls should not exceed the anticipated benefits, the District'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 misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Wilcox Arredondo & Co., Certified Public Accountants, have issued an unmodified ("clean") opinion on the District's financial statements for the year ended June 30, 2014. The independent auditor's report is located at the front of the financial section of this report. The independent audit of the District's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in the Grant Compliance Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the 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 District's MD&A can be found immediately following the report of the independent auditors, beginning on page 6.

### **DISTRICT PROFILE**

McMinnville School District was formed around 1876, the year that the District levied a tax to build a public school house. Today, the District is responsible for educating approximately 6,600 children in six elementary schools, two middle schools, and one high school.

The District is responsible for providing an education to children living within its boundaries. The District is responsible for building, operating, and maintaining school facilities; developing and maintaining approved education programs and courses of study, including academic and vocational programs, English as a second language programs and programs for special needs children; and, providing transportation and nutrition services to students in accordance with District, state, and federal requirements.

McMinnville School District #40 is Yamhill County's largest school district. It serves residents in the City of McMinnville, the City of Lafayette, and surrounding unincorporated areas of Yamhill County. The district boundary encompasses over 140 square miles of land.



## **Transmittal Letter, Year Ended June 30, 2014**

The District is a financially independent, special-purpose municipal corporation exercising financial accountability for all K-12 public education within its boundaries. The District is governed by a seven-member Board of Directors, elected to four-year terms by a majority of District voters. Terms are staggered, with elections held in odd-numbered years. The Board has oversight, responsibility, and control over all activities related to the District.

The District is required by the State of Oregon to adopt an annual budget for all funds subject to the requirements of Local Budget Law, as outlined in the Oregon Revised Statutes 294.305 through 294.520, inclusive. The budget for each individual fund is a plan for the financial operation to be conducted during the coming fiscal year and is adopted annually, prior to July 1, by the School Board. After adoption, the budget may be revised through procedures specified in State statute and District Policy. A Board-appointed Budget Committee of 14 citizens (including Board members) annually develops and approves the District's budget.

The Board hires all management staff. The management staff includes a superintendent, five district-level directors, nine principals, five assistant principals, three district program coordinators, and four support services supervisors. The District employs 650 full-time equivalent personnel, including management staff, teachers, educational assistants, secretarial, custodial, maintenance and technology, and other support staff.

### **ECONOMIC CONDITION**

McMinnville School District #40 is located in northwestern Oregon in the northern end of the Willamette Valley, approximately 40 miles southwest of Portland and approximately 25 miles northwest of Salem. The two cities within the District are McMinnville, population 32,510, and Lafayette, population 3,755. McMinnville is surrounded by Yamhill County's 200 plus vineyards and 90 wineries; home of more vineyards than in any other county in Oregon. In addition, McMinnville is home to the county seat and Linfield College, a private university. Major industries within the area include steel rebar production, medical services, retail, insurance products and services, manufactured home and recreational vehicle production, plastics fabrication, tourism, food production, and agriculture.

As of June 2014, the Yamhill County unemployment rate was 6.4%, as compared to 6.8% for the state of Oregon and 6.1% at the national level. The Oregon Office of Economic Analysis predicts continued slow growth of employment.

The real market value of property located in the boundaries of the District increased from 2013 to 2014 by 1.0%, while the assessed property values increased by 2.4%. Assessed value as a percentage of real market value was 80% compared to 79% for 2013. Per Oregon law enacted in 1997, property tax is based on the lower of real market value or maximum assessed value which increases by 3% each year. For 2014, the total real market value of property within the District boundaries is \$3.52 billion and the assessed value is \$2.83 billion.

### **STATE SCHOOL FUNDING**

The Legislature appropriates money to schools from two main sources: income taxes through the State General Fund and lottery receipts. This money makes up the State School Fund (SSF). The Legislature sets the amount of state dollars schools are to receive for a two-year funding cycle. Federal funds are also available through grants distributed through the Oregon Department of Education. These dollars are tied to specific programs and are restricted in use. Local revenues consist primarily of property taxes, the County School Fund, the Common School Fund, and other minor resources.

The Oregon Department of Education (ODE) is responsible for distributing the funds to districts using a statutory distribution formula. To achieve equal per-student funding, the formula is adjusted for local revenues. The formula uses five different components to adjust for cost differences among districts: teacher experience, weighted student count, transportation grant, facility grant, and a high cost disability grant. The average daily membership of students enrolled is weighted for students enrolled in special programs for special education, English as a second language, pregnant and parenting students, and additional weighting is added for students in poverty and foster care. The state's school funding formula determines 95% of our General Fund revenues.

## **Transmittal Letter, Year Ended June 30, 2014**

The State's primary source of revenue is income taxes and when a recession occurs, it directly impacts K-12 education funding. Since 2009, the State's allocation to schools has declined as a result of the recession. During this prolonged recovery period, it was necessary for the District to balance the budget by a reduction in the level of services, increased class size, employee concessions, and spending down of reserves. For the 2013-15 biennium, State revenues are finally showing recovery and the State's K-12 allocation has increased from \$5.71 billion to \$6.65 billion, a 16% increase. For the 2013-14 fiscal year, this has allowed the District to restore furlough days to all employees and offset increases in its retirement program (Oregon Public Employee's Retirement System – PERS). However, it will take continued recovery in future years to reduce class size and restore program services that were reduced due to the previous revenue shortfalls.

### **LONG-TERM FINANCIAL PLANNING**

Through long range fiscal planning and adjustments to expenditures, the school district has been able to limit reductions to programs and maintain a stable financial base. The District's level of funding is determined by student enrollment and the funding levels set by legislative action. As part of the budget process, the Board also looks at whether the educational program put in place for the coming year can be sustained for at least two years. The budget process also includes reviewing a five year projection. During economic downturns, the legislature can decrease funding below original state estimates used by school districts for budgeting. It has been a goal of the district to set aside reserves for unanticipated decreases in state revenue estimates.

The District's unassigned fund balance in the General Fund as of June 30, 2014 was higher than the minimum target set by Board policy of 5% of adopted revenues. The policy encourages a higher fund balance to offset unforeseen state revenue shortfalls. The board adopted budget for 2014-15 assumes a year end reserve of \$4 million or 6.8% of estimated revenues.

Since the District is dependent on the State of Oregon for a substantial portion of its operating funds, and state appropriations for K-12 education have often declined from the original appropriation, adherence to this policy is critical for maintaining long-term financial stability and keeping educational programs in place during the school year with minimal disruptions.

### **MAJOR INITIATIVES**

#### *Long Range Facility Task Force*

In 2012, the District began work toward updating its long range facilities plan by completing a detailed professional assessment of each facility. This assessment determined the current condition of facilities, prioritized improvements recommended in the next five to ten years, and estimated the cost of those recommendations. A task force including community members began meeting in 2013 to determine a more detailed priority list of potential projects and funding goals from the initial assessment. This task force will continue to meet through 2014-15 to develop their final recommendations to the board for future capital projects.

#### *Investing in Effective Educators*

Four years ago, the McMinnville School District was awarded a Teachers Incentive Fund grant for \$6.7 million over five years. The grant project includes a performance-based compensation system that allows teachers and administrators to earn bonuses in four categories: school-wide achievement on state assessments, classroom-based student growth on common formative and summative assessments, additional leadership duties, and classroom observation and collaboration with instructional coaches. The objective of the Investing in Effective Educators Project is to increase student achievement and accelerate academic growth by increasing teacher effectiveness.

#### *STEM Professional Learning Communities Partnership Project*

Two year ago, the McMinnville School District was awarded a three-year Math/Science Partnership grant for \$928,000 focused on increasing student achievement in math and science through problem-based STEM (Science, Technology, Engineering, and Math) teaching and learning in 9<sup>th</sup> grade. The project facilitates the natural interconnectedness of biology and algebra through robust and rigorous authentic applications of learning.

## Transmittal Letter, Year Ended June 30, 2014

### *21<sup>st</sup> Century Community Learning Center*

Last year, the District was awarded a \$1.8 million five-year grant to support extended learning opportunities at the secondary level in an afterschool program, Saturday Academies, and summer programs, with the objective of increasing student achievement and accelerating academic growth, particularly among traditionally underserved students.

### *CTE Revitalization Project*

Last Spring, the District was awarded a one-year \$237,000 grant from the Oregon Education Investment Board's Strategic Initiative to implement and Engineering, Manufacturing, and Fabrication Career Pathway at McMinnville High School featuring Certification of Completion Programs and dual high school/college credit. The new Pathway is further supported by a vibrant STEM program at both district middle schools.

## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to McMinnville School District for its *Comprehensive Annual Financial Report (CAFR)* for the year ended June 30, 2013. This was the fifth year the District has received this prestigious award. In order to be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized *CAFR* and must satisfy both generally accepted accounting principles and applicable legal requirements. 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.

In addition, the Association of School Business Officials International (ASBO) awarded its Certificate of Excellence in Financial Reporting to McMinnville School District for its *CAFR* for the year ended June 30, 2013. This was the fifth year that the District received this award. Receiving this award is recognition that the District has met the highest standards of excellence in school financial reporting adopted by ASBO. The District believes that the current *CAFR*, which will be submitted to ASBO for review, will also conform to these standards.

Many individuals throughout the District provided information needed for the preparation of this report. We wish to express our appreciation to the entire Finance Department, in particular, for their efforts and contributions to our Comprehensive Annual Financial Report.

Furthermore, we would like to acknowledge the efforts of all District personnel who conscientiously follow internal controls and, during the *CAFR* preparation, provide additional information that makes the report more meaningful.

We also thank the members of the School Board and Budget Committee for their continued support and dedication to the educational and financial operations of the District.

Respectfully submitted,



Maryalice Russell, Ed.D.  
Superintendent



Susan Escure  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**McMinnville School District  
No. 40, Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

# Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award  
is presented to*

## **McMinnville School District No. 40**

*For Its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2013*

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards



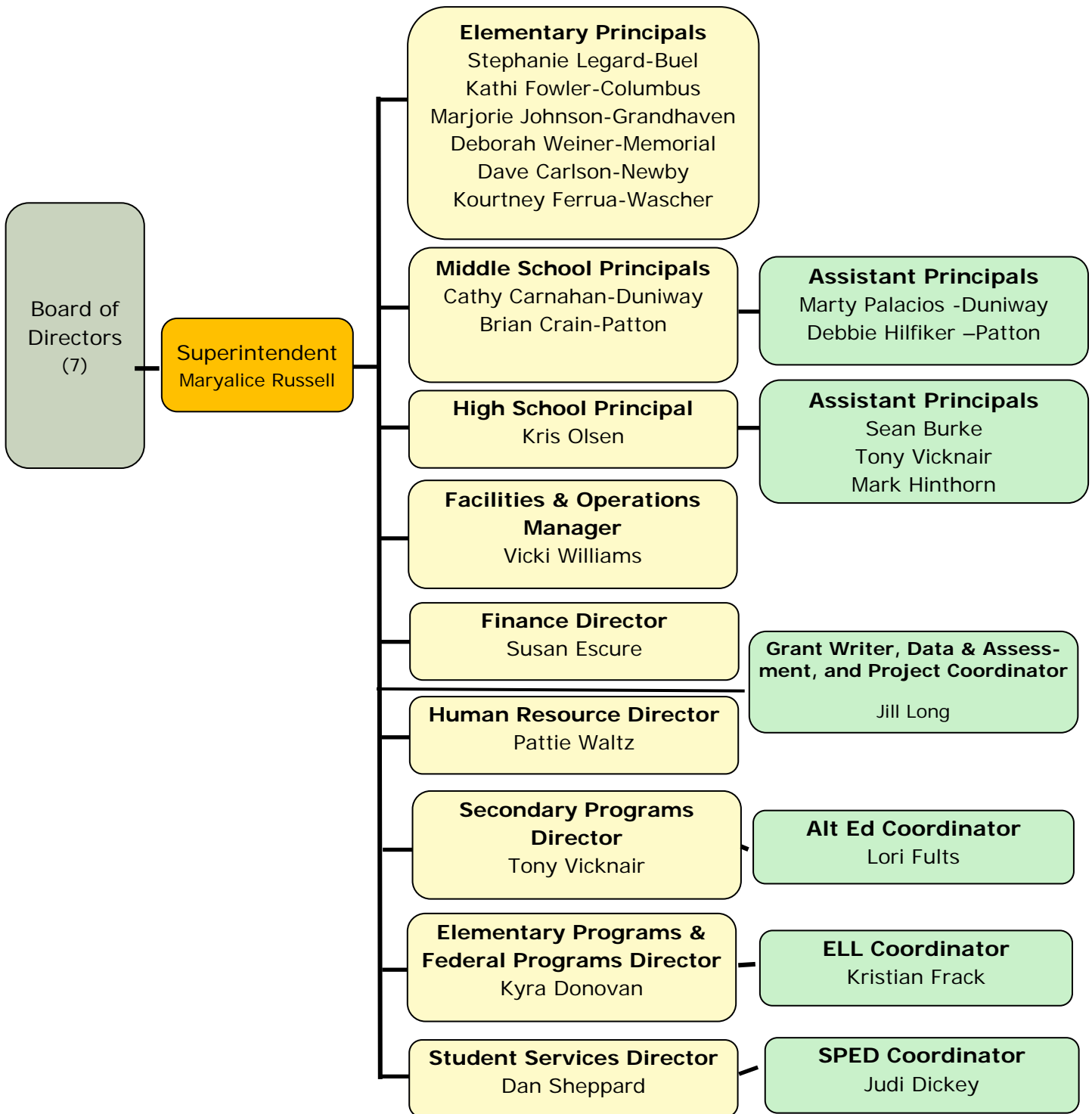
A handwritten signature in black ink, reading 'Terrie S. Simmons'.

Terrie S. Simmons, RSBA, CSBO  
President

A handwritten signature in black ink, reading 'John D. Musso'.

John D. Musso, CAE, RSBA  
Executive Director

**McMinnville School District #40  
Administrative Organizational Chart  
2013-2014**



McMINNVILLE SCHOOL DISTRICT NO. 40  
YAMHILL COUNTY, OREGON

Administrative Office

1500 NE Baker Street  
McMinnville, Oregon 97128

Maryalice Russell  
Susan Escure  
Amy Cavinaw

Superintendent  
Director of Finance  
Accounting Supervisor

BOARD OF DIRECTORS AS OF JUNE 30, 2014

	<u>Term Expires</u>
Dr. Tim Roberts, Board Chair 1069 NW Baker Crest Court McMinnville, Oregon 97128	June 30, 2017
Dr. Scott Schieber, Vice Chair 2370 NW Horizon Dr. McMinnville, Oregon 97128	June 30, 2015
Mr. Larry Vollmer 1946 Fir Street McMinnville, Oregon 97128	June 30, 2015
Ms. Janis Braich 124 Anne Street McMinnville, Oregon 97128	June 30, 2015
Dr. Scott Gibson 4325 NE Riverside Dr. McMinnville, Oregon 97128	June 30, 2015
Mr. Stan Primozych 475 NW Mt. Bachelor St. McMinnville, Or 97128	June 30, 2017
Ms. Barbara Carter 629 NW Jason Court McMinnville, Oregon 97128	June 30, 2017

# **FINANCIAL SECTION**



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# **INDEPENDENT AUDITORS' REPORT**

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To the School Board  
McMinnville School District No. 40  
Yamhill County, Oregon

## INDEPENDENT AUDITORS' REPORT

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McMinnville School District No. 40, McMinnville, Oregon (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We 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 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, each major fund and the aggregate remaining fund information of the District, as of June 30, 2014, and, the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



### ***Change in Accounting Principle***

As described in the notes to the financial statements, during the year ended June 30, 2014, the Districted adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress for Other Postemployment Benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United 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

Additionally, accounting principles generally accepted in the United States of America require that the General Fund and Grant Fund budgetary comparison be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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. 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 General Fund and Grant Fund budgetary comparison are fairly stated in all material respects in relation to the basic financial statements taken as a whole

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory section, the 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.



The other supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 supplementary information, as defined in the table of contents, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken 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.

#### **Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2014, on our consideration of the District'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

#### **Reports on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 28, 2014, on our consideration of the District's internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, and grants, 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 internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

*Wilcox Arredondo & Co.*

Certified Public Accountants  
Canby, Oregon  
November 28, 2014

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# **MANAGEMENT'S DISCUSSION AND** **ANALYSIS**



McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

As management of McMinnville School District #40 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages i-iv of this report.

**NEW ACCOUNTING PRONOUNCEMENT IMPLEMENTED**

The District has implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* ("GASB 63") and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"). GASB 63 renamed the Statement of Net Assets to the statement of Net Position, as well as reported Net Assets, and components thereof, to Net Position. GASB 65 resulted in the restatement of the District's fiscal year 2013 government-wide financials statements to recognize bond issuance costs in the period they were paid. Prior to GASB 65, bond issuance costs were carried on the Statement of Net Position and amortized over the life of the bonds. Since GASB 65 requires retroactive treatment, any carrying costs and amortization thereof have been excluded pursuant to the Statement and reported as a restatement of beginning net position in fiscal year 2013 (see Note 12 for detailed GASB 65 adjustments).

**FINANCIAL HIGHLIGHTS**

- In the government-wide statements, the District's net position increased by \$3.6 million or 10.9% during the year ended June 30, 2014 to \$36.7 million. Per the Statement of Activities, the cost of all District programs was \$69 million, an increase of \$3.5 million or 5.3% from the prior year. Total revenues were \$72.6 million, an increase of \$5 million or 7.4%.
- At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$10.9 million, an increase of \$1.6 million in comparison to the prior year. Approximately 44% of this amount is available for spending at the government's discretion (*unassigned fund balance*).
- The most significant fund is the General Fund. At the end of the current fiscal year, the unassigned fund balance for the general fund was \$4.8 million, an increase of \$1.3 million from the prior year. For the fiscal year ending June 30, 2014, state school fund formula revenues came in higher than projected which increased reserves for future use.
- The District's total long-term debt decreased by \$6 million during fiscal year 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements include:

**Statement of Net Position.** The *statement of net position* presents information on all of the assets and liabilities of the District with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

**Statement of Activities.** The *statement of activities* presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned and unused vacation leave).

