

Comprehensive Annual Financial Report

McMinnville School District #40

for the year ended June 30, 2015



1500 NE Baker Street
McMinnville, OR 97128
503.565.4005



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

**Comprehensive Annual
Financial Report**

Year Ended June 30, 2015

Prepared by the
Business Office

Maryalice Russell
Superintendent

Susan Escure
Director of Finance

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TABLE OF CONTENTS

	Page
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	i
GFOA Certificate of Achievement for Excellence in Financial Reporting	vii
ASBO Certificate of Excellence in Financial Reporting	viii
Organization Chart	ix
Appointed and Elected Officials	x
 <u>FINANCIAL SECTION</u>	
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	6-14
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balance of Governmental Funds to the Statement of Activities	21
Statement of Net Position – Fiduciary Funds	22
Statement of Changes in Net Position – Fiduciary Funds	23
Notes to the Basic Financial Statements	24-47
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Funding Progress for Postemployment Benefits	50
Oregon Public Employees Retirement System Schedules – District's Proportionate share of the Net Pension Liability and District Contributions	51
Schedule of Revenues, Expenditures, and Changes in Fund balance – Budget and Actual:	
General Fund	52
Grants Fund	53
Notes to Required Supplementary Information	54-56
SUPPLEMENTARY INFORMATION:	
OTHER MAJOR FUNDS	
Combining Balance Sheet – Major Governmental Fund	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Major Governmental Fund	59
Schedule of Revenues, Expenditures, and Changes in Fund balance – Budget and Actual:	
Asset Reserve Fund	60
Textbook and Technology Replacement Reserve	61
Insurance Reserve Fund	62
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Debt Service Fund	64
NONMAJOR FUNDS	
Combining Balance Sheet – Nonmajor Governmental Funds	66
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	67

TABLE OF CONTENTS

	Page
SUPPLEMENTARY INFORMATION (Continued):	
NONMAJOR FUNDS (Continued):	
Schedule of Revenues, Expenditures, and Changes in Fund balance – Budget and Actual:	
School Nutrition Program Fund	70
Student Body Fund	71
Construction Excise Tax Fund	72
PERS Debt Service Fund	73
FIDUCIARY FUND	
Private Purpose Trust Fund	76
OTHER FINANCIAL SCHEDULES	
Schedule of Property Tax Transactions	78
Oregon Department of Education Form 581-3211 - Supplemental Information	79
Revenues by Function – All Governmental Funds	80
Expenditures by Function/Object – General Fund	81
Expenditures by Function/Object – Special Revenue Funds	82
Expenditures by Function/Object – Debt Service Fund	83
Expenditures by Function/Object – Fiduciary Fund	84
<u>STATISTICAL SECTION:</u>	
Net Position	86
Changes in Net Position	87
Fund Balance – Governmental Funds	88
Changes in Fund Balances – Governmental Fund	89
Assessed and Estimated Value of Taxable Property	90
Direct and Overlapping Property Tax Rates	91
Principal Property Taxpayers	92
Property Tax Levies and Collections	93
Ratios of General Bonded Debt Outstanding	94
Outstanding Debt by Type	95
Computation of Direct and Overlapping Debt	96
Legal Debt Margin Information	97
Demographic and Economic Statistics	98
Major Employment Industries	99
Average Student to Teacher Ratio	100
Certificated, Classified, Administrative and Other Employees	101
Operating Statistics	102
Capital Asset Information	103
<u>AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS</u>	
Independent Auditors' Report Required by Oregon State Regulations	107-108
<u>GRANT COMPLIANCE SECTION</u>	
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 <i>Government Auditing Standards</i>	111-112
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	113-114
Schedule of Expenditures of Federal Awards	115-116
Summary Schedule of Findings and Questioned Costs	117-118

INTRODUCTORY SECTION

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McMinnville School District No. 40

1500 NE. Baker St. McMinnville, Oregon 97128 Phone: 503.565.4000 Fax: 503.565.4030

December 15, 2015

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, 2015, 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 and 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 ending June 30, 2015. 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.

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 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 687 full-time equivalent personnel, including management staff, teachers, educational assistants, secretarial, custodial, maintenance, technology, and other support staff.

ENROLLMENT

Student enrollment in the fall of 2014 was 6,620. The District's enrollment over the past five years has been flat, which can be attributed to job losses during the recent recession and a slow recovery, which resulted in less than normal in-migration levels. Over the past ten years, enrollment has grown 13%, an average increase of 1.3% annually.

Grade Level	2004	2009	2014
Elementary (Grades K-5)	2,726	3,031	3,023
Middle School (Grades 6-8)	1,363	1,502	1,583
High School (Grades 9-12)	1,755	2,034	2,031
Total Enrollment	5,844	6,567	6,620

Signs of recovery from the recession have been evident in the increase in residential building permit activity within the City of McMinnville and the City of Lafayette, beginning in 2013. According to a study prepared by the Population Research Center of Portland State University, the District will see continued enrollment growth and is expected to reach an enrollment of 6,938 students by 2024, an average increase of 1% annually.

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 32,705, and Lafayette, population 3,825. 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 production, plastics fabrication, tourism, food production, and agriculture.

As of June 2015, the Yamhill County unemployment rate was 5.2%, as compared to 5.5% for the state of Oregon and 5.3% at the national level. The fastest-growing private-sector industries over the past year included: wholesale trade, construction, financial activities, and leisure and hospitality.

The real market value of property located in the boundaries of the District increased by 4.0% from 2013-14 to 2014-15, while the assessed property values increased by 7.3%. Assessed value as a percentage of real market value was 79.6 % compared to 80.3% in the prior year. 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 2014-15, the total real market value of property within the District boundaries is \$3.66 billion and the assessed value is \$2.91 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 or directly from the Federal 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 the District's General Fund revenues.

Oregon's economy continues to make significant gains since the recent recession and, according to the Oregon Office of Economic Analysis, the revenue outlook is stable. State revenues increased by 13% over the 2013-15 biennium and are expected to increase by 12.2% over the 2015-17 biennium. The State's budget allocation to K-12 education was increased from \$6.65 billion to \$7.4 billion for 2015-17, an 11% increase. For the 2015-16 fiscal year, this increase in funding has allowed the District to add staffing to implement full day kindergarten, decrease class size, and increase student instructional and support services.

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, 2015 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 2015-16 assumes a year end reserve of \$4.8 million or 7.8% 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.

District facilities consist of eleven school buildings and four support services buildings. The average age of these buildings is 46 years, ranging from 7 years old to 101 years old. 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. In 2013, the District convened a Long Range Facilities Task Force led by citizen volunteers to determine a more detailed priority list of potential projects and funding goals from the initial assessment. The Task Force made their recommendations to the Board, in June 2015, after reviewing enrollment forecasts and facility recommendations for vocational technical programs. Based on these recommendations and community surveys, the McMinnville School District Board of Directors will be presenting a measure election to district voters in May 2016 for approval of bonds to finance prioritized projects without raising the current overall bond tax rate.

FINANCIAL INFORMATION

Budgetary Controls

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. A Board-appointed Budget Committee of 14 citizens (including Board members) annually develops and approves the District's budget. 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. The budget is prepared by fund, major function (e.g., instruction, supporting services), and type of expenditure (e.g., salaries, employee benefits). Management may transfer resources within major function category.

A summary of the approved budget, together with a notice of public hearing, is published in a newspaper having general circulation in the district. A public hearing is held to receive comments from the public concerning the approved budget. The Board of Directors adopts the budget, makes appropriations and levies taxes after the public hearing and before the year for which the budget has been prepared. After adoption, the budget may be revised through procedures specified in State law and Board policy.

Accounting Policies

Policies adopted by the Board include guidance on resource planning and allocation, accounting and financial practices, revenue, capital improvements and debt and investment management. The financial policies also provide financial planning guidance regarding reserves. The accrual and modified accrual basis of accounting used by the District are in accordance with U.S. generally accepted accounting principles.

MAJOR INITIATIVES

The District has implemented the following major, grant-funded initiatives:

Investing in Effective Educators Project - In September 2010, the McMinnville School District was awarded a Teachers Incentive Fund grant for \$6.7 million over five years. The grant project included a performance-based compensation system that allowed teachers and building 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 was to increase student achievement and accelerate academic growth by increasing teacher effectiveness.

STEM Professional Learning Communities Partnership Project - In July 2012, 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 9th grade. The project facilitates the natural interconnectedness of biology and algebra through robust and rigorous authentic applications of learning.

21st Century Community Learning Center - In July 2013, the District was awarded a \$1.8 million five-year grant to support expanded 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 - In January 2013, the District was awarded a \$237,000 18 month grant from the Oregon Education Investment Board's Strategic Initiative to implement an 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

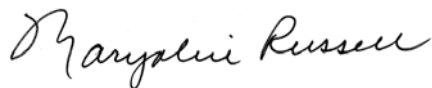
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to McMinnville School District for its *Comprehensive Annual Financial Report (CAFR)* for the year ended June 30, 2014. This was the sixth year the District has received this 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.

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, 2014. This was the sixth 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.

These certificates are valid for a period of one year only. We believe our current *CAFR* continues to meet these standards and will be submitted for review for another certificate. These awards are Representative of the District's continuing efforts to achieve excellence in the performance of public service and financial reporting.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire fiscal services department staff. We appreciate and thank all staff who assisted and contributed to the preparation of this report. Credit must also be given to the School Board and Budget Committee for their continued interest and support in maintaining the highest standards of professionalism in the management of McMinnville School District's finances.

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
School District No. 40, Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

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, 2014*

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



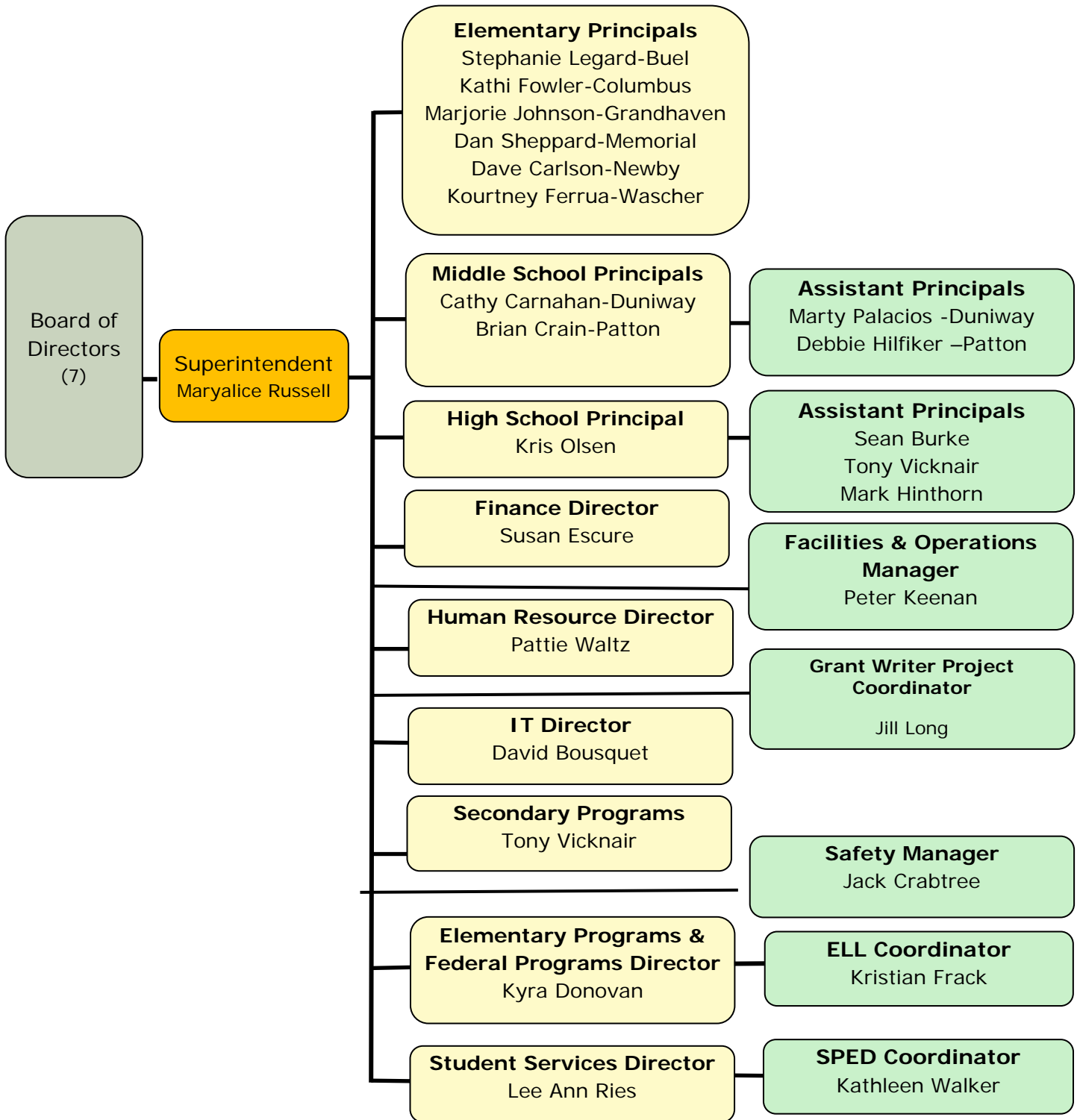
A handwritten signature in black ink, appearing to read 'M. Pepera', written over a horizontal line.