In the government-wide financial statements, the District's activities are shown in one category as *governmental activities*. All of the District's basic functions are shown here including instruction, support services, enterprise and community services, facilities acquisition and construction and debt service. These activities are primarily financed through property taxes, Oregon's State School Fund and other intergovernmental revenues.

The government-wide financial statements are found on pages 16 and 17 of this report.

### **Fund Financial Statements**

The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. 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 McMinnville School District #40, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** The *governmental funds* are used to account for essentially the same 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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide statements of Net Position and Activities.

The District maintains seven individual governmental funds in accordance with Oregon local government budget law. Information is presented separately in the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Grants Fund and the Debt Service Fund all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided as Supplemental Information.

The basic governmental fund financial statements can be found on pages 18 through 21 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District, such as the Trust Funds. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is the same as that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 22 - 23 of this report.

### **Notes to the basic financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 38 of this report.

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* related to Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual for the General Fund and Grants Fund. Required supplementary information can be found on pages 40 through 43 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 46 through 61 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$36.7 million as of June 30, 2014.

**McMinnville School District  
Net Position at Fiscal Year-End**

	Governmental Activities		Increase (Decrease)
	June 30, 2014	June 30, 2013 (restated)	
Current and other assets	\$ 33,972,569	\$ 33,639,958	\$ 332,611
Capital assets	91,559,194	93,893,760	(2,334,566)
<b>Total Assets</b>	<b>125,531,763</b>	<b>127,533,718</b>	<b>(2,001,955)</b>
Deferred Outflows of Resources	7,223,147	7,751,671	(528,524)
Long-term debt	91,136,200	97,142,393	(6,006,193)
Other liabilities	4,937,557	5,058,854	(121,297)
<b>Total Liabilities</b>	<b>96,073,757</b>	<b>102,201,247</b>	<b>(6,127,490)</b>
<b>Net Position</b>			
Net investment in capital assets	36,979,216	34,240,168	2,739,048
Restricted	2,778,236	2,578,592	199,644
Unrestricted	(3,076,299)	(3,734,618)	658,319
<b>Total Net Position</b>	<b>\$ 36,681,153</b>	<b>\$ 33,084,142</b>	<b>\$ 3,597,011</b>

Cash and investment make up 11% of total assets. Capital assets, which consist of the District's land, buildings, building improvements and equipment represent 73% of total assets. The net pension asset was 13% of total assets. The remaining assets consist mainly of grant and property tax receivables.

The District's largest liability is for long-term debt (95%) consisting of general obligation bonds, limited pension bonds and net OPEB obligations. Long-term debt decreased by \$6 million due to repayment of debt and amortization of bond premiums. Other liabilities, representing five percent of the District's total liabilities consist principally of payables on accounts, accrued salaries and benefits and unearned revenue.

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

During the fiscal year ended June 30, 2014, the District's overall financial position (\$36.7 million) improved by \$3.6 million, an 11% increase. The largest portion of the District's net position (\$37 million) is the net investment in capital assets, which consist of land, buildings, building improvements and equipment, net of any related outstanding debt that was used to acquire those assets. An additional portion of the District's net position (\$2.8 million) represents resources that are subject to external restrictions on how they may be used. A negative balance in unrestricted net position (-\$3.1 million) reflects the balance at year end in liabilities for pension bonds and OPEB obligations in excess of any offsetting assets such as the net pension asset.

The District's investment in capital assets, net of related debt (\$37 million), increased by \$2.7 million due principally to payment of related debt during the fiscal year over and above the amount of depreciation expense. The District uses these capital assets to provide services to students and other District residents; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

**Governmental Activities.** During the fiscal year, the District's net position increased by \$3.6 million. The key elements of the change in the District's net position for the year ended June 30, 2014 are as follows:

**Changes in Net Position  
For the Year Ended June 30, 2014 and 2013**

	Governmental Activities		Increase (Decrease)
	June 30, 2014	June 30, 2013 (restated)	
Revenues:			
Program Revenues:			
Charges for services	\$ 1,875,275	\$ 1,783,028	\$ 92,247
Operating grants and contributions	9,745,187	10,300,449	(555,262)
General Revenues:			
Property taxes	18,912,202	18,757,989	154,213
State school fund	39,074,365	33,941,098	5,133,267
ESD apportionment	1,934,088	1,875,412	58,676
Other state and local sources	946,812	823,229	123,583
Earnings on investments	128,987	132,079	(3,092)
Total revenues	<u>72,616,916</u>	<u>67,613,284</u>	<u>5,003,632</u>
Expenses:			
Instruction	41,484,570	39,069,996	2,414,574
Support services	20,631,872	20,819,158	(187,286)
Community services	2,639,518	2,499,644	139,874
Facilities services	20,128	15,993	4,135
Interest on long-term debt	4,243,817	3,092,214	1,151,603
Total expenses	<u>69,019,905</u>	<u>65,497,005</u>	<u>3,522,900</u>
Change in net position	3,597,011	2,116,279	1,480,732
Net position - July 1, restated	<u>33,084,142</u>	<u>30,967,863</u>	<u>2,116,279</u>
Net position - June 30	<u>\$ 36,681,153</u>	<u>\$ 33,084,142</u>	<u>\$ 3,597,011</u>

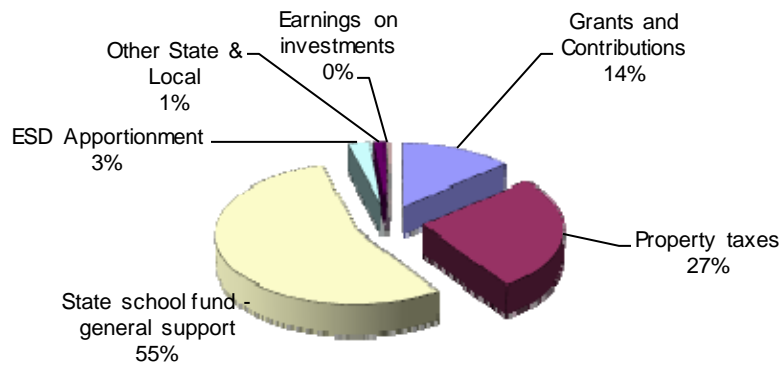
McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

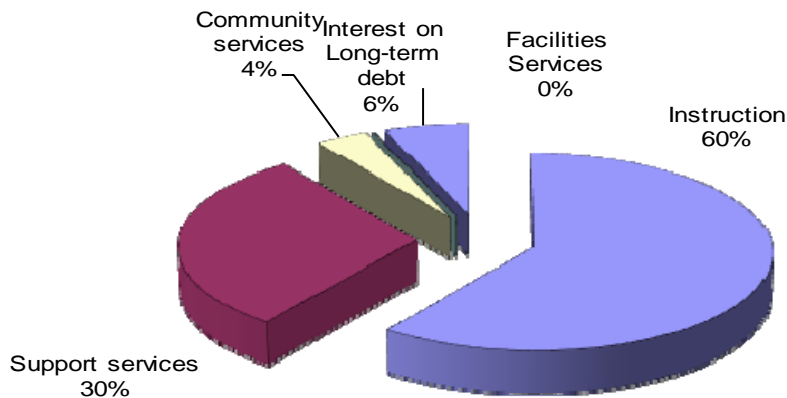
Total revenues increased by \$5 million (7.4%) which is mainly attributable to increased state school fund revenues. Program revenues decreased by \$463,000 due to completion of one time grants received in fiscal year 2013. General revenues increased by \$5.5 million as a result of improved state funding and increased allocation to the District due to a 2% increase in enrollment.

Total expenses increased by \$3.5 million (5.2%) due to the net effect of two major factors. Instructional expense increased by \$2.4 million. With improved state revenues, the District was able to restore employees days previously cut due to revenue shortfalls. Interest expense increased by \$1.2 million from the prior year.

**Revenues by Source - Governmental Activities**



**Expenses by Function - Governmental Activities**



McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by an external party or committed by the District itself.

At June 30, 2014, the District's governmental funds reported combined ending fund balances of \$10.9 million, an increase of \$1.6 million. 44% of this amount (\$4.75 million) is *unassigned fund balance*, which is available for spending at the government's discretion. 25.5% of this amount is *restricted* for particular purposes (\$2.79 million) and 31% is *committed* by the District for specific purposes (\$3.36 million). Information regarding the major governmental funds is contained in the following sections.

*General Fund.* The General Fund is the primary operating fund of the District. As of June 30, 2014, the total general fund balance was \$7.5 million, \$1.4 million more than the prior year. The unassigned fund balance is \$4.8 million which represents 8.6% of total General Fund revenues. Due to improvements in the state economy and increased enrollment, state and local revenues were higher than projected. The committed fund balances include \$2 million for asset reserve and \$746,000 for insurance reserve with no significant change from the prior year.

*Grants Fund.* The Grants Fund accounts for the revenues and expenditures of specific educational programs funded from federal, state and local sources. The *restricted* fund balance at year end is \$260,000. There is no significant change from the prior year. Grant revenue is normally recognized as grant expenditures are expended.

*Debt Service Fund.* The Debt Service Fund has a total *restricted* fund balance of \$568,000. There is no significant change from the prior year fund balance, all of which is reserved for the payment of debt service.

**General Fund Budgetary Highlights**

*Original budget compared to final budget.* During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. The General Fund budgetary schedule can be found on page 41 of this report.

*Final budget compared to actual results.* Estimated revenues were \$54.1 million and actual revenues were \$55.2 million with a difference of \$1.2 million. The most significant difference between estimated and actual revenues was in the category of state sources. The state's economy improved significantly and resulted in increased state funding to school for the 2013-15 biennium.

Actual expenditures were \$3.7 million less than budget appropriations. Budgeted appropriations include \$3 million of contingencies (planned reserves) which remained unspent. Instruction services expenditures were only \$59,000 less than budget and support services expenditures were \$590,000 less than budget. Most of the savings occurred in expenditures for utilities and contracted services.

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The District's investment in capital assets includes land, buildings and improvements and equipment. As of June 30, 2014, the District had invested \$91.6 million in capital assets, net of depreciation, as shown in the following table:

**McMinnville School District - Capital Assets  
June 30, 2014 and 2013**

	Governmental Activities		Increase (Decrease)
	June 30, 2014	June 30, 2013	
Land	\$ 3,972,911	\$ 3,972,911	\$ -
Buildings and Improvements	85,557,328	87,615,517	(2,058,189)
Equipment	2,028,955	2,305,332	(276,377)
<b>Total capital assets, net of accumulated depreciation</b>	<b>\$ 91,559,194</b>	<b>\$ 93,893,760</b>	<b>\$ (2,334,566)</b>

During fiscal year, net capital assets decreased by \$2.3 million. This decrease was primarily due to depreciation expense of \$2.6 million. Major capital asset additions for the year ended June 30, 2014 included security system upgrades (\$88,000), heating and cooling equipment replacements (\$70,000), bleacher replacements (\$32,500), technology network server replacements (\$24,800) and purchase of a bucket truck (\$16,500). Additional information on the District's capital assets can be found in Note 3 of this report.

**Long-term debt.** At the end of the current fiscal year, the District had total debt outstanding of \$91.1 million consisting of general obligation and limited tax pension bond debt, including unamortized premiums and discounts and net OPEB obligations.

**McMinnville School District - Outstanding Debt  
June 30, 2014 and 2013**

	Governmental Activities		Increase (Decrease)
	June 30, 2014	June 30, 2013 (restated)	
General obligation bonds	\$ 54,785,000	\$ 59,795,000	\$ (5,010,000)
Pension obligation bonds	26,862,684	27,434,804	(572,120)
Unamortized premium	6,850,405	7,426,391	(575,986)
OPEB obligation	2,638,111	2,486,198	151,913
<b>Total long-term debt</b>	<b>\$ 91,136,200</b>	<b>\$ 97,142,393</b>	<b>\$ (6,006,193)</b>

During the current fiscal year, the District's total debt decreased by \$6 million. The net decrease was due to scheduled principal payments and amortization of bond premiums. The District maintains an underlying rating of "Aa3" from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt the District may issue to 7.95 percent of total real market property values. The total debt limitation for the District is \$279.7 million with outstanding general obligation debt of \$54.8 million, leaving \$224.9 million as current debt limitation available for the District. Additional information on the District's long-term debt can be found in Note 4 of this report.

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The most significant economic factor for the District is the State School Fund. For the 2013-15 biennium, the State legislature appropriated \$6.65 billion to K-12 education compared to \$5.71 billion in the prior biennium. Additionally, the State funding allocation to each District is based on average daily student membership and McMinnville School District's enrollment increased by 2% in the fall of 2013. For 2013-14, this resulted in total state school fund support of \$40.6 million, \$1.1 million higher than estimated and comprised 73 percent of the District's General Fund program resources.

For 2014-15, general fund revenues are estimated to increase by approximately 7%. The budget plan for next fiscal year includes decreasing class size and adding back certain instructional and support services positions and supplies. Appropriated expenditures in the general fund are \$63.4 million, \$5.8 million more than the 2013-14 budget.

Board policy mandates that the District budget with the goal to maintain a minimum target of five percent ending fund balance. The budget for 2014-15 includes planned reserves of \$4 million or 6.8% of revenues.

**REQUESTS FOR INFORMATION**

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Susan Escure, Director of Finance, McMinnville School District #40, 1500 NE Baker St. McMinnville, OR 97128.



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# **BASIC FINANCIAL STATEMENTS**

McMINNVILLE SCHOOL DISTRICT NO. 40  
 STATEMENT OF NET POSITION  
 June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 14,067,121
Accounts receivables	
Grants	939,955
Undistributed tax collections	287,047
Property taxes	1,847,678
Accounts	329,646
Restricted cash and investments	5,218
Net pension asset	16,495,904
Capital assets, net	
Land	3,972,911
Buildings and improvements	85,557,328
Equipment	2,028,955
	<u>125,531,763</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>7,223,147</u>
	<u>7,223,147</u>
Liabilities	
Accounts payable	314,783
Accrued payroll and payroll liabilities	3,767,968
Accrued interest payable	101,195
Unearned revenue	753,611
Long-term debt	
Due within one year	6,183,956
Due in more than one year	84,952,244
	<u>96,073,757</u>
Net Position	
Net investment in capital assets	36,979,216
Restricted for:	
Debt service	568,295
Capital projects	969,003
Associated student body	490,899
Nutrition services	490,244
Other purposes	259,795
Unrestricted	<u>(3,076,299)</u>
	<u>\$ 36,681,153</u>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instructional services	\$ 41,484,570	\$ 1,404,134	\$ 3,374,941	\$ (36,705,495)
Supporting services				
Student transportation	1,993,979	-	1,491,000	(502,979)
Other support services	18,637,893	77,982	2,766,614	(15,793,297)
Community services	2,639,518	393,159	2,112,632	(133,727)
Facilities services	20,128	-	-	(20,128)
Interest on long-term debt	4,243,817	-	-	(4,243,817)
<b>Total Governmental Activities</b>	<b>\$ 69,019,905</b>	<b>\$ 1,875,275</b>	<b>\$ 9,745,187</b>	<b>(57,399,443)</b>
General Revenues				
				11,370,973
Property taxes levied for general purposes				7,541,229
Property taxes levied for debt service				308,165
Construction excise tax				39,074,365
State school fund - general support				607,271
Common school fund				31,376
County common school fund				1,934,088
ESD apportionment				128,987
Earnings on investments				
Total general revenues				<u>60,996,454</u>
Change in Net Position				3,597,011
Net Position				
Beginning of year, restated see note 12				<u>33,084,142</u>
End of year				<u>\$ 36,681,153</u>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	General	Grants Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>					
Cash and Investments	\$ 11,257,990	\$ -	\$ 427,370	\$ 2,381,761	\$ 14,067,121
Receivables					
Grants	-	841,693	-	98,262	939,955
Undistributed Tax Collections	150,860	-	100,462	35,725	287,047
Property Taxes	1,111,068	-	736,610	-	1,847,678
Accounts	329,646	-	-	-	329,646
Due from Other Funds	-	185,861	-	-	185,861
Restricted Cash and Investments	-	-	-	5,218	5,218
<b>Total Assets</b>	<b>\$ 12,849,564</b>	<b>\$ 1,027,554</b>	<b>\$ 1,264,442</b>	<b>\$ 2,520,966</b>	<b>\$ 17,662,526</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 298,089	\$ 12,741	\$ -	\$ 3,953	\$ 314,783
Accrued Payroll and Payroll Liabilities	3,766,561	1,407	-	-	3,767,968
Due to Other Funds	185,861	-	-	-	185,861
Unearned Revenue	-	753,611	-	-	753,611
<b>Total Liabilities</b>	<b>4,250,511</b>	<b>767,759</b>	<b>-</b>	<b>3,953</b>	<b>5,022,223</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	1,050,592	-	696,147	-	1,746,739
<b>Total Deferred Inflows of Resources</b>	<b>1,050,592</b>	<b>-</b>	<b>696,147</b>	<b>-</b>	<b>1,746,739</b>
<b>FUND BALANCES</b>					
Restricted for					
Grant Activities	-	259,795	-	-	259,795
Debt Service	-	-	568,295	-	568,295
Capital Improvements	-	-	-	969,003	969,003
Associated Student Body	-	-	-	490,899	490,899
Nutrition Services	-	-	-	490,244	490,244
Committed to					
Asset Reserve	2,046,414	-	-	-	2,046,414
Insurance Reserve	746,204	-	-	-	746,204
PERS Bond Debt Service	-	-	-	566,867	566,867
Unassigned	4,755,843	-	-	-	4,755,843
<b>Total Fund Balances</b>	<b>7,548,461</b>	<b>259,795</b>	<b>568,295</b>	<b>2,517,013</b>	<b>10,893,564</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 12,849,564</b>	<b>\$ 1,027,554</b>	<b>\$ 1,264,442</b>	<b>\$ 2,520,966</b>	<b>\$ 17,662,526</b>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 RECONCILIATION OF GOVERNMENTAL FUNDS  
 BALANCE SHEET TO STATEMENT OF NET POSITION  
 June 30, 2014

Total fund balances - governmental funds		\$ 10,893,564
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 125,878,005	
Accumulated depreciation	<u>(34,318,811)</u>	91,559,194
A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current years' operations, and therefore are not reported as revenue in the governmental funds.		
		1,746,739
The net pension asset is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds.		
		16,495,904
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:		
Accrued interest payable	(101,195)	
Bonds Payable	(81,647,684)	
Bond Premium	(6,850,405)	
Deferred charges on refunding	7,223,147	
Net OPEB obligations	<u>(2,638,111)</u>	<u>(84,014,248)</u>
Total Net Position		<u>\$ 36,681,153</u>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 Year Ended June 30, 2014

	General	Grants Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
<b>Revenues</b>					
Property Taxes	\$ 11,350,971	\$ -	\$ 7,534,569	\$ -	\$ 18,885,540
Construction Excise Tax	-	-	-	308,165	308,165
Intermediate Sources	1,965,464	141,600	-	-	2,107,064
State Sources	41,172,636	485,283	-	32,027	41,689,946
Federal Sources	33,765	5,396,575	-	2,009,143	7,439,483
Charges for Services	407,445	53,868	-	1,342,161	1,803,474
Rentals	45,509	-	-	-	45,509
Investment Earnings	92,535	-	21,562	14,889	128,986
Contributions and Donations	20	148,642	-	-	148,662
Fees Charged to Grants	158,149	-	-	-	158,149
Services to Other Funds	-	-	-	2,186,810	2,186,810
Miscellaneous	107,071	53,161	-	10,066	170,298
<b>Total Revenues</b>	<b>55,333,565</b>	<b>6,279,129</b>	<b>7,556,131</b>	<b>5,903,261</b>	<b>75,072,086</b>
<b>Expenditures</b>					
<b>Current</b>					
Instruction	35,499,641	3,440,724	-	975,631	39,915,996
Support Services	18,107,435	2,722,265	-	-	20,829,700
Enterprise and Community Services	55,000	75,819	-	2,432,717	2,563,536
Facilities Acquisition and Construction	15,650	-	-	4,478	20,128
<b>Debt Service</b>					
Principal	-	-	5,010,000	572,120	5,582,120
Interest	-	-	2,681,981	1,619,853	4,301,834
<b>Capital Outlay</b>					
Instruction	24,828	-	-	-	24,828
Support Services	104,236	-	-	-	104,236
Facilities Acquisition and Construction	159,533	-	-	-	159,533
<b>Total Expenditures</b>	<b>53,966,323</b>	<b>6,238,808</b>	<b>7,691,981</b>	<b>5,604,799</b>	<b>73,501,911</b>
<b>Net Change in Fund Balance</b>	<b>1,367,242</b>	<b>40,321</b>	<b>(135,850)</b>	<b>298,462</b>	<b>1,570,175</b>
<b>Fund Balances</b>					
Beginning of Year	6,181,219	219,474	704,145	2,218,551	9,323,389
End of year	<u>\$ 7,548,461</u>	<u>\$ 259,795</u>	<u>\$ 568,295</u>	<u>\$ 2,517,013</u>	<u>\$ 10,893,564</u>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2014

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

Net Change in Fund Balances - total governmental funds \$ 1,570,175

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Expenditures for capital assets	\$ 288,597	
Less current year depreciation	<u>(2,623,163)</u>	(2,334,566)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the net effect of these differences in the treatment of long-term debt.

Principal payments		5,582,120
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Governmental funds report the effect of issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences:

Amortization of deferred charge on refunding bonds	(528,524)	
Amortization of premium	<u>575,986</u>	47,462

Governmental funds report prepayments on unfunded pension liability as an expenditure. However, in the statement of activities this payment is recorded as a net pension assets and amortized on a straight-line basis over the life of the bonds.

(1,153,484)

In the statement of activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as interest expenses when due.

10,555

Property taxes that do not meet the measurable and available criteria are not recognized as revenues in the current year in the governmental funds. In the statement of activities property taxes are recognized as revenue when levied.

26,662

In the statement of activities, contributions for other postemployment benefits less than the actuarially determined contribution amount increase the other postemployment benefit obligation. In the governmental funds the entire contribution is recognized as an expenditure. This is the amount by which the obligation decreased:

(151,913)

Change in Net Position

\$ 3,597,011



McMINNVILLE SCHOOL DISTRICT NO. 40  
 STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 June 30, 2014

	Private Purpose Trust Fund
Assets	
Cash and investments	<u>\$          112,844</u>
Total Assets	<u>                  112,844</u>
Net Position	
Held in trust for:	
Scholarships	<u>                  112,844</u>
Total Net Position	<u><u>                  \$          112,844</u></u>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 STATEMENT OF CHANGES IN NET POSITION  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2014

	Private Purpose Trust Fund
Additions:	
Investment earnings	\$ 494
Contributions	1,000
Total Additions	<u>1,494</u>
Deductions:	
Scholarships	<u>5,667</u>
Total Deductions	<u>5,667</u>
Change in Net Position	(4,173)
Net Position	
Beginning of year	<u>117,017</u>
Total Net Position	<u><u>\$ 112,844</u></u>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
NOTES TO BASIC FINANCIAL STATEMENTS  
Year Ended June 30, 2014

1. Summary of Significant Accounting Policies

Reporting Entity

McMinnville School District No. 40 (the District) is a municipal corporation governed by a separately elected seven-member board authorized to transact all business on the District's behalf. The District is the special-purpose primary government exercising financial accountability for all public education within its boundaries. The Board approves administrative officials. The daily functioning of the District is under supervision of the Superintendent. As required by generally accepted accounting principles, all activities of the District have been included in the basic financial statements.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental agencies and special districts, which provide service within the District's boundaries, however, the District is not financially accountable for any of these entities, and therefore, none of them are considered component units or included in these basic financial statements.

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the District. These statements include the governmental financial activities of the overall District, except fiduciary activities. Governmental activities are financed primarily through property taxes, intergovernmental revenues, and charges for services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Program revenues include: (1) charges to students or others for tuition, fees, rentals, material, supplies, or services provided, (2) operating grants and contributions and (3) capital grants and contributions. Revenues not classified as program revenues, including property taxes and state supports, are presented as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the governmental-wide financial statements.

Net position is reported restricted when constraints placed on the net position use are either externally restricted, imposed by creditors (such as grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the District's funds including those of a fiduciary nature. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation – FUND FINANCIAL STATEMENTS (Continued)

The District reports the following major governmental funds:

General Fund – This fund accounts for all revenues and expenditures except for those required to be accounted for in another fund. The principal revenue sources are property taxes and an apportionment from the State of Oregon.

As of July 1, 2010, the Asset Reserve and Insurance Reserve funds have been reclassified for purposes of presentation in the Fund Financial Statements as General Funds from Special Revenue Funds. Transfers from the General Fund are the primary source of inflows for these two budgetary funds. These funds remain separate funds for purposes of budget appropriation

Grants Fund - This fund accounts for the revenues and expenditures of specific educational programs funded from federal, state and local sources. Principal sources of revenue are federal grants paid to the District through state and county agencies and other grants paid to the District directly from state, local and private agencies.

Debt Service Fund - This fund is used for the accumulation of resources and payment of general obligation bond principal and interest. Primary resources in these funds are property taxes and earnings on investments.

Additionally, the District reports the following fund types:

The private-purpose trust fund is used to account for scholarship resources held by the District in a fiduciary capacity for use by students. Disbursements from this fund are made in accordance with the trust and donor agreements.

Measurement Focus and Basis of Accounting

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which all eligibility requirements have been satisfied. Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

1. Summary of Significant Accounting Policies (Continued)

Budget

A budget is prepared and legally adopted for each governmental fund type and private purpose trust on the modified accrual basis of accounting. The budgetary basis of accounting is the same as accounting principles generally accepted in the United States of America basis for the governmental fund types and private purpose trust fund, except that capital outlay expenditures, including items below the District's capitalization level, are budgeted by function in the governmental fund types. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

Appropriations are established at the major function level (instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, operating contingency and transfers) for each fund. The detail budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of supplemental budget and appropriation resolution.

Supplemental budgets less than 10% of fund's budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires a hearing before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels) with Board approval. The District's appropriations lapse at year-end.

Cash and Investments

The District's cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition are considered to be cash and cash equivalents.

State statutes authorize the District to invest in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the U.S. Treasury and its agencies, the Oregon State Treasury's Local Government Investment Pool (the LGIP), and demand deposits. The District's investments consist of time certificates of deposit and the State of Oregon Treasury's Local Government Investment Pool (LGIP). The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with 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 options of the LGIP.

Property Taxes Receivable

Property taxes are levied and become a lien on all taxable property as of July 1. Collections dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

1. Summary of Significant Accounting Policies (Continued)

Property Taxes Receivable (Continued)

Uncollected property taxes are recorded on the Statement of Net Position. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the District.

Accounts and Other Receivables

Accounts and other receivables are comprised primarily of State school support and claims for reimbursement of costs under various federal and state grants.

Grants

Unreimbursed grant expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Grant monies received prior to the occurrence of qualifying expenditures are recorded as deferred revenue.

Pension Assets

The District also reports a PERS asset which represents the District's unamortized balance of the prepaid unfunded actuarial liability at year end. The pension asset is equal to payments made from the issuance of pension bonds less accumulated amortization calculated on the straight-line method over the life of the pension bonds.

Capital Assets

Capital assets are recorded at original cost or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of three years. Interest incurred during construction is not capitalized. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives.

Buildings and improvements	10 to 60 years
Equipment	5 to 15 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

1. Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources (Continued)

In addition to liabilities, the statement of financial 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 government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Retirement Plans

Substantially all of the District's employees are participants in the Oregon Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expenditures as funded.

The District offers its employees a tax deferred annuity plan established pursuant to Section 403(b) and 457(b) of the Internal Revenue Code.

Post Employment Health Care Benefits

Eligible employees who elect early retirement are entitled to participate in the District's group medical insurance plan. Such costs are recorded as expenses in the General Fund and are funded as premiums become due.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All unused vacation pay is accrued, if material, when earned in the government-wide financial statements.

Long-term Debt

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements bond premiums and discounts are recognized when incurred and not deferred. The face amount of the debt issued, premiums received on debt issuances, and discounts are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Interfund Transactions

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. This includes interfund transfers occurring within governmental activities and interfund receivables and payables.

1. Summary of Significant Accounting Policies (Continued)

Interfund Receivables/Payables

The District maintains a cash pool that is available for use by all funds. The cash pool account is maintained in the General Fund, while activity between funds utilizing this cash is referred to as Due to/from Other Funds in each fund at the end of the fiscal year in the fund basis financial statements. All interfund loan balances are considered current and are eliminated in the government-wide financial statements.

Fund Balances

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

Governmental fund balances are classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

*Nonspendable fund balance* includes items not immediately converted to cash, such as prepaid items and inventory.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal resolution of the School Board. The School Board can modify or rescind the commitment at any time through taking a similar formal resolution.

*Assigned fund balance* includes amounts assigned for specific uses as authorized by the Superintendent and/or Director of Finance.

*Unassigned fund balance* is the residual classification for balances not assigned to another category. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

There are no nonspendable or assigned fund balances as of June 30, 2014.

The District considers the spending of restricted fund balances on purposes for which such funds can be used to occur first when funds are spent for restricted and unrestricted purposes. When unrestricted classifications of fund balance are spent, the board will consider the committed amounts will be reduced first, followed by assigned amounts and then unassigned amounts.

The Board has approved a policy that directs the Superintendent to manage the currently adopted budget in such a way to ensure an ending fund balance of at least five (5%) percent of total actual general fund revenues. This policy applies to the unassigned general fund balance. The Board is the highest level decision making authority and may take formal action by vote or resolution to establish, modify, or rescind a fund balance commitment.



1. Summary of Significant Accounting Policies (Continued)

Net Position

In the government-wide financial statements, net position is classified in the following categories:

*Net Investment in Capital Assets* – This amount consist of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

*Restricted net position* – This amount is restricted when constraints placed on the net position use are either externally restricted, imposed by creditors (such as grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

*Unrestricted net position* – This amount is all net position that do not meet the definition of “invested capital assets, net of related debt” or “restricted net position”.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. Cash and Investments

The District maintains a cash pool that is available for use by all funds. Each fund type’s portion of this pool is reported on the Combined Balance Sheet as Cash and Investments or Due to/from Other Funds. In addition, cash is separately held by certain funds of the District.

Cash and investments on June 30, 2014 consist of the following:

Petty Cash	\$ 1,054
Cash with fiscal agent	5,218
Deposits with banks	905,954
Time certificates of deposit	19,132
Investments	<u>13,253,825</u>
	<u>\$ 14,185,183</u>

Cash and investments are shown on the basic financial statements as:

Statement of Net Position	
Cash and Investments	\$ 14,067,121
Restricted Cash and Investments	5,218
Statement of Net Position - Fiduciary Funds	
Cash and Investments - Private Purpose Trust	<u>112,844</u>
	<u>\$ 14,185,183</u>

2. Cash and Investments (Continued)

Deposits

*Custodial credit risk – Deposits*

Custodial credit risk for deposits is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Insurance and collateral requirements for the deposits are established by federal banking regulations and Oregon law. State statutes require that the District's deposits be covered by the Federal Deposit Insurance Corporation (FDIC) or by a multiple financial institution collateral pool under ORS 295.015 which is administered by the State of Oregon Office of the Treasury.

Deposits with financial institutions include primarily bank demand and money market deposits. The balances in these accounts according to the District's records total \$905,954 on June 30, 2014. The bank statement records reflect a balance of \$2,115,347 at year end. Of this amount, \$250,000 is covered by the FDIC's general deposit insurance rules. 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 State Treasurer. As a result the District has no exposure to custodial credit risk for deposits with financial institutions.

Investments

State of Oregon statutes restrict the types of investments in which the District may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool.

	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposit	12 months average	\$ 19,132
Oregon State Treasury Local Government Investment Pool	<u>6.45 months average</u>	<u>13,253,825</u>
		<u>\$ 13,272,957</u>

*Interest rate risk – investments.* Under the District's policy, investments of over 18 months will be avoided, unless they can be matched with specific expected use of funds as provided by ORS 294.135. For example, investment of capital bond funds shall be timed to meet construction payments, usually for a term not to exceed three years. Maturities over 18 months are allowed under ORS 294.135 following the review and approval for the District investment policy by the Oregon Short Term Fund Board, which has occurred.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2014

2. Cash and Investments (Continued)

Investments

*Custodial credit risk – investments.* The Oregon State Treasurer’s Local Government Investment Pool (LGIP) is subject to regulatory oversight by the Oregon Secretary of State and is not required to be categorized by risk. The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the District’s value in the pool shares. The Oregon State Treasurer maintains the Oregon Short-Term Fund, of which the LGIP is a part. It is not registered with the U.S. Securities and Exchange Commission. The Fund currently has no credit rating as assigned by the credit rating agencies. On June 30, 2014 the fund’s composite weighted rating was equivalent to S&P’s AA ratings. The State’s investment policies are governed by statute and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB) and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Certificate of Deposits balance of \$19,132 was covered by Federal Depository Insurance and/or multiple financial institution collateral pool that is maintained by and in the name of the Office of State Treasurer.

As of June 30, 2014 and for the year then ended, the District was in compliance with the State of Oregon statutes regarding investments as discussed under Note 1 on Page 26.

3. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 3,972,911	\$ -	\$ -	\$ 3,972,911
Total Capital Assets not being depreciated	3,972,911	-	-	3,972,911
Capital assets being depreciated:				
Buildings and improvements	117,166,690	214,702	-	117,381,392
Equipment	4,465,184	73,895	15,377	4,523,702
Total capital assets being depreciated	121,631,874	288,597	15,377	121,905,094
Less accumulated depreciation for:				
Buildings and improvements	(29,551,173)	(2,272,891)	-	(31,824,064)
Equipment	(2,159,852)	(350,272)	(15,377)	(2,494,747)
Total accumulated depreciation	(31,711,025)	(2,623,163)	(15,377)	(34,318,811)
Total capital assets being depreciated, net	89,920,849	(2,334,566)	-	87,586,283
Total capital assets, net	\$ 93,893,760	\$ (2,334,566)	\$ -	\$ 91,559,194

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2014

3. Capital Assets (Continued)

Depreciation expense for the year was charged to the following programs:

Program	
Instructional programs	\$ 2,404,197
Supporting services	120,949
Community services	<u>98,017</u>
Total depreciation expense	<u><u>\$ 2,623,163</u></u>

4. Long-Term Debt

General Long-Term Debt

General Obligation Bonds – General obligation bonds are direct obligations and pledge the full faith and credit of the District. The District issues general obligation bonds to provide funds for the acquisition and construction of school facilities.

Pension Obligation Bonds – On October 31, 2002, the District issued \$16,044,243 of limited tax pension obligation bonds to finance its portion of the unfunded actuarial liability (UAL) with the State of Oregon Public Employees Retirement System (PERS) as of December 31, 2000. On February 19, 2004, the District issued an additional \$13,715,000 of limited tax pension obligation bonds to finance its portion of the UAL with PERS as of December 31, 2001. On August 11, 2011, the District issued \$1,120,000 of limited tax pension refunding obligation bonds to advance refund the 2021 maturity of the Series 2002 pension bond.