Mark C. Pepera, MBA, RSBO, SFO
President

A handwritten signature in black ink, appearing to read 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director

**McMinnville School District #40
Administrative Organizational Chart
2014-2015**



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, 2015

	<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
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, 2015, 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, 2015, 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 Note 11 to the financial statements, during the year ended June 30, 2015 the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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, the Schedule of Funding Progress for Other Postemployment Benefits and Oregon Public Employee Retirement System information 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 December 15, 2015, 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 December 15, 2015, 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
December 15, 2015

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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, 2015

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, 2015. 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-vi of this report.

NEW ACCOUNTING PRONOUNCEMENT IMPLEMENTED

The District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Financial Reporting for Pensions (GASB 68)*, and *Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68 (GASB 71)*. GASB 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pension liabilities. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute the present value to periods of employee services. GASB 71 established standards for measuring amounts associated with contributions, if any, made by a state or local government employer to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The implementation of GASB 68 and GASB 71 required a net pension asset of \$9.5 million, deferred inflows of resources of \$6.7 million and deferred outflows of resources of \$13.8 million to be recorded. As a result of this implementation, net position as of July 1, 2014 decreased by \$33.8 million. Please refer to the Notes to the Financial Statements for further information.

FINANCIAL HIGHLIGHTS

- Assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended June 30, 2015 by \$27 million (net position).
- In the government-wide statements, the District's net position decreased by \$9.6 million or 26% during the year ended June 30, 2015. The change in net position consisted of a decrease of \$33.8 million resulting from the restatement of beginning balance in accordance with the implementation of GASB 68 and an increase from operations of \$24.2 million.
- The District's governmental funds reported combined ending fund balances of \$13.5 million, an increase of \$2.6 million in comparison to the prior year. Approximately 45% 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 \$6.1 million, an increase of \$1.3 million from the prior year.
- The District's total long-term debt decreased by \$6.7 million during fiscal year 2015.

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:

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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.

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 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.

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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 47 of this report.

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 50 through 53 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 58 through 73 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, 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.

Statement of Net Position

	Governmental Activities		Increase (Decrease)
	June 30, 2015	June 30, 2014 (**)	
Current and other assets	\$ 30,073,419	\$ 17,476,665	\$ 12,596,754
Capital assets	89,269,599	91,559,194	(2,289,595)
Total Assets	<u>119,343,018</u>	<u>109,035,859</u>	<u>10,307,159</u>
Deferred Outflows of Resources	<u>11,209,613</u>	<u>11,258,896</u>	<u>(49,283)</u>
Long-term debt	84,418,855	91,136,200	(6,717,345)
Other liabilities	5,316,659	26,356,035	(21,039,376)
Total Liabilities	<u>89,735,514</u>	<u>117,492,235</u>	<u>(27,756,721)</u>
Deferred Inflows of Resources	<u>13,768,127</u>	<u>-</u>	<u>13,768,127</u>
Net Position			
Net investment in capital assets	40,288,915	36,979,216	3,309,699
Restricted	3,461,939	2,778,236	683,703
Unrestricted	<u>(16,701,864)</u>	<u>(36,954,932)</u>	<u>20,253,068</u>
Total Net Position	<u>\$ 27,048,990</u>	<u>\$ 2,802,520</u>	<u>\$ 24,246,470</u>

** Restated for GASB 68

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McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net position. The largest portion of the District's net position reflects an investment of \$40.3 million in capital assets (land, buildings and equipment), net of any related outstanding debt used to acquire those assets. 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.

The second component of the District's net position is restricted which totals \$3.5 million and represents resources that are subject to external restrictions on how they may be used.

The remaining balance is an unrestricted net position deficit totaling \$16.7 million. This deficit is primarily due to the impact of implementing GASB 68 to record the Districts proportionate share of pension liabilities and other post-employment benefit obligations in excess of offsetting assets.

Cash and other assets. Cash and other assets totaled \$30 million at year end. Cash and investments (\$16.6 million) made up 55% of this total and had increased by \$2.5 million over the prior year. The District recorded its proportionate share of the OPSRP net pension asset with the implementation of GASB 68 in the amount of \$9.5 million (32%).

Capital assets. At year end, the District's investment in capital assets amounted to \$89.3 million (net of accumulated depreciation). This includes land, buildings and improvements and equipment as shown in the following table:

	Capital Assets (Net of Depreciation)		
	Governmental Activities		Increase (Decrease)
	June 30, 2015	June 30, 2014	
Land	\$ 4,052,530	\$ 3,972,911	\$ 79,619
Buildings and Improvements	83,363,786	85,557,328	(2,193,542)
Equipment	1,853,283	2,028,955	(175,672)
Total capital assets, net of accumulated depreciation	<u>\$ 89,269,599</u>	<u>\$ 91,559,194</u>	<u>\$ (2,289,595)</u>

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 purchases during the year included the following:

- Technology network and security equipment (\$111,000)
- Maintenance vehicle and equipment (\$30,000)
- Nutrition Services kitchen equipment (\$40,000)
- Property purchase for school buffer zone (\$165,000)

Additional information on the District's capital assets can be found in Note 3 of this report.

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Deferred inflows and outflows of resources. With the implementation of GASB 68, the District recorded a \$13.7 million deferred inflow of resources for the difference between projected and actual earnings on pension investments.

Liabilities. Accrued liabilities, representing 6% of the District's total liabilities, consists of payables on accounts, salaries and benefits, interest charges, and unearned revenues.

Outstanding long-term liabilities represent 94% of the District's total liabilities. At the end of the current fiscal year, the District had total debt outstanding of \$84.4 million consisting of general obligation, limited tax pension bond debt, unamortized premiums and discounts and net OPEB obligations.

Outstanding Debt

	Governmental Activities		Increase (Decrease)
	June 30, 2015	June 30, 2014	
General obligation bonds	\$ 49,250,000	\$ 54,785,000	\$ (5,535,000)
Pension obligation bonds	26,213,728	26,862,684	(648,956)
Unamortized premium	6,274,419	6,850,405	(575,986)
OPEB obligation	2,680,708	2,638,111	42,597
 Total long-term debt	 \$ 84,418,855	 \$ 91,136,200	 \$ (6,717,345)

Principal payments during the year were \$6.2 million. 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 current debt limitation for the District is \$290.9 million, which is significantly in excess of the District's outstanding general obligation debt of \$49.3 million. 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, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities. During the fiscal year, the District's net position increased by \$24.2 million. The key elements of the change in the District's net position for the year ended June 30, 2015 are as follows:

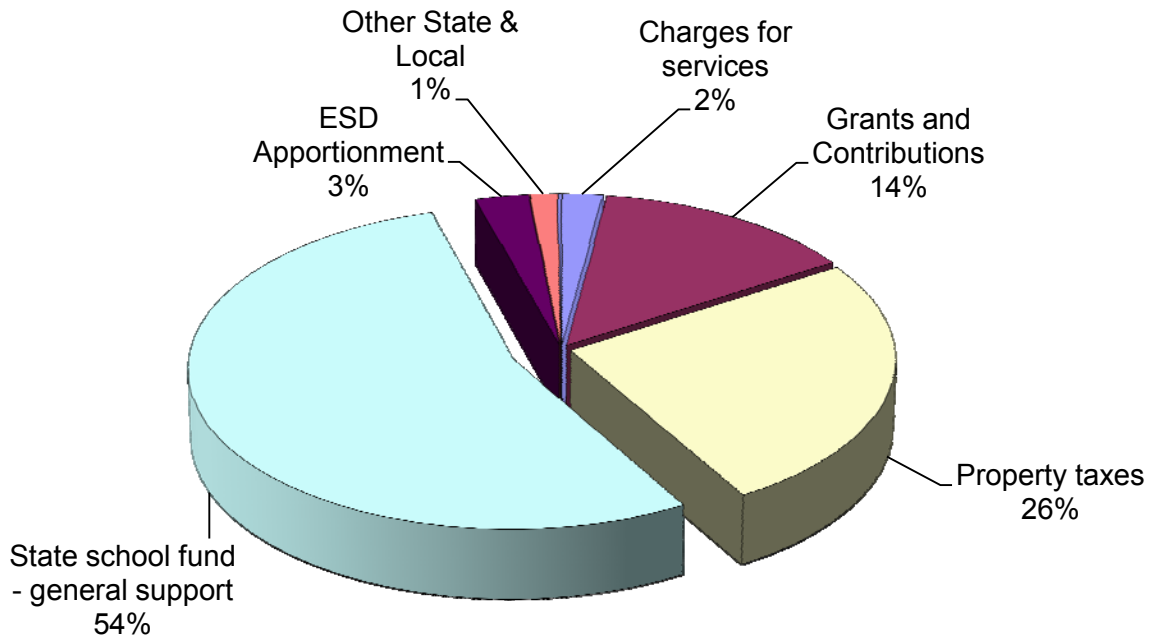
Changes in Net Position			
For the Year Ended			
	Governmental Activities		
	June 30, 2015	June 30, 2014	Increase (Decrease)
Revenues:			
Program Revenues:			
Charges for services	\$ 1,657,309	\$ 1,875,275	\$ (217,966)
Operating grants and contributions	10,840,699	9,745,187	1,095,512
General Revenues:			
Property taxes	19,971,205	18,912,202	1,059,003
State school fund	42,186,575	39,074,365	3,112,210
ESD apportionment	2,189,842	1,934,088	255,754
Other state and local sources	1,119,603	946,812	172,791
Earnings on investments	139,129	128,987	10,142
Total revenues	78,104,362	72,616,916	5,487,446
Expenses:			
Instruction	30,991,109	41,484,570	(10,493,461)
Support services	16,195,532	20,631,872	(4,436,340)
Community services	2,548,372	2,639,518	(91,146)
Facilities services	92,820	20,128	72,692
Interest on long-term debt	4,030,059	4,243,817	(213,758)
Total expenses	53,857,892	69,019,905	(15,162,013)
Change in net position	24,246,470	3,597,011	20,649,459
Net position - July 1, previously reported	36,681,153	33,084,142	3,597,011
Restated per GASB 68 implementation	(33,878,633)	-	(33,878,633)
Net position - July 1, restated	2,802,520	33,084,142	(30,281,622)
Net position - June 30	\$ 27,048,990	\$ 36,681,153	\$ (9,632,163)