Long-term liability activity for the year ended June 30, 2014 is as follows:

Issue Date	Issue Amount	Outstanding July 1, 2013	Additions	Reductions	Outstanding June 30, 2014	Due Within One Year	Interest Rates
General Obligation Bonds:							
09/01/01	\$ 16,835,000	\$ 6,345,000	\$ -	\$ 2,000,000	\$ 4,345,000	\$ 2,110,000	5.00 - 5.50%
06/26/07	62,000,000	11,865,000	-	2,900,000	8,965,000	3,310,000	4.50 - 5.25%
02/27/13	42,075,000	41,585,000	-	110,000	41,475,000	115,000	2.0% - 5.0%
		<u>59,795,000</u>	<u>-</u>	<u>5,010,000</u>	<u>54,785,000</u>	<u>5,535,000</u>	
Limited Tax Pension Obligation Bonds:							
10/31/02	16,044,243	13,144,804	-	302,120	12,842,684	313,956	4.82 - 5.55 %
02/19/04	13,715,000	13,170,000	-	270,000	12,900,000	335,000	4.40 - 5.53%
08/11/11	1,120,000	1,120,000	-	-	1,120,000	-	4.12%
		<u>27,434,804</u>	<u>-</u>	<u>572,120</u>	<u>26,862,684</u>	<u>648,956</u>	
Total G.O. and Pension Bonds		<u>87,229,804</u>	<u>-</u>	<u>5,582,120</u>	<u>81,647,684</u>	<u>6,183,956</u>	
Unamortized premium		7,426,391	-	575,986	6,850,405		
Net OPEB Obligation		2,486,198	151,913	-	2,638,111		
Total long-term debt		<u>\$ 97,142,393</u>	<u>\$ 151,913</u>	<u>\$ 6,158,106</u>	<u>\$ 91,136,200</u>		

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2014

4. Long-Term Debt (Continued)

Future maturities are as follows:

Fiscal Year	Principal	Interest
2014-2015	\$ 6,183,956	\$ 4,088,757
2015-2016	6,811,361	3,860,159
2016-2017	2,857,628	3,607,823
2017-2018	3,182,249	3,551,225
2018-2019	3,451,769	3,560,210
2019-2024	27,265,721	12,574,971
2024-2028	31,895,000	3,857,025
Total	<u>\$ 81,647,684</u>	<u>\$ 35,100,170</u>

Payments on the general obligation bonds are made by the Debt Service Fund from property taxes and earnings on investments. Payments on pension bonds are made by the PERS Debt Service Fund from revenue charges to other funds. Payments relating to the OPEB Obligation are paid by retirees on a self-pay basis and by District insurance premiums payments made by the General Fund and the Grants Fund as part of personnel costs.

Advance Refunding

In prior years, the District defeased general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old obligations. As a result, the early refunded bonds are considered to be defeased. Accordingly, the trust assets and the liabilities for the defeased obligations are not included in the District's basic financial statements. At June 30, 2014, \$41,185,000 of general obligation bonds outstanding is considered defeased.

5. Interfund Receivables & Payables

The composition of interfund balances as of June 30, 2014 is as follows:

	Due From Other Funds	Due to Other Funds
Major Government Funds		
General Fund	\$ -	\$ 185,861
Grants Fund	185,861	-
	<u>\$ 185,861</u>	<u>\$ 185,861</u>

The District maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is reported as either Cash and Investments or Due to/from Other Funds. As of June 30, 2014, there is a \$185,861 interfund balance in the Grants Fund which represents deferred grant revenues.

6. Pension Plan

The District contributes to two pension plans administered by the Oregon PERS. The Oregon Public Employees Retirement Fund (OPERF) applies to the District's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: 1) The Pension Program, the defined benefit portion of the plan, applies to qualifying District employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. 2) Beginning January 1, 2004, all PERS member contributions are directed into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any subsequent member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing PERS, P.O. Box 23700, Tigard, OR 97281-3700 or by calling (503) 598-7377.

Description of Funding Policy

Covered employees are required by state statute to contribute 6 percent of their salary to PERS. Starting July 1, 2008, this amount is paid by the District for administrative and licensed employee groups. The District is required by this statute to contribute, at an actuarially determined rate, the remaining amounts necessary to pay benefits when due; the District's employer contribution effective July 1, 2013 for Tier I / Tier II and OPSRP employees are 15.00% and 13.00%.

The District is required by statute to contribute actuarially computed amounts as determined by PERS. Rates are subject to change every two years as a result of subsequent actuarial valuations. The contribution rates are revised to reflect the issuance of pension bonds to finance a portion of the District's estimated unfunded actuarial liability. PERS charges to various funds for the year ended June 30, 2014 to cover bond payments were estimated to be 7.00% of covered payroll.

Contribution information for the years ending June 30, 2014, 2013, and 2012 is as follows:

Year Ended June 30,	Employer Contributions		Employee Contributions		
	Annual Pension Costs (APC)	Percentages of APC Contributed	Paid by Employer	Paid by Employee	Total Contribution
2014	\$ 4,480,763	100%	\$ 1,401,343	\$ 491,152	\$ 6,373,258
2013	3,516,444	100%	1,344,934	482,974	5,344,352
2012	3,500,020	100%	1,315,289	496,239	5,311,548

7. Net Pension Asset

As a result of the issuance of the limited tax pension obligations bonds discussed in Note 4, the District has reported a Net Pension Asset in the Statement of Net Position. The Net Pension Asset is equal to the initial \$28,837,103 in payments made to PERS from the bond proceeds, less accumulated amortization of \$12,341,199. Annual amortization is being calculated on a straight-line basis over the life of the pension obligation bonds.

8. Other Post Employment Benefits

Post Employment Health Insurance

Plan Description – The District maintains a single employer early retirement supplemental program for its employees. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The district does not issue a stand alone report for this plan.

The District’s program has two main components:

1) District paid medical premiums for certain retirees who were hired or retired before certain threshold dates. The District is in the process of phasing out this plan and has adopted benefit reduction trigger dates for each class of employee. This is considered an explicit benefit under GASB Statement 45.

2) Per Oregon Revised Statutes (ORS) 243.303, the District provides health insurance coverage on a self-pay basis for retirees and eligible dependents until they are Medicare eligible. Healthcare premiums rates must be based on all plan members, both active employees and retirees. The difference between retiree claims costs, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree health care premiums represents the District’s implicit employer contribution.

Funding Policy – The benefits from this program are fully paid by the District and, consequently, no contributions by employees are required. The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District.

Annual OPEB Cost and Net OPEB Obligation – The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)* of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the plan:

	2014	2013	2012
Annual required contribution	\$ 980,680	\$ 947,518	\$ 1,916,101
Interest on net OPEB obligation	99,448	101,272	75,380
Adjustment to annual required contribution	(302,701)	(347,754)	(226,831)
Annual OPEB cost (expense)	777,427	701,036	1,764,650
Contributions made	625,514	746,625	1,117,315
Increase in net OPEB obligation	151,913	(45,589)	647,335
Net OPEB obligation -- beginning of year	2,486,198	2,531,787	1,884,452
Net OPEB obligation -- end of year	<u>\$ 2,638,111</u>	<u>\$ 2,486,198</u>	<u>\$ 2,531,787</u>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2014

9. Other Post Employment Benefits (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 1,764,650	\$ 1,117,315	63%	\$ 2,531,787
June 30, 2013	701,036	746,625	107%	2,486,198
June 30, 2014	777,427	625,514	80%	2,638,111

Funded Status of and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date, for the periods ended June 30, 2013 and June 30, 2014; the District's actuarial accrued liability (AAL) for benefits was \$6,055,109, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,055,109. The covered payroll (annual payroll of active employees covered by the plan) was \$30,566,801 and the ratio of the UAAL to the covered payroll was 20 percent. The Schedule of Funding Progress immediately following the notes to the basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by employer and plan members) and include types of benefits provided at the time of each valuation and the historical pattern sharing of benefits costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities.

The projected unit credit actuarial cost method was used to determine contribution levels for the early retirement plan. Contribution levels are comprised of two components: normal cost and amortization payments. Under this method, the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries and medical premiums) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year.

The present value of benefits accrued as of the valuation date is called the accrued liability. The difference between the accrued liability and the actuarial value of the plan assets is called the unfunded accrued liability. The unfunded accrued liability is being amortized as a level percentage of payroll over an open period of six years (a closed period of two years for licensed participants) for explicit medical benefits, and over an open period of 30 years for implicit medical benefits.

In the July 1 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an inflation rate of 2.5%, discount rate of 4.0% and payroll growth rate of 3.0%. They also assume medical and prescription drug premium costs would increase at 8% for the current year, grading down to an annual rate of 5.8% after ten years. The demographic assumptions, such as mortality rates, disability incidence rates and retirement rates are the same as those used for Oregon PERS benefits.

Tax Sheltered Annuity

The District offers its employees a tax deferred annuity program established pursuant to Section 403(b) of the Internal Revenue Code (the Code). Contributions are made through salary reductions from participating employee up to the amounts specified in the Code. No contributions are required from the District. As of June 30, 2014, 230 employees were participating in the plan.



10. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for other risks of loss including excess liability, workers' compensation, boiler and machinery, public official bond and employee dishonesty and contractors license bond coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The District's coverage in all areas remains consistent with prior years.

11. Contingent Liabilities

The amounts of grant revenue reflected in the financial statements are subject to audit and adjustment by grantor agencies, principally the federal government. Any costs that are questioned or recommended to be disallowed which ultimately result in disallowed claims may become a liability of the District. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although District management expects such amounts, if any, to be immaterial.

The District, in the regular course of business, is named as a defendant in various lawsuits. The likely outcome of these lawsuits is not presently determinable.

The District is dependent on the State of Oregon for a substantial portion of its operating funds. Due to funding uncertainties at the State level, future funding for school district may be reduced. The ultimate effect of this possible reduction in funding on the District's future operations is not yet determinable.

12. Adoption of GASB Statement No. 65

During the year, the District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of GASB Statement 65 resulted in the reclassification of the beginning net position of the governmental activities in the government-wide financial statements. The deferred charges for bond issuances cost was reclassified as expense of prior periods and resulted in the adjustment below:

Net position at June 30, 2013	\$ 33,585,914
Change in reporting for bond issuance costs	<u>(501,772)</u>
Net position at June 30, 2013, restated	<u>\$ 33,084,142</u>

**REQUIRED**  
**SUPPLEMENTARY INFORMATION**

McMINNVILLE SCHOOL DISTRICT NO. 40  
SCHEDULE OF FUNDING PROGRESS FOR  
OTHER POST EMPLOYMENT BENEFITS  
June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (UAAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
7/1/2008	\$ -	\$ 13,525,332	\$ 13,525,332	0%	\$ 29,629,265	45.65%
7/1/2010	\$ -	\$ 10,593,953	10,593,953	0%	\$ 28,603,522	37.04%
7/1/2012	\$ -	\$ 6,055,109	6,055,109	0%	\$ 30,566,801	19.81%

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 1,865,837	\$ 1,297,833	70%	\$ 1,119,642
June 30, 2011	1,808,416	1,043,606	58%	1,884,452
June 30, 2012	1,764,650	1,117,315	63%	2,531,787
June 30, 2013	701,036	746,625	107%	2,486,198
June 30, 2014	777,427	625,514	80%	2,638,111

McMINNVILLE SCHOOL DISTRICT NO. 40  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS - NON-GAAP)  
Year Ended June 30, 2014

	Budget		Actual	Variance with Final budget
	Adopted	Final		
<b>Revenues</b>				
<b>Revenues from Local Sources</b>				
Property Taxes	\$ 11,330,000	\$ 11,330,000	\$ 11,350,971	\$ 20,971
Tuition	246,000	246,000	178,895	(67,105)
Investment Earnings	90,000	90,000	77,299	(12,701)
Extracurricular Activities	115,000	115,000	136,898	21,898
Community Service Activities	70,000	70,000	91,652	21,652
Rentals	12,000	12,000	13,003	1,003
Contributions and Donations	-	-	20	20
Fees Charged to Grants	150,000	150,000	158,149	8,149
Miscellaneous Local Sources	48,000	48,000	34,584	(13,416)
<b>Total Local Revenues</b>	<b>12,061,000</b>	<b>12,061,000</b>	<b>12,041,471</b>	<b>(19,529)</b>
<b>Revenues from Intermediate Sources</b>				
ESD Apportionment	1,950,000	1,950,000	1,934,088	(15,912)
County School Fund	50,000	50,000	31,376	(18,624)
	<b>2,000,000</b>	<b>2,000,000</b>	<b>1,965,464</b>	<b>(34,536)</b>
<b>Revenues from State Sources</b>				
State School Fund Support	39,459,972	39,459,972	40,565,365	1,105,393
Common School Fund	512,883	512,883	607,271	94,388
<b>Total State Revenues</b>	<b>39,972,855</b>	<b>39,972,855</b>	<b>41,172,636</b>	<b>1,199,781</b>
<b>Revenues from Federal Sources</b>				
Child Care and Development Fund	20,000	20,000	29,083	9,083
Child Care Food Program	-	-	4,682	4,682
<b>Total Federal Revenues</b>	<b>20,000</b>	<b>20,000</b>	<b>33,765</b>	<b>13,765</b>
<b>Total Revenues</b>	<b>54,053,855</b>	<b>54,053,855</b>	<b>55,213,336</b>	<b>1,159,481</b>
<b>Expenditures</b>				
Instruction *	35,580,751	35,580,751	35,521,394	59,357
Support Services *	18,658,104	18,658,104	18,068,114	589,990
Community Services *	55,000	55,000	55,000	-
Facilities Acquisition and Construction *	10,000	10,000	-	10,000
Contingencies *	3,000,000	3,000,000	-	3,000,000
<b>Total Expenditures</b>	<b>57,303,855</b>	<b>57,303,855</b>	<b>53,644,508</b>	<b>3,659,347</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(3,250,000)</b>	<b>(3,250,000)</b>	<b>1,568,828</b>	<b>4,818,828</b>
<b>Other Financing Sources (Uses):</b>				
Transfers out *	(250,000)	(250,000)	(250,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(250,000)</b>	<b>(250,000)</b>	<b>(250,000)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(3,500,000)</b>	<b>(3,500,000)</b>	<b>1,318,828</b>	<b>4,818,828</b>
<b>Fund Balance</b>				
Beginning of Year	3,500,000	3,500,000	3,437,015	(62,985)
End of Year	\$ -	\$ -	4,755,843	\$ 4,755,843

\* Legally adopted appropriation level

Reconciliation to Governmental Ending Fund Balance:

Asset Reserve Fund	2,046,414
Insurance Reserve Fund	746,204
<b>Total Governmental Funds</b>	<b>\$ 7,548,461</b>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 GRANTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)  
 Year Ended June 30, 2014

	Budget		Actual	Variance with Final budget
	Adopted	Final		
Revenues				
Local Sources	\$ 325,524	\$ 325,524	\$ 255,671	\$ (69,853)
Intermediate Sources	-	-	141,600	141,600
State Sources	1,100,000	1,100,000	485,283	(614,717)
Federal Sources	6,156,761	6,156,761	5,396,575	(760,186)
Total Revenues	<u>7,582,285</u>	<u>7,582,285</u>	<u>6,279,129</u>	<u>(1,303,156)</u>
Expenditures				
Instruction *	3,964,983	3,964,983	3,440,724	524,259
Support Services *	3,267,006	3,267,006	2,722,265	544,741
Community Services *	283,296	283,296	75,819	207,477
Facilities Acquisition and Construction *	110,000	110,000	-	110,000
Total Expenditures	<u>7,625,285</u>	<u>7,625,285</u>	<u>6,238,808</u>	<u>1,386,477</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(43,000)	(43,000)	40,321	83,321
Fund Balances				
Beginning of Year	<u>43,000</u>	<u>43,000</u>	<u>219,474</u>	<u>176,474</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,795</u>	<u>\$ 259,795</u>

\* Legally adopted appropriation level

1. Other Postemployment Benefits

The schedule of funding progress for other postemployment benefits will eventually present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

2. General Fund

The General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual are based on legally adopted budgets with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of these differences is provided at the bottom of this schedule.

The District has two reserve funds that are separate funds for budget appropriation, but are included in the government financial statements under General Fund. Transfers from the General Fund (budgetary basis) are the primary source of inflows for these two funds.

3. Budget

A budget is prepared and legally adopted for the General Fund, Asset Reserve Fund, Insurance Reserve Fund and Grants Fund on the modified accrual basis of accounting. The budgetary basis of accounting is the same as accounting principles generally accepted in the United States of America basis for the governmental fund types, proprietary fund type and private purpose trust fund type. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

Appropriations are established at the major function level (instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, operating contingency and transfers) for each fund. The detail budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of supplemental budget and appropriation resolution.

Supplemental budgets less than 10% of fund's budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearing before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels) with Board approval. During the year, there were no amendments to the budget in the General fund. Appropriations lapse at the end of each fiscal year.