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

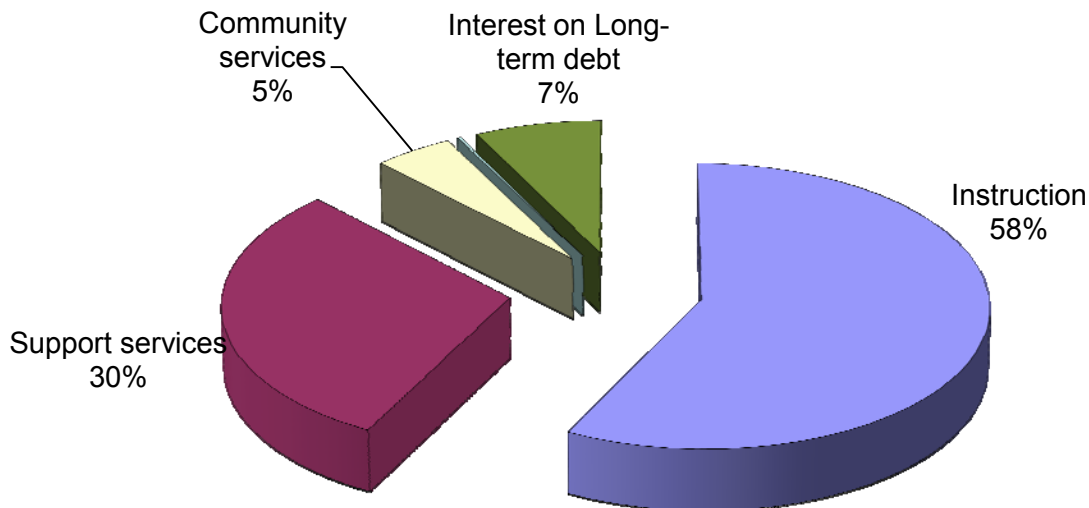
Revenues. Total revenues increased by \$5.5 million (7.6%). Program revenues increased by \$877,000 due to increased federal and state grant revenues. General revenues increased by \$4.6 million as a result of economic recovery providing improved state education funding and increased local property tax revenues.

Revenues by Source - Governmental Activities



Expenses. Total expenses decreased by \$15.2 million (22%). This significant decrease in expenditures is due to the inclusion of the District's proportionate share of the OPSRP pension liability on a full accrual basis. For FY 2014-15, the District recognized a negative pension expense of \$13 million. Compared to the prior year, this was a decrease of \$17.6 million in pension expense alone. All other expenses in total increased by \$2.4 million or 3.6% which reflects increases in wages and benefits and increases to staffing and programs due to economic recovery and improvement in state and local revenues.

Expenses by Function - Governmental Activities



McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, the District's governmental funds reported combined ending fund balances of \$13.5 million, an increase of \$2.6 million. 45% of this amount (\$6.1 million) is *unassigned fund balance*, which is available for spending at the government's discretion. 26% of this amount is *restricted* for particular purposes (\$3.5 million) and 29% is *committed* by the District for specific purposes (\$3.9 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, 2015, the total general fund balance was \$9.4 million, \$1.9 million more than the prior year. The unassigned fund balance is \$6.1 million which represents 10% of total General Fund revenues. Due to improvements in the state economy, state and local revenues have increased. The committed fund balances include \$2.3 million for asset reserve, \$250,000 for textbook/technology replacement reserve and \$771,000 for insurance reserve. Committed funds were increased by \$539,000 for future building improvements, major repairs, replacement equipment and textbook and technology purchases as part of the District's plan to systematically save for these purposes.

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 \$255,000. 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 \$750,000. 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 52 of this report.

Final budget compared to actual results. Estimated revenues were \$59.1 million and actual revenues were \$59 million with a difference of \$145,000. There were no significant differences between estimated and actual revenues. The state's economy improved significantly and resulted in increased state funding to school for the 2013-15 biennium. Revenues for FY 2015 were 7% higher than the previous year.

Appropriated expenditures were lower than the final budget by \$5.7 million. Budgeted appropriations included \$4 million of contingencies (planned reserves) which remained unspent. Instruction services expenditures were \$912,000 less than budget and support services expenditures were \$822,000 less than budget. Lower instruction expenditures resulted from staff savings with a significant number of vacancies. Actual support services expenditures were lower than appropriations primarily for utilities and contract services.

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant economic factor for the District is the State School Fund. Oregon has continued to see slow and steady recovery in the economy, as reflected in increased state revenues. For the 2015-17 biennium, the State legislature appropriated \$7.4 billion to K-12 education compared to \$6.65 billion in the prior biennium. Local property tax revenues, which are also included in the state funding formula, are expected to increase by over 5 %. Additionally, the State funding allocation to each District is based on average daily student membership and McMinnville School District's enrollment. Although enrollment did not increase significantly for the 2014-15 school year, the District experienced a 2% increase the fall of 2015.

General fund revenues are projected to increase for 2015-16 by approximately 4%. The budget plan for next fiscal year includes adding full day kindergarten, reducing class size and adding instructional and student support services positions and supplies. Appropriated expenditures in the general fund are \$67.7 million, \$4.3 million more than the 2014-15 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 2015-16 includes planned reserves of \$4.8 million or 7.8% 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.