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# **SUPPLEMENTARY INFORMATION**



McMINNVILLE SCHOOL DISTRICT NO. 40  
 COMBINING BALANCE SHEET  
 MAJOR GOVERNMENTAL FUND - GENERAL FUND  
 June 30, 2014

	<u>General</u>	<u>Asset Reserve Fund</u>	<u>Insurance Reserve Fund</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and Investments	\$ 8,458,589	\$ 2,053,197	\$ 746,204	\$ 11,257,990
Receivables				
Undistributed Tax Collections	150,860	-	-	150,860
Property Taxes	1,111,068	-	-	1,111,068
Accounts	329,646	-	-	329,646
<b>Total Assets</b>	<b><u>\$ 10,050,163</u></b>	<b><u>\$ 2,053,197</u></b>	<b><u>\$ 746,204</u></b>	<b><u>\$ 12,849,564</u></b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 291,306	\$ 6,783	\$ -	\$ 298,089
Accrued Payroll and Payroll Liabilities	3,766,561	-	-	3,766,561
Due to Other Funds	185,861	-	-	185,861
<b>Total Liabilities</b>	<b><u>4,243,728</u></b>	<b><u>6,783</u></b>	<b><u>-</u></b>	<b><u>4,250,511</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	1,050,592	-	-	1,050,592
<b>Total Deferred Inflows of Resources</b>	<b><u>1,050,592</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,050,592</u></b>
<b>FUND BALANCES</b>				
Fund Balances				
Committed to				
Asset Reserve	-	2,046,414	-	2,046,414
Insurance Reserve	-	-	746,204	746,204
Unassigned	4,755,843	-	-	4,755,843
<b>Total Fund Balances</b>	<b><u>4,755,843</u></b>	<b><u>2,046,414</u></b>	<b><u>746,204</u></b>	<b><u>7,548,461</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 10,050,163</u></b>	<b><u>\$ 2,053,197</u></b>	<b><u>\$ 746,204</u></b>	<b><u>\$ 12,849,564</u></b>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 MAJOR GOVERNMENTAL FUND - GENERAL FUND  
 Year Ended June 30, 2014

	General Fund	Asset Reserve	Insurance Reserve	Total
<b>Revenues</b>				
Property Taxes	\$ 11,350,971	\$ -	\$ -	\$ 11,350,971
Intermediate Sources	1,965,464	-	-	1,965,464
State Sources	41,172,636	-	-	41,172,636
Federal Sources	33,765	-	-	33,765
Charges for Services	407,445	-	-	407,445
Rentals	13,003	32,506	-	45,509
Investment Earnings	77,299	10,704	4,532	92,535
Contributions and Donations	20	-	-	20
Fees Charged to Grants	158,149	-	-	158,149
Miscellaneous	34,584	10,326	62,161	107,071
<b>Total Revenues</b>	<b>55,213,336</b>	<b>53,536</b>	<b>66,693</b>	<b>55,333,565</b>
<b>Expenditures</b>				
Instruction	35,521,394	-	3,075	35,524,469
Support Services	18,068,114	51,405	92,152	18,211,671
Enterprise and Community Services	55,000	-	-	55,000
Facilities Acquisition and Construction	-	175,183	-	175,183
<b>Total Expenditures</b>	<b>53,644,508</b>	<b>226,588</b>	<b>95,227</b>	<b>53,966,323</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>1,568,828</b>	<b>(173,052)</b>	<b>(28,534)</b>	<b>1,367,242</b>
<b>Other Financing Sources (Uses)</b>				
Transfer In	-	250,000	-	250,000
Transfers Out	(250,000)	-	-	(250,000)
<b>Total Other Sources (Uses)</b>	<b>(250,000)</b>	<b>250,000</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>1,318,828</b>	<b>76,948</b>	<b>(28,534)</b>	<b>1,367,242</b>
<b>Fund Balances</b>				
Beginning of Year	3,437,015	1,969,466	774,738	6,181,219
End of Year	\$ 4,755,843	\$ 2,046,414	\$ 746,204	\$ 7,548,461

McMINNVILLE SCHOOL DISTRICT NO. 40  
ASSET RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
<b>Revenues</b>				
Revenues from Local Sources				
Investment Earnings	\$ 10,000	\$ 10,000	\$ 10,704	\$ 704
Rentals	30,000	30,000	32,506	2,506
Miscellaneous Local Sources	10,000	10,000	10,326	326
<b>Total Revenue</b>	<b>50,000</b>	<b>50,000</b>	<b>53,536</b>	<b>3,536</b>
<b>Expenditures</b>				
Support Services *	285,000	285,000	51,405	233,595
Facilities Acquisition and Construction *	815,000	815,000	175,183	639,817
Contingencies *	1,000,000	1,000,000	-	1,000,000
<b>Total Expenditures</b>	<b>2,100,000</b>	<b>2,100,000</b>	<b>226,588</b>	<b>1,873,412</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,050,000)	(2,050,000)	(173,052)	1,876,948
<b>Other Financing Sources</b>				
Transfer in	250,000	250,000	250,000	-
<b>Total Other Sources *</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>-</b>
Net Change in Fund Balance	(1,800,000)	(1,800,000)	76,948	1,876,948
<b>Fund Balance</b>				
Beginning of Year	1,800,000	1,800,000	1,969,466	169,466
End of Year	\$ -	\$ -	\$ 2,046,414	\$ 2,046,414

\* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40  
INSURANCE RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
<b>Revenues</b>				
Revenues from Local Sources				
Investment Earnings	\$ 5,000	\$ 5,000	\$ 4,532	\$ (468)
Miscellaneous Local Sources	<u>60,000</u>	<u>60,000</u>	<u>62,161</u>	<u>2,161</u>
Total Revenue	<u>65,000</u>	<u>65,000</u>	<u>66,693</u>	<u>1,693</u>
<b>Expenditures</b>				
Instruction *	100,000	100,000	3,075	96,925
Support Services *	265,000	265,000	92,152	172,848
Contingencies *	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total Expenditures	<u>865,000</u>	<u>865,000</u>	<u>95,227</u>	<u>769,773</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(800,000)	(800,000)	(28,534)	771,466
<b>Fund Balance</b>				
Beginning of Year	<u>800,000</u>	<u>800,000</u>	<u>774,738</u>	<u>(25,262)</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 746,204</u>	<u>\$ 746,204</u>

\* Legally adopted appropriation level

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## **OTHER MAJOR GOVERNMENTAL FUNDS**

McMINNVILLE SCHOOL DISTRICT NO. 40  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Property Taxes	\$ 7,392,000	\$ 7,392,000	\$ 7,534,569	\$ 142,569
Investment Earnings	18,000	18,000	21,562	3,562
Total Revenue	<u>7,410,000</u>	<u>7,410,000</u>	<u>7,556,131</u>	<u>146,131</u>
Expenditures				
Debt Service *				
Redemption of Principal	5,010,000	5,010,000	5,010,000	-
Interest	2,681,982	2,681,982	2,681,981	1
Total Expenditures	<u>7,691,982</u>	<u>7,691,982</u>	<u>7,691,981</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(281,982)	(281,982)	(135,850)	146,132
Fund Balance				
Beginning of Year	<u>790,000</u>	<u>790,000</u>	<u>704,145</u>	<u>(85,855)</u>
End of Year	<u>\$ 508,018</u>	<u>\$ 508,018</u>	<u>\$ 568,295</u>	<u>\$ 60,277</u>

\* Legally adopted appropriation level

## **NONMAJOR GOVERNMENTAL FUNDS**

These funds account for revenues and expenditures restricted for specific educational projects, capital improvements funded by construction excise taxes, debt service on pension obligation bonds and remaining capital project funds.

School Nutrition Fund - accounts for revenue and expenditures associated with providing a student food service program. Principal sources of revenue are from lunch sales and subsidies under the National School Lunch Program received through the State of Oregon.

Student Body Fund - This fund is used to account for fund-raising resources held by the District in a fiduciary capacity for use by students

Construction Excise Tax Fund – accounts for revenue and expenditures for facilities, acquisitions, improvements, and construction. The principal sources of revenue are fees charged on new construction permits.

PERS Debt Service Fund - This fund is used for the accumulation of resources and payment of pension obligation bond principal and interest. Primary resources in this fund are services provided other funds and earnings on investments.



McMINNVILLE SCHOOL DISTRICT NO. 40  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2014

	Special Revenue Funds				Total
	School Nutrition Fund	Student Body Fund	Construction Excise Tax Fund	PERS Debt Service Fund	
<b>ASSETS</b>					
<b>ASSETS</b>					
Cash and Investments	\$ 395,219	\$ 490,899	\$ 933,994	\$ 561,649	\$ 2,381,761
Undistributed Tax Collections	-	-	35,725	-	35,725
Grants Receivable	98,262	-	-	-	98,262
Restricted Cash and Investments	-	-	-	5,218	5,218
<b>Total Assets</b>	<b>\$ 493,481</b>	<b>\$ 490,899</b>	<b>\$ 969,719</b>	<b>\$ 566,867</b>	<b>\$ 2,520,966</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 3,237	\$ -	\$ 716	\$ -	\$ 3,953
<b>Total Liabilities</b>	<b>3,237</b>	<b>-</b>	<b>716</b>	<b>-</b>	<b>3,953</b>
<b>FUND BALANCES</b>					
Restricted for					
Capital Improvements	-	-	969,003	-	969,003
Student Body Activities	-	490,899	-	-	490,899
Nutrition Services	490,244	-	-	-	490,244
Committed To					
PERS Debt Service	-	-	-	566,867	566,867
<b>Total Fund Balances</b>	<b>490,244</b>	<b>490,899</b>	<b>969,003</b>	<b>566,867</b>	<b>2,517,013</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 493,481</b>	<b>\$ 490,899</b>	<b>\$ 969,719</b>	<b>\$ 566,867</b>	<b>\$ 2,520,966</b>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2014

	Special Revenue Funds				Total
	School Nutrition Fund	Student Body Fund	Construction Excise Tax Fund	PERS Debt Service Fund	
Revenues					
Local Sources	\$ 395,105	\$ 959,067	\$ 312,657	\$ 2,195,262	\$ 3,862,091
State Sources	32,027	-	-	-	32,027
Federal Sources	2,009,143	-	-	-	2,009,143
Total Revenues	<u>2,436,275</u>	<u>959,067</u>	<u>312,657</u>	<u>2,195,262</u>	<u>5,903,261</u>
Expenditures					
Instruction	-	975,631	-	-	975,631
Enterprise and Community Services	2,432,717	-	-	-	2,432,717
Facilities Acquisition and Construction	-	-	4,478	-	4,478
Debt Service					
Principal	-	-	-	572,120	572,120
Interest	-	-	-	1,619,853	1,619,853
Total Expenditures	<u>2,432,717</u>	<u>975,631</u>	<u>4,478</u>	<u>2,191,973</u>	<u>5,604,799</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,558	(16,564)	308,179	3,289	298,462
Fund Balances					
Beginning of Year	<u>486,686</u>	<u>507,463</u>	<u>660,824</u>	<u>563,578</u>	<u>2,218,551</u>
End of Year	<u>\$ 490,244</u>	<u>\$ 490,899</u>	<u>\$ 969,003</u>	<u>\$ 566,867</u>	<u>\$ 2,517,013</u>

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# **BUDGET REPORTS**

McMINNVILLE SCHOOL DISTRICT NO. 40  
SCHOOL NUTRITION PROGRAM FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
<b>Revenues</b>				
Revenues from Local Sources				
Sales	\$ 417,000	\$ 417,000	\$ 383,094	\$ (33,906)
Investment Earnings	1,750	1,750	1,945	195
Miscellaneous Local Sources	20,000	20,000	10,066	(9,934)
<b>Total Local Sources</b>	<b>438,750</b>	<b>438,750</b>	<b>395,105</b>	<b>(43,645)</b>
Revenue from State Sources				
State School Fund	24,500	24,500	23,177	(1,323)
State Restricted Grants	4,500	4,500	8,850	4,350
<b>Total State Sources</b>	<b>29,000</b>	<b>29,000</b>	<b>32,027</b>	<b>3,027</b>
Revenues from Federal Sources				
National School Lunch Program	1,942,000	1,942,000	1,817,178	(124,822)
U.S.D.A. Donated Commodities	142,375	142,375	137,024	(5,351)
Federal Restricted Grants	53,000	53,000	54,941	1,941
<b>Total Federal Sources</b>	<b>2,137,375</b>	<b>2,137,375</b>	<b>2,009,143</b>	<b>(128,232)</b>
<b>Total Revenues</b>	<b>2,605,125</b>	<b>2,605,125</b>	<b>2,436,275</b>	<b>(168,850)</b>
<b>Expenditures</b>				
Enterprise and Community Services *	3,105,125	3,105,125	2,432,717	672,408
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(500,000)</b>	<b>(500,000)</b>	<b>3,558</b>	<b>503,558</b>
<b>Fund Balance</b>				
Beginning of Year	500,000	500,000	486,686	(13,314)
<b>End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 490,244</b>	<b>\$ 490,244</b>

\* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40  
 STUDENT BODY FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Extracurricular Activities	\$ 1,000,000	\$ 1,000,000	\$ 959,067	\$ (40,933)
Expenditures				
Instruction *	1,500,000	1,500,000	975,631	524,369
Excess (Deficiency) of Revenues Over (Under) Expenditures	(500,000)	(500,000)	(16,564)	483,436
Fund Balance				
Beginning of Year	500,000	500,000	507,463	7,463
End of Year	\$ -	\$ -	\$ 490,899	\$ 490,899

\* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40  
 CONSTRUCTION EXCISE TAX FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Excise tax	\$ 100,000	\$ 100,000	\$ 308,165	\$ 208,165
Investment Earnings	3,000	3,000	4,492	1,492
Total Revenues	103,000	103,000	312,657	209,657
Expenditures				
Facilities Acquisition and Construction*	10,000	10,000	4,478	5,522
Contingencies *	693,000	693,000	-	693,000
Total Expenditures	703,000	703,000	4,478	698,522
Excess (Deficiency) of Revenues Over (Under) Expenditures	(600,000)	(600,000)	308,179	(488,865)
Fund Balance				
Beginning of the Year	600,000	600,000	660,824	60,824
End of Year	\$ -	\$ -	\$ 969,003	\$ (428,041)

\* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40  
 PERS DEBT SERVICE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 Year Ended June 30, 2014

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ 8,000	\$ 8,000	\$ 8,452	\$ 452
Services Provided to Other Funds	<u>2,067,000</u>	<u>2,067,000</u>	<u>2,186,810</u>	<u>119,810</u>
Total Revenues	<u>2,075,000</u>	<u>2,075,000</u>	<u>2,195,262</u>	<u>120,262</u>
Expenditures				
Debt Service *				
Redemption of Principal	572,120	572,120	572,120	-
Interest	<u>1,619,853</u>	<u>1,619,853</u>	<u>1,619,853</u>	<u>-</u>
Total Debt Service	<u>2,191,973</u>	<u>2,191,973</u>	<u>2,191,973</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(116,973)	(116,973)	3,289	120,262
Fund Balance				
Beginning of Year	<u>200,000</u>	<u>200,000</u>	<u>563,578</u>	<u>363,578</u>
End of Year	<u>\$ 83,027</u>	<u>\$ 83,027</u>	<u>\$ 566,867</u>	<u>\$ 483,840</u>

\* Legally adopted appropriation level



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# **FIDUCIARY FUNDS**

These funds account for the District's scholarship programs provided by bequests and donations. Included are:

Private Purpose Trust Fund – accounts for fund-raising and scholarship resources received and held by the District in the fiduciary capacity. Disbursements from this fund are made in accordance with the trust and fund-raising agreements.

MCMINNVILLE SCHOOL DISTRICT NO. 40  
PRIVATE PURPOSE TRUST FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Year Ended June 30, 2014

	Budget		Actual	Variance Favorable (Unfavorable)
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Earnings on Investments	\$ 1,000	\$ 1,000	\$ 494	\$ (506)
Contributions	<u>10,000</u>	<u>10,000</u>	<u>1,000</u>	<u>(9,000)</u>
Total Revenues	<u>11,000</u>	<u>11,000</u>	<u>1,494</u>	<u>(9,506)</u>
Expenditures				
Community Services *	50,000	50,000	5,667	44,333
Operating Contingencies *	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total Expenditures	<u>150,000</u>	<u>150,000</u>	<u>5,667</u>	<u>144,333</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(139,000)	(139,000)	(4,173)	134,827
Fund Balances				
Beginning of Year	<u>139,000</u>	<u>139,000</u>	<u>117,017</u>	<u>(21,983)</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,844</u>	<u>\$ 112,844</u>

\* Legally adopted appropriation level

# **OTHER FINANCIAL SCHEDULES**

McMINNVILLE SCHOOL DISTRICT NO. 40  
 SCHEDULE OF PROPERTY TAX TRANSACTIONS  
 Year Ended June 30, 2014

Tax Roll Year	Uncollected July 1, 2013 and Tax Levy	Less Discounts	Net Adjustments	Collections	Uncollected June 30, 2014
2013-2014	\$ 19,410,313	\$ 488,912	\$ (61,810)	\$ 18,048,287	\$ 811,304
2012-2013	893,066	-	(40,047)	384,512	468,507
2011-2012	406,095	-	(2,779)	144,470	258,846
2010-2011	255,887	-	(7,728)	107,415	140,744
2009-2010	131,765	-	(5,806)	40,887	85,072
2008-2009	29,047	-	(4,268)	4,239	20,540
Prior	93,380	-	(16,581)	14,134	62,665
	<u>\$ 21,219,553</u>	<u>\$ 488,912</u>	<u>\$ (139,019)</u>	18,743,944	<u>\$ 1,847,678</u>

Interest	133,787
Offsets and other adjustments	(3,968)
Undistributed tax collections, June 30, 2014	100,939
Undistributed tax collections, June 30, 2013	<u>(89,162)</u>

Revenue Turned Over to District \$ 18,885,540

	General Fund	Debt Sevice Fund	Total Revenue
Current Year's Taxes	\$ 10,891,013	\$ 7,222,377	\$ 18,113,390
Prior Year's Taxes	<u>459,958</u>	<u>312,192</u>	<u>772,150</u>
Revenue Turned Over to District	<u>\$ 11,350,971</u>	<u>\$ 7,534,569</u>	<u>\$ 18,885,540</u>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 SUPPLEMENTAL INFORMATION AS REQUIRED  
 BY THE OREGON DEPARTMENT OF EDUCATION  
 Year Ended June 30, 2014

A. Energy bill for Heating - **All Funds:**  
 Please enter your expenditures for electricity  
 & heating fuel for these Functions & Objects.