BASIC FINANCIAL STATEMENTS

McMINNVILLE SCHOOL DISTRICT NO. 40
 STATEMENT OF NET POSITION
 June 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 16,620,671
Accounts receivables	
Grants	1,245,624
Undistributed tax collections	343,059
Property taxes	1,981,627
Accounts	363,502
Restricted cash and investments	5,280
Capital assets, net	89,269,599
Net pension asset - proportionate share	<u>9,513,656</u>
Total Assets	<u>119,343,018</u>
Deferred Outflows of Resources	
Pension plan	4,514,990
Deferred charge on refunding	<u>6,694,623</u>
Total Deferred Outflows of Resources	<u>11,209,613</u>
Liabilities	
Accounts payable	167,767
Accrued payroll and payroll liabilities	4,434,664
Accrued interest payable	89,959
Unearned revenue	624,269
Long-term debt	
Due within one year	6,811,361
Due in more than one year	
Bonds Payable	74,926,786
Other postemployment benefits payable	<u>2,680,708</u>
Total Liabilities	<u>89,735,514</u>
Deferred Inflows of Resources	
Pension Plan	<u>13,768,127</u>
Total Deferred Inflows of Resources	<u>13,768,127</u>
Net Position	
Net investment in capital assets	40,288,915
Restricted for:	
Debt service	749,900
Capital projects	1,410,855
Associated student body	510,837
Nutrition services	535,112
Other purposes	255,235
Unrestricted	<u>(16,701,864)</u>
Total Net Position	<u><u>\$ 27,048,990</u></u>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instructional services	\$ 30,991,109	\$ 1,440,986	\$ 3,600,583	\$ (25,949,540)
Supporting services				
Student transportation	2,045,590	-	1,498,000	(547,590)
Other support services	14,149,942	120,027	2,802,809	(11,227,106)
Community services	2,548,372	96,296	2,939,307	487,231
Facilities services	92,820	-	-	(92,820)
Interest on long-term debt	4,030,059	-	-	(4,030,059)
Total Governmental Activities	\$ 53,857,892	\$ 1,657,309	\$ 10,840,699	(41,359,884)
General Revenues				
				11,795,053
Property taxes levied for general purposes				8,176,152
Property taxes levied for debt service				439,937
Construction excise tax				42,186,575
State school fund - general support				653,513
Common school fund				26,153
County common school fund				2,189,842
ESD apportionment				139,129
Earnings on investments				
Total general revenues				65,606,354
Change in Net Position				24,246,470
Net Position				
Beginning of year, restated see note 11				2,802,520
End of year				\$ 27,048,990

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Grants Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
ASSETS					
Cash and Investments	\$ 13,199,570	\$ -	\$ 562,276	\$ 2,858,825	\$ 16,620,671
Receivables					
Grants	-	1,080,988	-	164,636	1,245,624
Undistributed Tax Collections	203,305	-	139,754	-	343,059
Property Taxes	1,184,972	-	796,655	-	1,981,627
Accounts	363,502	-	-	-	363,502
Due from Other Funds	250,000	-	-	-	250,000
Restricted Cash and Investments	-	-	-	5,280	5,280
Total Assets	\$ 15,201,349	\$ 1,080,988	\$ 1,498,685	\$ 3,028,741	\$ 20,809,763
LIABILITIES					
Accounts Payable	\$ 150,894	\$ 14,976	\$ -	\$ 1,897	\$ 167,767
Accrued Payroll and Payroll Liabilities	4,434,664	-	-	-	4,434,664
Due to Other Funds	63,492	186,508	-	-	250,000
Unearned Revenue	-	624,269	-	-	624,269
Total Liabilities	4,649,050	825,753	-	1,897	5,476,700
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	1,115,327	-	748,785	-	1,864,112
Total Deferred Inflows of Resources	1,115,327	-	748,785	-	1,864,112
FUND BALANCES					
Restricted for					
Grant Activities	-	255,235	-	-	255,235
Debt Service	-	-	749,900	-	749,900
Capital Improvements	-	-	-	1,410,855	1,410,855
Associated Student Body	-	-	-	510,837	510,837
Nutrition Services	-	-	-	535,112	535,112
Committed to					
Asset Reserve	2,310,406	-	-	-	2,310,406
Textbook and Technology Replacement	250,000	-	-	-	250,000
Insurance Reserve	771,402	-	-	-	771,402
PERS Bond Debt Service	-	-	-	570,040	570,040
Unassigned	6,105,164	-	-	-	6,105,164
Total Fund Balances	9,436,972	255,235	749,900	3,026,844	13,468,951
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 15,201,349	\$ 1,080,988	\$ 1,498,685	\$ 3,028,741	\$ 20,809,763

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, 2015

Total fund balances - governmental funds \$ 13,468,951

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

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

Cost	\$ 126,132,019	
Accumulated depreciation	<u>(36,862,420)</u>	89,269,599

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.		1,864,112
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The net pension asset is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds.		9,513,656
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred outflows of resources related to pensions	4,514,990	
Deferred inflows or resources related to pensions	<u>(13,768,127)</u>	(9,253,137)

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	(89,959)	
Bonds Payable	(75,463,728)	
Bond Premium	(6,274,419)	
Deferred charges on refunding	6,694,623	
Net OPEB obligations	<u>(2,680,708)</u>	<u>(77,814,191)</u>

Total Net Position		<u><u>\$ 27,048,990</u></u>
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McMINNVILLE SCHOOL DISTRICT NO. 40
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 Year Ended June 30, 2015

	General	Grants Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Revenues					
Property Taxes	\$ 11,730,318	\$ -	\$ 8,123,514	\$ -	\$ 19,853,832
Construction Excise Tax	-	-	-	439,937	439,937
Intermediate Sources	2,215,995	157,725	-	-	2,373,720
State Sources	44,338,088	850,489	-	71,167	45,259,744
Federal Sources	21,650	5,307,750	-	2,802,634	8,132,034
Charges for Services	416,176	57,587	-	1,149,786	1,623,549
Rentals	51,394	-	-	-	51,394
Investment Earnings	101,450	-	21,772	15,907	139,129
Contributions and Donations	-	124,111	-	-	124,111
Fees Charged to Grants	154,738	-	-	-	154,738
Services to Other Funds	-	-	-	2,303,813	2,303,813
Miscellaneous	102,850	82,625	-	2,058	187,533
Total Revenues	59,132,659	6,580,287	8,145,286	6,785,302	80,643,534
Expenditures					
Current					
Instruction	38,203,087	3,557,556	-	1,035,611	42,796,254
Support Services	18,546,166	3,045,349	-	-	21,591,515
Enterprise and Community Services	-	81,942	-	2,886,034	2,967,976
Facilities Acquisition and Construction	88,195	-	-	4,625	92,820
Debt Service					
Principal	-	-	5,535,000	648,956	6,183,956
Interest	-	-	2,428,681	1,660,076	4,088,757
Capital Outlay					
Instruction	50,945	-	-	-	50,945
Support Services	90,213	-	-	-	90,213
Enterprise and Community Services	-	-	-	40,169	40,169
Facilities Acquisition and Construction	165,542	-	-	-	165,542
Total Expenditures	57,144,148	6,684,847	7,963,681	6,275,471	78,068,147
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	1,988,511	(104,560)	181,605	509,831	2,575,387
Operating Transfers In	-	100,000	-	-	100,000
Operating Transfers (Out)	(100,000)	-	-	-	(100,000)
Total Other Sources (Uses)	(100,000)	100,000	-	-	-
Net Change in Fund Balance	1,888,511	(4,560)	181,605	509,831	2,575,387
Fund Balances					
Beginning of Year	7,548,461	259,795	568,295	2,517,013	10,893,564
End of year	<u>\$ 9,436,972</u>	<u>\$ 255,235</u>	<u>\$ 749,900</u>	<u>\$ 3,026,844</u>	<u>\$ 13,468,951</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, 2015

Net Change in Fund Balances - total governmental funds \$ 2,575,387

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

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	\$ 346,869	
Less current year depreciation	<u>(2,636,464)</u>	(2,289,595)

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		6,183,956
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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

(Increases) decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

	17,643,248
--	------------

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.

	11,236
--	--------

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.

	117,373
--	---------

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:

	<u>(42,597)</u>
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Change in Net Position

	<u>\$ 24,246,470</u>
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McMINNVILLE SCHOOL DISTRICT NO. 40
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 June 30, 2015

	Private Purpose Trust Fund
Assets	
Cash and investments	<u>\$ 115,653</u>
Total Assets	<u> 115,653</u>
Net Position	
Held in trust for:	
Scholarships	<u> 115,653</u>
Total Net Position	<u><u> \$ 115,653</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, 2015

	Private Purpose Trust Fund
Additions:	
Investment earnings	\$ 464
Contributions	7,345
Total Additions	<u>7,809</u>
Deductions:	
Scholarships	<u>5,000</u>
Total Deductions	<u>5,000</u>
Change in Net Position	2,809
Net Position	
Beginning of year	<u>112,844</u>
Total Net Position	<u><u>\$ 115,653</u></u>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2015

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.

Pensions

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

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

1. Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will 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 has three items that qualifies for reporting in this category. First 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. The second item is related to pensions reported in the district-wide statement of net position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension system not included in pension expense. This amount is deferred and amortized over 5.6 years. The last item is the District contributions to the pension system subsequent to the measurement date.

In addition to liabilities, the district-wide statement of net position will 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 District has two items that qualify for reporting in this category. The first arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is related to pensions reported in the district-wide statement of net position. This represents the effect of the District's proportionate share of the net difference between projected and actual earnings on investments. This amount is deferred and amortized a closed five year period.

Retirement Plans

Substantially all of the District's employees are participants in the Oregon Public Employees Retirement System (OPERS). Contributions to OPERS 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. The amount of vacation pay was deemed immaterial and therefore not recorded.

1. Summary of Significant Accounting Policies (Continued)

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.

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.

1. Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

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, 2015.

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.

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 “net invested in capital assets” 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.

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2015

2. Cash and Investments (Continued)

Cash and investments on June 30, 2015 consist of the following:

Petty Cash	\$ 1,054
Cash with fiscal agent	5,280
Deposits with banks	433,873
Investments	<u>16,301,397</u>
	<u>\$ 16,741,604</u>

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

Statement of Net Position	
Cash and Investments	\$ 16,620,671
Restricted Cash and Investments	5,280
Statement of Net Position - Fiduciary Funds	
Cash and Investments - Private Purpose Trust	<u>115,653</u>
	<u>\$ 16,741,604</u>

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 \$433,872 on June 30, 2015. The bank statement records reflect a balance of \$1,879,326 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.

2. Cash and Investments (Continued)

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>
Oregon State Treasury Local Government Investment Pool	<u>six months average</u>	<u>\$ 16,301,397</u>
		<u>\$ 16,301,397</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.

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, 2015 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).

As of June 30, 2015 and for the year then ended, the District was in compliance with the State of Oregon statutes regarding investments as discussed under Note 1.