	Objects 325 & 326	
Function 2540	\$	940,206
Function 2550	\$	-

B. Replacement Equipment - **General Fund:**

Include all General Fund expenditures in object 542, except for the following exclusions:

Exclude these functions:

\$	-
----	---

1113,1122 & 1132	Co-curricular Activities	2550	Pupil Transportation
1140	Pre-Kindergarten	3100	Food Service
1300	Continuing Education	3300	Community Services
1400	Summer School	4150	Construction

McMINNVILLE SCHOOL DISTRICT NO. 40  
 REVENUE SUMMARY - ALL FUNDS  
 Year Ended June 30, 2014

	General Fund 100	Special Revenue Fund 200	Debt Service Fund 300	Trust Fund 700	Total
<b>Local Sources</b>					
1111 Current year taxes	\$ 10,891,013	\$ -	\$ 7,222,377	\$ -	\$ 18,113,390
1112 Prior year taxes	459,958	-	312,192	-	772,150
1130 Construction Excise Tax	-	308,165	-	-	308,165
1300 Tuition	178,895	-	-	-	178,895
1500 Earnings on Investments	77,299	21,673	30,014	494	129,480
1600 Food Service	-	383,094	-	-	383,094
1700 Extra-Curricular Activities	136,898	1,012,935	-	-	1,149,833
1800 Community Service Activities	91,652	-	-	-	91,652
1910 Rentals	13,003	32,506	-	-	45,509
1920 Contributions and Donations	20	148,642	-	1,000	149,662
1970 Services Provided Other Funds	-	-	2,186,810	-	2,186,810
1980 Fees Charged to Grants	158,149	-	-	-	158,149
1990 Miscellaneous	34,584	135,714	-	-	170,298
<b>Total Local Sources</b>	<b>12,041,471</b>	<b>2,042,729</b>	<b>9,751,393</b>	<b>1,494</b>	<b>23,837,087</b>
<b>Intermediate Sources</b>					
2101 County School Fund	31,376	-	-	-	31,376
2102 ESD Apportionment	1,934,088	-	-	-	1,934,088
2199 Other Intermediate Sources	-	141,600	-	-	141,600
2200 Restricted Revenue	-	-	-	-	-
<b>Total Intermediate Sources</b>	<b>1,965,464</b>	<b>141,600</b>	<b>-</b>	<b>-</b>	<b>2,107,064</b>
<b>State Sources</b>					
3101 State School Fund	40,565,365	-	-	-	40,565,365
3102 State School Fund Match	-	23,177	-	-	23,177
3103 Common School Fund	607,271	-	-	-	607,271
3299 Other Restricted Grants-In-Aid	-	494,133	-	-	494,133
<b>Total State Sources</b>	<b>41,172,636</b>	<b>517,310</b>	<b>-</b>	<b>-</b>	<b>41,689,946</b>
<b>Federal Sources</b>					
4300 Restricted Direct from Federal	-	1,755,577	-	-	1,755,577
4500 Restricted Through State	33,765	5,452,399	-	-	5,486,164
4700 Restricted Through Intermediate	-	60,718	-	-	60,718
4900 Commodities	-	137,024	-	-	137,024
<b>Total Federal Sources</b>	<b>33,765</b>	<b>7,405,718</b>	<b>-</b>	<b>-</b>	<b>7,439,483</b>
<b>Other Sources</b>					
5200 Interfund Transfers In	-	250,000	-	-	250,000
<b>Total Other Sources</b>	<b>-</b>	<b>250,000</b>	<b>-</b>	<b>-</b>	<b>250,000</b>
<b>TOTAL REVENUES</b>	<b>\$ 55,213,336</b>	<b>\$ 10,357,357</b>	<b>\$ 9,751,393</b>	<b>\$ 1,494</b>	<b>\$ 75,323,580</b>

McMINNVILLE SCHOOL DISTRICT NO. 40  
GENERAL FUND (100) EXPENDITURE SUMMARY (BUDGETARY BASIS)  
Year Ended June 30, 2014

	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Transfers Object 700	Total
<b>Instruction</b>								
1111 Elementary Programs	\$ 7,633,813	\$ 4,457,392	\$ 86,369	\$ 838,476	\$ -	\$ -	\$ -	\$ 13,016,050
1121 Middle/Junior High Programs	3,825,193	2,237,745	43,940	220,283	-	125	-	6,327,286
1122 Middle/Junior High School Extracurricular	66,805	19,957	11,050	5,419	-	-	-	103,231
1131 High School Programs	4,463,214	2,592,571	150,754	136,771	-	280	-	7,343,590
1132 High School Extra-curricular	243,011	68,909	46,600	49,296	-	320	-	408,136
1140 Pre-kindergarten Programs	13,128	11,394	-	-	-	-	-	24,522
1210 Programs for the Talented and Gifted	127,340	82,371	231	1,428	-	-	-	211,370
1220 Restrictive programs for students with disabilities	1,033,156	750,488	1,026	4,995	-	-	-	1,789,665
1250 Less restrictive programs for students with disabilities	1,425,718	943,177	192	12,904	-	-	-	2,381,991
1280 Alternative Education	571,272	376,349	818	8,640	-	-	-	957,079
1291 English Second Language Programs	1,567,580	1,046,473	2,411	21,527	-	-	-	2,637,991
1292 Teen Parent Programs	115,846	69,303	-	11,927	-	-	-	197,076
1294 County Corrections	-	-	44,625	-	-	-	-	44,625
1299 Other Programs	36,373	3,455	645	-	-	-	-	40,473
1400 Summer School Programs	28,861	9,420	-	28	-	-	-	38,309
<b>Total Instruction</b>	<b>21,151,310</b>	<b>12,669,004</b>	<b>388,661</b>	<b>1,311,694</b>	<b>-</b>	<b>725</b>	<b>-</b>	<b>35,521,394</b>
<b>Support Services</b>								
2110 Attendance and Social Work Services	311,194	223,896	-	422	-	-	-	535,512
2120 Guidance Services	970,559	599,860	300	2,820	-	-	-	1,573,539
2130 Health Services	128,856	89,838	1,504	922	-	269	-	221,389
2140 Psychological Services	185,877	108,300	1,615	9,882	-	-	-	305,674
2150 Speech Pathology and Audiology Services	189,334	113,565	439,475	4,438	-	845	-	747,657
2160 Other Student Treatment	-	-	-	-	-	-	-	-
2190 Service Direction: Student Support Services	281,933	158,343	9,614	1,373	-	-	-	451,263
2210 Improvement of Instruction Services	190,572	91,607	14,560	15,573	-	-	-	312,312
2213 Technology Curriculum Development	62,458	39,322	-	97,276	-	-	-	199,056
2220 Educational Media Services	407,243	278,035	551	61,184	-	-	-	747,013
2230 Assessment and Testing	-	-	2,650	6,586	-	-	-	9,236
2240 Instructional Staff Development	5,988	1,704	72,600	6,555	-	-	-	86,847
2310 Board of Education Services	-	-	95,102	12,051	-	124,159	-	231,312
2320 Executive Administration Services	202,403	127,734	3,090	7,861	-	1,034	-	342,122
2410 Office of the Principal Services	1,932,525	1,120,496	18,700	36,254	-	618	-	3,108,593
2510 Direction of Business Support Services	121,636	57,577	13,898	775	-	445	-	194,331
2520 Fiscal Services	300,435	167,441	6,360	7,605	-	14,558	-	496,399
2540 Operation and Maintenance of Plant Services	1,579,583	1,141,484	1,445,089	239,928	-	207,437	-	4,613,521
2550 Student Transportation Services	-	-	1,967,463	-	-	-	-	1,967,463
2570 Internal Services	-	-	38,321	27,262	-	-	-	65,583
2610 Direction of Central Support Services	199,669	109,527	54,431	17,556	-	16,421	-	397,604
2630 Information Services	20,736	1,713	23,362	1,062	-	-	-	46,873
2660 Technology Services	409,571	229,597	215,902	5,001	-	-	-	860,071
2700 Supplemental Retirement Program	164,350	390,394	-	-	-	-	-	554,744
<b>Total Support Services</b>	<b>7,664,922</b>	<b>5,050,433</b>	<b>4,424,587</b>	<b>562,386</b>	<b>-</b>	<b>365,786</b>	<b>-</b>	<b>18,068,114</b>
<b>Enterprise and Community Services</b>								
3300 Community Services	-	-	55,000	-	-	-	-	55,000
<b>Total Enterprise and Community Services</b>	<b>-</b>	<b>-</b>	<b>55,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,000</b>
<b>Other Functions</b>								
5200 Transfers of Funds	-	-	-	-	-	-	250,000	250,000
<b>Total Other Functions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250,000</b>	<b>250,000</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 28,816,232</b>	<b>\$ 17,719,437</b>	<b>\$ 4,868,248</b>	<b>\$ 1,874,080</b>	<b>\$ -</b>	<b>\$ 366,511</b>	<b>\$ 250,000</b>	<b>\$ 53,894,508</b>



McMINNVILLE SCHOOL DISTRICT NO. 40  
SPECIAL REVENUE FUNDS (200) EXPENDITURE SUMMARY (BUDGETARY BASIS)  
Year Ended June 30, 2014

	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Transfers Object 700	Total
<b>Instruction</b>								
1110 Elementary Programs	\$ 5,123	\$ 1,476	\$ -	\$ 292,164	\$ 24,828	\$ -	\$ -	\$ 323,591
1113 Elementary Extracurricular	-	-	-	88,600	-	-	-	88,600
1121 Middle/Junior High Programs	2,060	654	-	20,978	-	-	-	23,692
1122 Middle/Junior High School Extracurricular	11,483	3,025	-	164,465	-	-	-	178,973
1131 High School Programs	17,686	5,508	9,545	79,962	-	-	-	112,701
1132 High School Extra-curricular	300	66	-	743,619	-	-	-	743,985
1140 Pre-kindergarten Programs	32,186	27,643	-	19,307	-	-	-	79,136
1220 Restrictive programs for students with disabilities	192,305	149,527	157,126	890	-	-	-	499,848
1250 Less restrictive programs for students with disabilities	88,179	67,599	20	5,519	-	-	-	161,317
1271 Remediation	424,782	129,731	3,325	39,204	-	17,700	-	614,742
1272 Title I	808,364	543,683	-	10,074	-	50,252	-	1,412,373
1280 Alternative Education	-	-	-	317	-	-	-	317
1291 English Second Language Programs	77,100	43,260	5,065	11,182	-	3,334	-	139,941
1292 Teen Parent Programs	1,473	376	94	3,740	-	-	-	5,683
1400 Summer School Programs	11,155	4,640	-	18,736	-	-	-	34,531
<b>Total Instruction</b>	<b>1,672,196</b>	<b>977,188</b>	<b>175,175</b>	<b>1,498,757</b>	<b>24,828</b>	<b>71,286</b>	<b>-</b>	<b>4,419,430</b>
<b>Support Services</b>								
2110 Attendance and Social Work Services	3,274	1,116	-	10,712	-	16	-	15,118
2120 Guidance Services	12,321	2,470	-	-	-	-	-	14,791
2140 Psychological Services	49,523	32,206	14,250	-	-	-	-	95,979
2150 Speech Pathology and Audiology Services	26,256	22,900	1,395	-	-	-	-	50,551
2160 Other Student Treatment	-	-	57,779	-	-	-	-	57,779
2190 Service Direction: Student Support Services	-	-	-	-	-	18,272	-	18,272
2210 Improvement of Instruction Services	1,181,905	538,822	3,850	5,994	-	52,399	-	1,782,970
2240 Instructional Staff Development	290,228	100,468	126,397	41,408	-	16,176	-	574,677
2410 Office of the Principal Services	-	-	-	375	-	-	-	375
2490 Other Support Services-School Administration	52,909	27,158	-	-	-	-	-	80,067
2540 Operation and Maintenance of Plant Services	-	-	39,322	-	104,235	-	-	143,557
2550 Student Transportation Services	-	-	26,516	-	-	-	-	26,516
2610 Direction of Central Support Services	598	68	3,147	570	-	-	-	4,383
2640 Staff Services	266	-	217	304	-	-	-	787
2660 Technology Services	-	-	-	-	-	-	-	-
<b>Total Support Services</b>	<b>1,617,280</b>	<b>725,208</b>	<b>272,873</b>	<b>59,363</b>	<b>104,235</b>	<b>86,863</b>	<b>-</b>	<b>2,865,822</b>
<b>Enterprise and Community Services</b>								
3100 Food Services	794,420	554,748	61,313	1,015,193	-	7,043	-	2,432,717
3300 Community Services	25,279	9,838	10,176	30,526	-	-	-	75,819
<b>Total Enterprise and Community Services</b>	<b>819,699</b>	<b>564,586</b>	<b>71,489</b>	<b>1,045,719</b>	<b>-</b>	<b>7,043</b>	<b>-</b>	<b>2,508,536</b>
<b>Facilities Acquisition and Construction</b>								
4120 Site Acquisition and Development Services	-	-	400	-	-	8,673	-	9,073
4150 Building Acquisition, Construction, and Improvement	-	-	4,478	-	166,110	-	-	170,588
<b>Total Facilities Acquisition and Construction</b>	<b>-</b>	<b>-</b>	<b>4,878</b>	<b>-</b>	<b>166,110</b>	<b>8,673</b>	<b>-</b>	<b>179,661</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,109,175</b>	<b>\$ 2,266,982</b>	<b>\$ 524,415</b>	<b>\$ 2,603,839</b>	<b>\$ 295,173</b>	<b>\$ 173,865</b>	<b>\$ -</b>	<b>\$ 9,973,449</b>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 DEBT SERVICE FUND (300) EXPENDITURE SUMMARY (BUDGETARY BASIS)  
 Year Ended June 30, 2014

	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Total
Other Functions							
5100 Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,883,954	\$ 9,883,954
Total Other Functions	-	-	-	-	-	9,883,954	9,883,954
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,883,954</u>	<u>\$ 9,883,954</u>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 FIDUCIARY FUND (700) EXPENDITURE SUMMARY (BUDGETARY BASIS)  
 Year Ended June 30, 2014

	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Total
Other Functions							
3390 Other Community Services	-	-	5,667	-	-	-	5,667
Total Other Functions	-	-	5,667	-	-	-	5,667
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,667</u>

# **STATISTICAL SECTION**

This section provides further details as a context for a better understanding of the financial statements.

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Revenue Capacity These schedules contain information to help the reader assess the McMinnville School District's most significant local revenue sources, state school fund and property taxes.	78
Debt Capacity These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the ability to issue additional debt in the future.	82
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District's financial activities take place.	85
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs	89

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

McMINNVILLE SCHOOL DISTRICT NO. 40  
NET POSITION BY COMPONENT  
Last Ten Fiscal Years  
*(accrual basis of accounting)*

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Governmental Activities										
Net investment in capital assets	\$ 36,979,216	\$ 34,552,035	\$ 31,098,952	\$ 29,772,254	\$ 29,369,762	\$ 27,508,292	\$ 23,743,237	\$ 19,870,935	\$ 17,457,096	\$ 13,482,037
Restricted	2,778,236	2,578,592	2,410,179	574,562	506,505	477,674	461,167	403,670	617,952	972,176
Unrestricted	(3,076,299)	(3,544,713)	(1,998,526)	1,436,885	2,004,510	2,121,883	3,581,371	3,081,933	5,445,282	7,756,415
Total primary government net position	<u>\$ 36,681,153</u>	<u>\$ 33,585,914</u>	<u>\$ 31,510,605</u>	<u>\$ 31,783,701</u>	<u>\$ 31,880,777</u>	<u>\$ 30,107,849</u>	<u>\$ 27,785,775</u>	<u>\$ 23,356,538</u>	<u>\$ 23,520,330</u>	<u>\$ 22,210,628</u>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 CHANGES IN NET POSITION  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
<b>Expenses</b>										
Instructional programs	\$ 41,484,570	\$ 39,110,966	\$ 39,655,528	\$ 39,732,278	\$ 37,396,228	\$ 38,755,656	\$ 35,925,114	\$ 33,196,685	\$ 29,885,458	\$ 25,320,497
Support services										
Student transportation	1,993,979	2,198,634	2,190,121	2,182,331	2,018,216	1,902,104	1,925,252	1,730,873	1,777,772	1,677,748
Other support services	18,637,893	18,620,524	16,952,859	16,726,376	15,871,037	14,161,438	13,790,023	13,489,944	13,455,913	12,431,323
Community services	2,639,518	2,499,644	2,521,615	2,527,026	2,470,481	2,496,624	2,326,043	2,060,785	1,852,763	2,125,745
Facilities services	20,128	15,993	472,056	-	-	-	-	1,327,849	16,710	256,477
Interest on long-term debt	4,243,817	3,092,214	4,828,778	4,965,950	5,070,271	5,183,486	5,193,645	2,569,833	2,552,782	2,589,883
<b>Total expenses</b>	<b>69,019,905</b>	<b>65,537,975</b>	<b>66,620,957</b>	<b>66,133,961</b>	<b>62,826,233</b>	<b>62,499,308</b>	<b>59,160,077</b>	<b>54,375,969</b>	<b>49,541,398</b>	<b>44,401,673</b>
<b>Program Revenues</b>										
Charges for services										
Instructional programs	1,404,134	1,250,940	1,419,803	623,646	252,215	218,980	237,606	255,707	251,670	215,367
Other support services	77,982	143,440	185,630	38,989	-	-	-	-	-	-
Community services	393,159	388,648	447,170	493,052	557,467	572,397	699,614	685,136	629,131	566,911
Operating grants and contributions	9,745,187	10,300,449	8,849,537	10,611,941	10,008,494	7,418,410	7,119,778	6,309,348	6,601,118	5,777,258
Capital grants and contributions	-	-	-	-	-	962,044	-	-	-	-
<b>Total program revenues</b>	<b>11,620,462</b>	<b>12,083,477</b>	<b>10,902,140</b>	<b>11,767,628</b>	<b>10,818,176</b>	<b>9,171,831</b>	<b>8,056,998</b>	<b>7,250,191</b>	<b>7,481,919</b>	<b>6,559,536</b>
<b>Net (Expense) Revenue</b>	<b>(57,399,443)</b>	<b>(53,454,498)</b>	<b>(55,718,817)</b>	<b>(54,366,333)</b>	<b>(52,008,057)</b>	<b>(53,327,477)</b>	<b>(51,103,079)</b>	<b>(47,125,778)</b>	<b>(42,059,479)</b>	<b>(37,842,137)</b>
<b>General Revenues</b>										
Property taxes	18,912,202	18,757,989	18,292,024	17,850,725	17,108,697	16,336,344	15,329,263	11,347,556	11,359,276	10,494,648
State school fund - general support	39,074,365	33,941,098	34,490,713	32,795,909	34,642,566	34,481,538	34,342,573	33,812,319	30,259,227	25,998,626
ESD apportionment	1,934,088	1,875,412	1,264,323	1,200,859	-	-	-	-	-	-
Other state and local sources	946,812	823,229	739,183	2,025,891	1,638,031	3,671,455	2,210,951	789,580	880,167	519,872
Earnings on investments	128,987	132,079	131,244	123,825	158,813	1,143,609	3,589,191	1,000,422	790,487	514,154
Other	-	-	53,251	272,048	232,878	16,605	60,338	12,109	80,024	34,531
<b>Total general revenues</b>	<b>60,996,454</b>	<b>55,529,807</b>	<b>54,970,738</b>	<b>54,269,257</b>	<b>53,780,985</b>	<b>55,649,551</b>	<b>55,532,316</b>	<b>46,961,986</b>	<b>43,369,181</b>	<b>37,561,831</b>
<b>Change in Net Position</b>	<b>\$ 3,597,011</b>	<b>\$ 2,075,309</b>	<b>\$ (748,079)</b>	<b>\$ (97,076)</b>	<b>\$ 1,772,928</b>	<b>\$ 2,322,074</b>	<b>\$ 4,429,237</b>	<b>\$ (163,792)</b>	<b>\$ 1,309,702</b>	<b>\$ (280,306)</b>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 Last Ten Years  
 (modified accrual basis of accounting)

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,166	\$ 46,278	\$ 48,666	\$ 60,714
Unreserved	-	-	-	-	6,598,452	5,089,333	4,887,570	5,749,050	5,551,711	5,513,188
Committed to										
Asset Reserve	2,046,414	1,969,466	1,879,503	1,851,530	-	-	-	-	-	-
Insurance Reserve	746,204	774,738	778,827	735,348	-	-	-	-	-	-
Unassigned	4,755,843	3,437,015	4,455,113	5,218,825	-	-	-	-	-	-
<b>Total general fund</b>	<b>\$ 7,548,461</b>	<b>\$ 6,181,219</b>	<b>\$ 7,113,443</b>	<b>\$ 7,805,703</b>	<b>\$ 6,598,452</b>	<b>\$ 5,089,333</b>	<b>\$ 4,935,736</b>	<b>\$ 5,795,328</b>	<b>\$ 5,600,377</b>	<b>\$ 5,573,902</b>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,726	\$ 23,332	\$ 32,964	\$ 29,183
Unreserved, reported in:										
Debt Service Funds	-	-	-	-	1,103,640	603,894	532,710	808,404	1,319,396	1,924,950
Capital Projects Funds	-	-	-	-	382,182	1,599,060	29,348,894	62,538,908	-	-
Special Revenue Funds	-	-	-	-	3,064,869	4,018,490	4,188,829	2,218,730	1,823,672	2,677,679
Restricted for										
Grant Activities	259,795	219,474	224,579	114,008	-	-	-	-	-	-
Debt Service	568,295	704,145	694,337	574,562	-	-	-	-	-	-
Capital Improvements	969,003	660,824	490,316	732,000	-	-	-	-	-	-
Student Body Funds	490,899	507,463	498,324	-	-	-	-	-	-	-
Nutrition Services	490,244	486,686	502,623	422,037	-	-	-	-	-	-
Committed to										
PERS Bond Debt Service	566,867	563,578	719,687	1,170,126	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 3,345,103</b>	<b>\$ 3,142,170</b>	<b>\$ 3,129,866</b>	<b>\$ 3,012,733</b>	<b>\$ 4,550,691</b>	<b>\$ 6,221,444</b>	<b>\$ 34,095,159</b>	<b>\$ 65,589,374</b>	<b>\$ 3,176,032</b>	<b>\$ 4,631,812</b>

**Note:** GASB Statement 54 was implemented in fiscal year 2010-11.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (modified accrual basis of accounting)

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
<b>Revenues</b>										
Property Taxes	\$ 18,885,540	\$ 18,585,198	\$ 18,294,839	\$ 17,810,749	\$ 16,817,229	\$ 16,054,711	\$ 15,094,606	\$ 11,423,803	\$ 11,408,540	\$ 10,604,598
Earnings on Investments	128,986	132,079	131,243	123,825	158,813	1,159,086	3,589,191	1,000,422	790,487	514,154
Other Revenue From Local Sources	3,017,593	2,721,176	2,214,090	3,129,710	2,848,557	2,376,144	1,838,639	1,568,664	1,424,304	1,375,067
Charges for Services	1,803,474	1,815,582	2,029,211	983,804	809,682	817,383	937,222	940,843	880,801	782,278
Intermediate Sources	2,107,064	1,895,508	1,290,982	1,261,691	254,349	246,748	69,265	64,501	63,269	61,186
State sources	41,689,946	37,158,203	37,087,147	35,177,714	36,553,481	38,152,294	37,927,838	35,572,205	32,437,765	27,630,437
Federal Sources	7,439,483	7,581,145	6,672,979	8,662,900	8,019,066	6,890,863	5,098,664	4,871,470	5,048,682	4,417,083
<b>Total Revenues</b>	<b>75,072,086</b>	<b>69,888,891</b>	<b>67,720,491</b>	<b>67,150,393</b>	<b>65,461,177</b>	<b>65,697,229</b>	<b>64,555,425</b>	<b>55,441,909</b>	<b>52,053,848</b>	<b>45,384,803</b>
<b>Expenditures</b>										
Instruction	39,915,996	37,401,381	37,511,136	36,901,689	34,900,224	36,603,283	34,359,421	31,463,462	28,326,884	24,358,461
Support Services	20,829,700	21,054,314	18,945,273	18,862,222	17,811,098	16,253,386	15,620,227	15,075,368	14,579,473	13,119,221
Enterprise and Community Services	2,563,536	2,421,521	2,416,555	2,455,359	2,440,894	2,401,551	2,294,868	2,021,733	1,847,542	2,120,949
Facilities Acquisition and Construction	20,128	15,993	602,012	303,685	1,937,380	29,971,912	36,123,248	2,447,006	984,710	1,873,802
Debt Service:										
Principal	5,582,120	5,396,877	5,452,976	3,891,484	3,363,729	2,832,628	2,485,268	2,353,090	3,256,133	3,103,766
Interest	4,301,834	4,265,880	4,929,097	5,066,661	5,169,486	5,281,695	5,291,153	2,456,819	2,569,763	2,681,094
Bond Issuance Costs	-	233,036	17,872	-	-	-	-	-	-	-
Capital Outlay	288,597	255,347	-	-	-	-	738,329	1,057,084	1,910,381	1,590,638
<b>Total Expenditures</b>	<b>73,501,911</b>	<b>71,044,349</b>	<b>69,874,921</b>	<b>67,481,100</b>	<b>65,622,811</b>	<b>93,344,455</b>	<b>96,912,514</b>	<b>56,874,562</b>	<b>53,474,886</b>	<b>48,847,931</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,570,175	(1,155,458)	(2,154,430)	(330,707)	(161,634)	(27,647,226)	(32,357,089)	(1,432,653)	(1,421,038)	(3,463,128)
<b>Other Financing Sources (Uses)</b>										
Bonds Issued and Premiums	-	-	-	-	-	-	-	64,052,966	-	-
Refunding Bonds Issued and Premiums	-	49,348,383	1,104,320	-	-	-	-	-	-	-
Payments of Escrow for Refunding	-	(49,112,845)	-	-	-	-	-	-	-	-
<b>Total Other Sources (Uses)</b>	<b>-</b>	<b>235,538</b>	<b>1,104,320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,052,966</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>1,570,175</b>	<b>(919,920)</b>	<b>(1,050,110)</b>	<b>(330,707)</b>	<b>(161,634)</b>	<b>(27,647,226)</b>	<b>(32,357,089)</b>	<b>62,620,313</b>	<b>(1,421,038)</b>	<b>(3,463,128)</b>
<b>Fund Balance</b>										
Beginning of Year	9,323,389	10,243,309	11,293,419	11,149,143	11,310,777	39,030,895	71,384,702	8,776,409	10,205,714	13,642,822
Increase (decrease) in Reserve for Inventory	-	-	-	-	-	(72,892)	3,282	(12,020)	(8,267)	26,020
<b>End of year</b>	<b>\$ 10,893,564</b>	<b>\$ 9,323,389</b>	<b>\$ 10,243,309</b>	<b>\$ 10,818,436</b>	<b>\$ 11,149,143</b>	<b>\$ 11,310,777</b>	<b>\$ 39,030,895</b>	<b>\$ 71,384,702</b>	<b>\$ 8,776,409</b>	<b>\$ 10,205,714</b>
Debt service as a percentage of noncapital expenditures	13.50%	13.65%	14.99%	13.34%	13.40%	12.80%	12.95%	9.01%	11.52%	12.75%



McMINNVILLE SCHOOL DISTRICT NO. 40  
 ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Assessed Value				Assessed Value	Total Direct Rate (a)	Estimated Actual Value of Taxable Property (b)	Assessed Value as a % of Estimated Actual Value of Taxable Property
	Real Property	Personal Property	Manufactured Structures	Utilities				
2005	1,681,276,660	59,855,432	31,029,350	63,894,756	1,836,056,197	5.80	2,493,550,887	73.63%
2006	1,794,530,572	59,265,322	30,997,323	64,723,970	1,949,517,187	6.25	2,731,294,241	71.38%
2007	1,932,922,844	61,359,305	33,176,205	66,175,906	2,093,634,260	5.53	3,496,194,951	59.88%
2008	2,072,480,787	64,958,793	36,049,145	71,448,818	2,244,937,543	7.00	3,877,384,914	57.90%
2009	2,241,043,031	71,596,323	38,247,928	75,532,147	2,426,419,429	6.91	4,101,380,879	59.16%
2010	2,337,138,142	75,381,461	41,282,812	86,109,012	2,539,911,427	6.94	4,045,707,073	62.78%
2011	2,428,004,168	76,957,802	40,924,662	88,259,688	2,634,146,320	6.92	3,961,011,054	66.50%
2012	2,488,542,770	73,129,486	36,518,687	88,806,674	2,686,997,617	6.98	3,547,429,517	75.74%
2013	2,562,434,123	74,971,254	34,549,906	86,811,210	2,758,766,493	6.98	3,488,131,424	79.09%
2014	2,624,439,230	73,919,360	34,671,070	92,937,829	2,825,967,489	6.87	3,518,402,639	80.32%

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(a) Per \$1,000 of assessed value.

(b) The real market value of property in the county is reassessed annually. The amounts in this schedule do not include tax exempt property.

Source: Yamhill County Assessor's Office.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	McMinnville School District No. 40			Overlapping Rates (a)									
	Operating	Debt Service	Total District	Yamhill County	City of McMinnville	City of Lafayette	Willamette ESD	Chemeketa Community College	McMinnville RFPD	Carlton RFPD	Sheridan Fire	Amity RFPD	Other Taxing Districts (b)
2005	4.15	1.65	5.80	2.58	5.98	3.49	0.30	0.96	1.14	0.53	1.12	0.84	0.31
2006	4.15	2.10	6.25	2.58	5.92	3.49	0.30	0.96	1.14	0.53	1.12	0.84	0.31
2007	4.15	1.38	5.53	2.58	5.93	3.49	0.30	0.94	1.14	0.53	1.12	0.84	0.16
2008	4.15	2.85	7.00	2.58	5.87	3.49	0.30	0.70	1.14	1.05	1.47	0.84	0.16
2009	4.15	2.76	6.91	2.58	5.85	3.49	0.30	0.71	1.14	1.54	1.47	0.84	0.16
2010	4.15	2.79	6.94	2.58	5.84	3.49	0.30	0.71	1.14	1.48	1.47	1.77	0.16
2011	4.15	2.77	6.92	2.58	5.74	3.49	0.30	0.79	1.14	1.48	1.47	1.81	0.16
2012	4.15	2.83	6.98	2.58	5.70	3.49	0.30	0.88	1.14	1.50	1.47	1.85	0.16
2013	4.15	2.83	6.98	2.58	5.72	3.49	0.30	0.86	0.96	1.46	1.47	1.76	0.16
2014	4.15	2.72	6.87	2.58	5.72	3.49	0.30	0.86	0.96	1.46	1.47	1.76	0.16

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Note: Property tax rates listed are per \$1,000 assessed value.

(a) Overlapping rates are those of local and county governments that apply to property owners within the McMinnville School District. Not all overlapping rates apply to all McMinnville School District property owners (example: the rates for special districts apply only to property located within the geographic boundaries of that special district).

(b) Other taxing districts include Yamhill County Extension Service, Yamhill County Soil & Water District and Chemeketa Library .

Source: Yamhill County Assessor's Office.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 PRINCIPAL PROPERTY TAXPAYERS  
 CURRENT YEAR AND NINE YEARS PRIOR

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Taxpayer	June 2014			June 2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Value
Cascade Steel Rolling Mills	\$ 66,738,076	1	2.36%	\$ 41,483,972	1	2.26%
Willamette Valley Medical Center	61,223,418	2	2.17%	34,449,774	2	1.88%
Evergreen Vintage Aircraft	24,968,291	3	0.88%	-		
HCP SH ELP1 Properties LLC	(a) 17,979,496	4	0.64%	-		
Comcast Corporation	17,318,200	5	0.61%	-		
Lowes HIW Inc.	15,689,504	6	0.56%	12,385,444	5	0.67%
Frontier Communications	(b) 14,150,000	7	0.50%	-		
REEF McMinnville Plaza LLC	11,169,698	8	0.40%	-		
Northwest Natural Gas Co	9,868,000	9	0.35%	11,249,600	7	0.61%
Lassen Doran Properties	8,703,300	10	0.31%	-		
Verizon Northwest Inc.	(b)			17,805,800	3	0.97%
Hillside Manor	(a)			15,240,675	4	0.83%
LAI Properties Inc.				11,698,840	6	0.64%
Homette Corporation				8,576,924	8	0.47%
Cypress/McMinnville II LP				8,532,855	9	0.46%
Leslie A. Toth				6,151,737	10	0.34%
Subtotal - ten of the District's largest taxpayers	247,807,983		8.77%	167,575,621		9.13%
All other District taxpayers in Yamhill County	2,578,159,506		91.23%	1,668,480,576		90.87%
Total District taxpayers	<u>\$ 2,825,967,489</u>		<u>100.00%</u>	<u>\$ 1,836,056,197</u>		<u>100.00%</u>

Source: Yamhill County Assessor's Office

(a), (b) Several principal property taxpayers have either changed business names or been acquired by another company, although the property and facilities are the same.

McMINNVILLE SCHOOL DISTRICT NO. 40  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

Fiscal Year End June 30,	Total Tax Levy for Fiscal Year			Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Original	Adjustments (a)	Total Adjusted	Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2005	10,691,798	(326,789)	10,365,009	9,971,806	93.27%	390,110	10,361,916	99.97%
2006	12,212,383	(563,623)	11,648,760	11,462,675	93.86%	182,971	11,645,646	99.97%
2007	11,635,043	(515,949)	11,119,094	10,774,902	92.61%	335,782	11,110,684	99.92%
2008	15,749,949	(445,372)	15,304,577	14,699,146	93.33%	591,104	15,290,250	99.91%
2009	16,772,551	(513,532)	16,259,019	15,488,579	92.34%	749,900	16,238,479	99.87%
2010	17,625,301	(513,510)	17,111,791	16,233,698	92.10%	793,021	17,026,719	99.50%
2011	18,226,860	(575,410)	17,651,450	16,842,355	92.40%	668,351	17,510,706	99.20%
2012	18,736,255	(571,140)	18,165,115	17,355,602	92.63%	550,667	17,906,269	98.58%
2013	19,244,450	(633,723)	18,610,727	17,757,708	92.27%	384,512	18,142,220	97.48%
2014	19,410,313	(550,722)	18,859,591	18,048,287	92.98%	-	18,048,287	95.70%

Source: Yamhill County Department of Assessment and Taxation.

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

McMINNVILLE SCHOOL DISTRICT NO. 40  
 OUTSTANDING DEBT BY TYPE  
 LAST TEN YEARS

Fiscal Year Ended June 30,	General Obligation Bonds (1)	Pension Obligation Bonds	Total Outstanding Debt				General Bonded Debt Outstanding		
			Total Outstanding Debt	Percentage of Taxable Value of Property (2)	Percentage of Personal Income	Per Capita (3)	General Obligation Bonds (1)	Percentage of Estimated Actual Value of Property (2)	Per Capita (3)
2005	\$ 22,620,000	\$ 29,631,989	\$ 52,251,989	2.846%	5.02%	\$ 1,383	\$ 22,620,000	0.907%	\$ 599
2006	19,480,000	29,515,856	48,995,856	2.513%	4.31%	1,274	19,480,000	0.713%	506
2007	81,332,966	29,362,766	110,695,732	5.287%	9.01%	2,787	81,332,966	2.326%	2,048
2008	79,023,681	29,182,498	108,206,179	4.820%	8.29%	2,676	79,023,681	2.038%	1,954
2009	76,218,161	28,959,870	105,178,031	4.335%	7.74%	2,601	76,218,161	1.858%	1,885
2010	73,050,401	28,666,141	101,716,542	4.005%	7.67%	2,454	73,050,401	1.806%	1,762
2011	69,417,641	28,309,657	97,727,298	3.710%	7.08%	2,320	69,417,641	1.753%	1,648
2012	65,287,163	27,931,681	93,218,844	3.469%	6.48%	2,207	65,287,163	1.840%	1,546
2013	67,221,391	27,434,804	94,656,195	3.431%	6.29%	2,227	67,221,391	1.927%	1,582
2014	61,635,405	26,862,684	88,498,089	3.132%	5.77%	2,072	61,635,405	1.752%	1,443

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

(1) This is the general bonded debt net of original issuance discounts and premiums

(2) See Assessed and Real Market Value of properties for property value data.

(3) See Demographic and Economic Statistics for population and personal income data. These ratios are calculated using income and population from prior calendar year.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 June 30, 2014

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to District</u>	<u>Amount Applicable to District</u>
Direct			
McMinnville School District No. 40	\$ 81,647,684	100.00%	\$ 81,647,684
Overlapping			
Chemeketa Community College	95,155,000	9.04%	8,597,445
City of McMinnville	15,740,000	99.96%	15,733,641
New Carlton Fire District	1,085,000	5.56%	60,315
Willamette ESD	1,405,000	8.23%	115,617
Amity RFPD	90,000	8.67%	<u>7,807</u>
Subtotal, overlapping debt			<u>24,514,825</u>
Total direct and overlapping debt			<u>\$ 106,162,509</u>

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business of the District. This process recognizes that, when considering the District'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.

**Source:** Debt Management Division, Oregon State Treasury.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 LEGAL DEBT MARGIN INFORMATION  
 LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2014

Real Market Value	\$ 3,518,402,639
Debt limit (7.95% of real market value)	279,713,010
Debt applicable to limit	(54,785,000)
Legal debt margin	<u>\$ 224,928,010</u>

Fiscal Year	Debt Limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to the limit as a percentage of debt limit
2014	\$ 279,713,010	\$ 54,785,000	\$ 224,928,010	19.59%
2013	277,306,448	59,795,000	217,511,448	21.56%
2012	282,020,647	63,805,000	218,215,647	22.62%
2011	314,900,379	67,760,000	247,140,379	21.52%
2010	321,633,712	71,295,000	250,338,712	22.17%
2009	326,059,780	74,365,000	251,694,780	22.81%
2008	308,252,101	76,975,000	231,277,101	24.97%
2007	224,416,617	79,280,000	145,136,617	35.33%
2006	217,137,892	19,480,000	197,657,892	8.97%
2005	198,237,296	22,620,000	175,617,296	11.41%

Note: Under ORS 328.245, the McMinnville School District's outstanding general obligation debt should not exceed 7.95% of real market value. This is based on a limitation factor of .0055 for each grade kindergarten through eight and .0075 by each grade nine through twelve.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN CALENDAR YEARS

<u>Calendar Year</u>	<u>Estimated Population (a)</u>	<u>Per Capita Personal Income (b)</u>	<u>Total Estimated Personal Income</u>	<u>Unemployment Rate ( c)</u>
2004	37,793	27,566	1,041,801,838	7.20%
2005	38,469	29,553	1,136,874,357	6.10%
2006	39,715	30,936	1,228,623,240	5.10%
2007	40,438	32,290	1,305,743,020	5.00%
2008	41,067	33,081	1,358,537,427	6.30%
2009	41,457	31,991	1,326,250,887	11.40%
2010	42,130	32,768	1,380,515,840	10.50%
2011	42,232	34,055	1,438,210,760	9.50%
2012	42,500	35,386	1,503,905,000	8.50%
2013	42,704	35,917	1,533,799,568	7.40%

Sources:

(a) Population estimate includes population of the City of McMinnville, City of Lafayette and 26% of unincorporated areas of Yamhill County. Population estimate per Portland State University Population Research Center data.

(b) Per Capita Personal Income for Yamhill County per U.S. Department of Commerce, Bureau of Economic Analysis.

(c) Oregon Labor Market Information System, Labor Force Data for Yamhill County, seasonally adjusted.



McMINNVILLE SCHOOL DISTRICT NO. 40  
 MAJOR EMPLOYMENT INDUSTRIES  
 CURRENT YEAR AND NINE YEARS PRIOR

Employer	2013			2004		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
<b>Private Employers:</b>						
Manufacturing: beverage, wood products, metal, machinery, plastics, other	6,407	1	19.92%	5,573	1	18.88%
Health Services	4,146	2	12.89%	3,149	3	10.67%
Retail	3,259	3	10.13%	3,268	2	11.07%
Natural Resources	3,104	4	9.65%	2,972	4	10.07%
Leisure & Hospitality	3,091	5	9.61%	2,397	5	8.12%
Professional and business services	1,710	6	5.32%	1,721	6	5.83%
Education services	1,394	7	4.33%	1,248	8	4.23%
Other services	1,249	8	3.88%	977	10	3.31%
Construction	1,171	9	3.64%	1,593	7	5.40%
Financial activities	962	10	2.99%	1,113	9	3.77%
Transportation, warehousing & utilities	634	11	1.97%	608	12	2.06%
Wholesale	540	12	1.68%	678	11	2.30%
Information	168	13	0.52%	254	13	0.86%
<b>Subtotal Private</b>	<b>27,835</b>		<b>86.53%</b>	<b>25,551</b>		<b>86.54%</b>
<b>Government</b>						
Federal	466		1.45%	533		1.81%
State	422		1.31%	205		0.69%
<b>Local Government</b>						
Education & health services	2,087		6.49%	1,902		6.44%
Public Administration	1,006		3.13%	1,176		3.98%
Other	352		1.09%	158		0.54%
<b>Subtotal Government</b>	<b>4,333</b>		<b>13.47%</b>	<b>3,974</b>		<b>13.46%</b>
<b>Total Employment</b>	<b>32,168</b>		<b>100.00%</b>	<b>29,525</b>		<b>100.00%</b>

Source: Oregon Employment Department Labor Market Information System (OLMIS) at [www.qualityinfo.org](http://www.qualityinfo.org).

Note: Information provided for Yamhill County

McMINNVILLE SCHOOL DISTRICT NO. 40  
 AVERAGE STUDENT TO TEACHER RATIO  
 LAST TEN YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Full-time Equivalent Teaching Staff (1)</u>	<u>Students (2)</u>	<u>Ratio of Students to Teaching Staff</u>
2005	289	5,735	19.84 :1
2006	279	5,842	20.94 :1
2007	354	5,988	16.92 :1
2008	360	6,090	16.92 :1
2009	372	6,205	16.68 :1
2010	335	6,237	18.62 :1
2011	342	6,126	17.91 :1
2012	331	6,130	18.52 :1
2013	321	6,142	19.13 :1
2014	327	6,268	19.17 :1

(1) Includes classroom, music, physical education and special education teachers, librarians and counselors.

(2) Average daily membership with kindergarten counted as .50

Source: McMinnville School District No. 40 personnel and student records.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 CERTIFIED, CLASSIFIED, ADMINISTRATIVE AND OTHER EMPLOYEES  
 LAST TEN YEARS

Fiscal Year Ended <u>June 30,</u>	<u>Certificated</u>	<u>Classified</u>	<u>Administrative</u>	<u>Confidential</u>	<u>Total</u>
2005	361	281	21	13	676
2006	390	279	22	12	703
2007	395	290	23	14	722
2008	405	297	23	14	739
2009	410	298	24	14	746
2010	375	297	23	14	709
2011	384	313	22	14	733
2012	368	309	22	14	713
2013	363	299	23	14	699
2014	360	294	23	14	691

Source: McMinnville School District No. 40 personnel records.

Note: Number of employees both full-time and part-time.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 OPERATING STATISTICS  
 LAST NINE FISCAL YEARS

Fiscal Year	(1) Average Daily Membership	General Fund (2) Expenditures and other financing uses	General Fund Per Student Expenditure	Nutrition Services			Percent Eligible Free or Reduced	Student Transportation		
				Breakfast	Lunch	Total Meals		Total Bus Routes	Total Miles	Daily average students transported
2014	6,523	\$ 53,894,508	\$ 8,262	225,762	507,543	733,305	58.3%	27	651,252	2,523
2013	6,396	50,759,176	7,936	194,712	513,108	707,820	58.2%	27	657,333	2,332
2012	6,385	50,331,836	7,883	188,411	531,753	720,164	57.9%	27	651,871	2,212
2011	6,345	50,995,677	8,037	189,143	555,826	744,969	55.6%	27	705,512	2,283
2010	6,467	48,201,963	7,454	199,476	579,521	778,997	54.4%	27	686,080	2,275
2009	6,441	48,456,037	7,523	196,364	559,093	755,457	51.3%	27	653,019	2,208
2008	6,320	48,794,539	7,721	196,933	547,822	744,755	49.6%	27	646,725	2,158
2007	6,239	44,910,030	7,198	185,537	528,637	714,174	47.2%	27	608,191	2,104
2006	6,068	40,657,416	6,700	174,048	510,998	685,046	46.2%	27	620,759	2,026

- (1) Average daily membership with kindergarten = 1.0
- (2) General fund budgetary basis. See page 41.

Source: McMinnville School District Records.

Note: Operating statistics data was added for year ending June 30, 2010. Comparable information for years before 2006 is not available. Over time, ten years of data will be presented.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 CAPITAL ASSET INFORMATION  
 AS OF JUNE 30, 2014

Building	Year of Original Building Construction	Square Footage (1)	Capacity (1)	Enrollment 10/1/2013	Percent of Capacity	Average Age of Buildings (in years)
<b>Elementary Schools</b>						
Buel	2008	80,837	600	504	84%	6
Columbus	1994	68,740	600	508	85%	20
Grandhaven	1999	69,958	600	557	93%	15
Memorial	1947	67,292	600	520	87%	67
Newby	1960	58,527	532	517	97%	54
Wascher	1979	61,259	517	387	75%	35
<b>Total</b>		<u>406,613</u>	<u>3,449</u>	<u>2,993</u>	<u>87%</u>	<u>33</u>
<b>Middle Schools</b>						
Duniway	1993	119,412	961	754	78%	21
Patton	1976	132,820	971	831	86%	38
<b>Total</b>		<u>252,232</u>	<u>1,932</u>	<u>1,585</u>	<u>82%</u>	<u>30</u>
<b>High Schools</b>						
McMinnville	1955	268,935	1,971	2,029	103%	59
Adams Campus	1914	34,052	336	-	0%	100
<b>Total</b>		<u>302,987</u>	<u>2,307</u>	<u>2,029</u>	<u>88%</u>	<u>80</u>
<b>Other Buildings</b>						
Cook	1924	43,464	303			90
District Office	1965	9,081				49
Evans Street	1995	6,418				19
Maintenance	1948	12,395				66
Grounds	1970	2,760				44
Stadium	1980	12,480				34
<b>Total</b>		<u>86,598</u>	<u>303</u>			
<b>GRAND TOTAL</b>		1,048,430	7,991	6,607	83%	

Notes:

Many buildings have undergone remodels since original construction  
 (1) Square footage and capacity presented do not include modular classroom space.

**AUDIT COMMENTS AND**  
**DISCLOSURES**  
**REQUIRED BY STATE**  
**REGULATIONS**

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MCMINNVILLE SCHOOL DISTRICT NO. 40  
INDEPENDENT AUDITORS' REPORT  
REQUIRED BY OREGON STATE REGULATIONS

We have audited the basic financial statements of the McMinnville School District No. 40 (District) as of and for the year ended June 30, 2014, and have issued our report thereon dated November 28, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).
- State school fund factors and calculation

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

OAR 162-10-0230 Internal Control

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





OAR 162-10-0230 Internal Control (Continued)

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

We noted certain matters that we reported to management of the District, in a separate letter dated November 28, 2014.

This report is intended solely for the information and use of the board of directors and management of the District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

*Wilcox Arredondo & Co.*

Certified Public Accountants  
Canby, Oregon  
November 28, 2014

# **GRANT COMPLIANCE SECTION**

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To the School Board  
McMinnville School District No. 40  
Yamhill County, Oregon

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McMinnville School District No. 40 (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 a 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.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## 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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wilcox Arredondo & Co.*

Certified Public Accountants  
Canby, Oregon  
November 28, 2014



To the School Board  
McMinnville School District No. 40  
Yamhill County, Oregon

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

**Report on Compliance for Each Major Federal Program**

We have audited McMinnville School District No. 40's (District's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profits Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 14-01. Our opinion on each major federal program is not modified with respect to these matters.



### ***Other Matters (Continued)***

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

***Wilcox Arredondo & Co.***

Certified Public Accountants  
Canby, Oregon  
November 28, 2014

McMINNVILLE SCHOOL DISTRICT NO. 40  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor Program Title	Grant Period	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Amount	Federal Expenditures
<b>U.S. Department of Education</b>					
Passed through Oregon State Department of Education					
Title IA Grants	07/01/12-09/30/14	84.010	25288	\$ 1,571,305	\$ 217,399
	07/01/12-09/30/13	84.010	27157	\$ 7,500	\$ 3,814
	07/01/13-09/30/14	84.010	28168	1,549,789	1,412,977
	<b>Total</b>			<b>3,128,594</b>	<b>1,634,190</b>
IDEA: Special Education Grants to State	07/01/12-09/30/14	84.027	26738	902,436	105,804
	07/01/13-09/30/15	84.027	28499	848,595	672,793
SPR&I (System Performance Review and Improvement)	08/01/13-06/30/14	84.027	27928	4,232	3,497
Extended Assessment	09/01/13-06/30/14	84.027	27662	1,800	685
IDEA Enhancement	09/01/13-09/30/14	84.027	29818	7,957	7,957
IDEA Part B, Section 619	07/01/11-09/30/13	84.173	24241	8,745	1,446
	07/01/12-09/30/14	84.173	26314	10,123	6,817
	07/01/13-09/30/15	84.173	28893	10,590	-
	<b>Total</b>			<b>1,794,478</b>	<b>798,999</b>
McKinney Homeless Children	07/01/12-09/30/13	84.196	26128	59,942	496
	<b>Total</b>			<b>59,942</b>	<b>496</b>
21st Century Community Learning Centers	07/01/12-06/30/14	84.287	25039	302,868	29,235
	07/01/13-06/30/14	84.287	28282	201,912	201,912
	07/01/13-09/30/15	84.287	28306	390,334	320,296
	<b>Total</b>			<b>895,114</b>	<b>551,443</b>
Title III English Language Acquisition	07/01/12-09/30/14	84.365	25139	143,959	50,110
	07/01/13-09/30/14	84.365	30024	137,458	119,938
	<b>Total</b>			<b>281,417</b>	<b>170,048</b>
Title II-B Math and Science Partnerships (MSP)	07/01/12-09/30/13	84.366	25095	224,982	30,141
	07/01/13-09/30/14	84.366	29572	327,489	250,826
	<b>Total</b>			<b>552,471</b>	<b>280,967</b>
Title II-A Improving Teacher Quality	07/01/12-09/30/13	84.367	25516	205,243	3,467
	07/01/13-09/30/14	84.367	28686	190,011	136,662
	<b>Total</b>			<b>395,254</b>	<b>140,129</b>
Kindergarten Readiness Assessment	03/01/12-08/30/13	93.708	27508	1,500	1,500
	<b>Total</b>			<b>1,500</b>	<b>1,500</b>
Passed Through Willamette Education Service District					
Title I-C Migrant Education	07/01/13-09/30/14	84.011	N/A	66,870	60,718
Passed through Oregon University Systems					
Early Learning Challenge	7/01/13-06/30/14	84.412	N/A	1,500	1,500
Direct Federal Grants					
Teacher Incentive Fund	10/01/10-09/30/15	84.374A	S374A100002	6,739,797	1,755,577
<b>Total U.S. Department of Education</b>				<b>13,916,937</b>	<b>5,395,567</b>



McMINNVILLE SCHOOL DISTRICT NO. 40  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor Program Title	Grant Period	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Amount	Federal Expenditures
<b><u>U.S. Department of Agriculture - Special Revenue Fund</u></b>					
Passed through Oregon State Department of Education					
School Breakfast Program	07/01/13-06/30/14	10.553	N/A	373,873	373,873
National School Lunch Program	07/01/13-06/30/14	10.555	N/A	1,407,398	1,407,398
Commodities - NSLP	07/01/13-06/30/14	10.555	N/A	136,674	136,674
Commodities - SFSP	07/01/13-06/30/14	10.559	N/A	350	350
Summer Food Service Program	07/01/13-06/30/14	10.559		35,907	35,907
Child Care Food Program	07/01/13-06/30/14	10.558	N/A	3,751	3,751
Child Care Food Program-Cash in Lieu Commodities	07/01/13-06/30/14	10.558	N/A	931	931
Fresh Fruit and Vegetable Program	10/01/13-06/30/14	10.582	30129	24,375	24,375
Fresh Fruit and Vegetable Program	10/01/13-06/30/14	10.582	30130	24,870	24,870
Fresh Fruit and Vegetable Program	07/01/13-09/30/13	10.582	29038	2,823	2,823
Fresh Fruit and Vegetable Program	07/01/13-09/30/13	10.582	29039	2,872	2,872
<b>Total U.S. Department of Agriculture</b>				<b><u>2,013,824</u></b>	<b><u>2,013,824</u></b>
<b><u>U.S. Department of Health and Human Services</u></b>					
Passed through Oregon Department of Education					
Child Care and Development Fund	07/01/13-06/30/15	93.575	9792	62,000	30,092
<b>Total U.S. Department of Health and Human Services</b>				<b><u>62,000</u></b>	<b><u>30,092</u></b>
<b>Total Federal Awards</b>				<b><u>\$ 15,992,761</u></b>	<b><u>\$ 7,439,483</u></b>

NOTES RELATIVE TO SCHEDULE OF FEDERAL AWARDS

NOTE 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of McMinnville School District No. 40 and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with requirements of OMB Circular A-133 Audit of States, Local Governments and Non-profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2014

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements:**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes\_\_\_ No

Significant deficiency(ies) identified that are not considered to be material weakness(es) Yes\_\_\_ None reported

Noncompliance material to financial statements noted? Yes\_\_\_ No

**Federal Awards:**

Internal control over major programs:

Material weakness(es) identified? Yes\_\_\_ No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes  None reported \_\_

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of *Circular A-133*? Yes  No \_\_\_

**Identification of major programs:**

CFDA NUMBER

NAME OF PROGRAM OR CLUSTER

84.027  
 84.374A  
 84.287

IDEA: Special Education Grants to State  
 Teacher Incentive Fund  
 21<sup>st</sup> Century Community Learning Centers

Dollar threshold used to distinguish between type A and B programs \$ 300,000

Auditee qualified as low-risk auditee? Yes  No \_\_\_

**SECTION II - FINANCIAL STATEMENT FINDINGS - NONE**

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**Finding 14-01**

Federal Program: 21<sup>st</sup> Century Community Learning Centers

Federal Agencies: Department of Education

Pass Through Entity: State of Oregon

Criteria: One of the requirement of the 21<sup>st</sup> Century Grant is that the District must provide eligible private school students who wish to participate with equitable services under this program. In order to ensure private school students are afforded this opportunity, the District must conduct timely consultations with private school officials to determine the desire to participate and the extent of services required.

Condition: The results of our inquiries disclosed that the District did conduct the consultation with private school officials in the form of a letter regarding various other programs available. However, this letter did not include reference to the 21<sup>st</sup> Century Program as one of the programs available. As a result, the 21<sup>st</sup> Century Grant services were not made available to eligible private schools.

Questioned Costs: None noted.

Context: While the District does have procedures in place to ensure private schools are offered participation in federal programs, no review is performed to ensure that all applicable federal programs are included in the letter.

Effect: Without this communication, private schools are not aware of the services available to the students.

Corrective Action Plan: The District is aware of the requirement and has ensured that program coordinators are aware of this requirement.

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDING - NONE**