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2015

3. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 3,972,911	\$ 79,619	\$ -	\$ 4,052,530
Total Capital Assets not being depreciated	<u>3,972,911</u>	<u>79,619</u>	<u>-</u>	<u>4,052,530</u>
Capital assets being depreciated:				
Buildings and improvements	117,381,392	85,923	-	117,467,315
Equipment	<u>4,523,702</u>	<u>181,327</u>	<u>92,855</u>	<u>4,612,174</u>
Total capital assets being depreciated	121,905,094	267,250	92,855	122,079,489
Less accumulated depreciation for:				
Buildings and improvements	(31,824,064)	(2,279,465)	-	(34,103,529)
Equipment	<u>(2,494,747)</u>	<u>(356,999)</u>	<u>(92,855)</u>	<u>(2,758,891)</u>
Total accumulated depreciation	<u>(34,318,811)</u>	<u>(2,636,464)</u>	<u>(92,855)</u>	<u>(36,862,420)</u>
Total capital assets being depreciated, net	<u>87,586,283</u>	<u>(2,369,214)</u>	<u>-</u>	<u>85,217,069</u>
Total capital assets, net	<u>\$ 91,559,194</u>	<u>\$ (2,289,595)</u>	<u>\$ -</u>	<u>\$ 89,269,599</u>

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

Program	
Instructional programs	\$ 2,408,295
Supporting services	128,401
Community services	<u>99,768</u>
Total depreciation expense	<u>\$ 2,636,464</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.

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2015

4. Long-Term Debt (Continued)

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, 2015 is as follows:

Issue Date	Issue Amount	Outstanding July 1, 2014	Additions	Reductions	Outstanding June 30, 2015	Due Within One Year	Interest Rates
General Obligation Bonds:							
09/01/01	\$ 16,835,000	\$ 4,345,000	\$ -	\$ 2,110,000	\$ 2,235,000	\$ 2,235,000	5.00 - 5.50%
06/26/07	62,000,000	8,965,000	-	3,310,000	5,655,000	3,730,000	4.50 - 5.25%
02/27/13	42,075,000	41,475,000	-	115,000	41,360,000	115,000	2.0% - 5.0%
		54,785,000	-	5,535,000	49,250,000	6,080,000	
Limited Tax Pension Obligation Bonds:							
10/31/02	16,044,243	12,842,684	-	313,956	12,528,728	321,361	4.82 - 5.55 %
02/19/04	13,715,000	12,900,000	-	335,000	12,565,000	410,000	4.40 - 5.53%
08/11/11	1,120,000	1,120,000	-	-	1,120,000	-	4.12%
		26,862,684	-	648,956	26,213,728	731,361	
Total G.O. and Pension Bonds		81,647,684	-	6,183,956	75,463,728	6,811,361	
Unamortized premium		6,850,405	-	575,986	6,274,419		
Net OPEB Obligation		2,638,111	41,967	-	2,680,078		
Total long-term debt		\$ 91,136,200	\$ 41,967	\$ 6,759,942	\$ 84,418,225		

Future maturities are as follows:

Fiscal Year	Principal	Interest
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
2019-2020	3,835,721	3,480,175
2020-2025	30,900,000	10,613,879
2025-2028	24,425,000	2,337,941
Total	\$ 75,463,728	\$ 31,011,412

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.

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2015

4. Long-Term Debt (Continued)

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, 2015, \$41,185,000 of general obligation bonds outstanding is considered defeased.

5. Interfund Receivables & Payables

The composition of interfund balances as of June 30, 2015 is as follows:

	Due From Other Funds	Due to Other Funds
	<u> </u>	<u> </u>
Major Government Funds		
General Fund	\$ -	\$ 186,508
Grants Fund	186,508	-
	<u>\$ 186,508</u>	<u>\$ 186,508</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, 2015, there is a \$186,508 interfund balance in the Grants Fund which represents deferred grant revenues.

6. Pension Plan

Plan Description

The District participates in the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit plan. OPERS provides retirement, disability, and death benefits to plan members and their beneficiaries.

All benefits of OPERS are established by the Oregon Legislature pursuant to Oregon Revised Statutes (ORS) Chapters 238 and 238A. The plan complies with Internal Revenue Service rules prescribed in 401(a). The Oregon Legislature has delegated the authority to the Public Employees Retirement Board (PERB) to administer and manage the system. OPERS issues a publicly available financial report that can be obtained at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx. OPERS prepares their financial statements in accordance with GASB statements and generally accepted accounting principles. The accrual basis of accounting is used for all funds. Contributions are recognized when due, pursuant to legal (or statutory) requirements. Benefits are recognized in the month they are earned and withdrawals are recognized in the month they are due and payable. Investments are recognized at fair value, the amount at which financial instruments could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale.

6. Pension Plan (Continued)

There are currently two programs within OPERS, with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are OPERS Program members, and benefits are provided based on whether a member qualifies for Tier One or Tier Two described below. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPERS is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and 2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

The 1995 Legislature created a second tier of benefits for those who became OPERS Program members after 1995 but before August 29, 2003. The second tier does not have the Tier One assumed earnings rate guarantee.

Beginning January 1, 2004, all employees who were active members of OPERS became members of the OPSRP IAP Program. OPERS plan member contributions (the employee contribution, whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. OPERS plan members retain their existing OPERS accounts; however, member contributions after January 1, 2004 are deposited in the member's IAP, not into the member's OPERS account.

a. Tier One/Tier Two Retirement Benefit Plan (Chapter 238).

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from thirteen retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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

The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,

6. Pension Plan (Continued)

- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

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

Benefit Changes after Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

b. OPSRP Pension Program (Chapter 238A)

Pension Benefits.

The OPSRP Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. For general service employees benefits are calculated with the following formula: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

Death Benefits

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

6. Pension Plan (Continued)

Disability Benefits

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

Benefit Changes after Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Contributions

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

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. The District made lump sum payments to establish side accounts in 2002 and 2004, which reduces the District rates below the standard School District Pool rates. The District's contractually required contribution rate for the year ended June 30, 2015 was 15% of eligible payroll for Tier 1/Tier 2 members and 13% of eligible payroll for OPSRP members. Employer contributions for the year ended June 30, 2015 were \$4,635,189, excluding amounts to fund employer specific liabilities. \$2,284,422 was charged for the year ended June 30, 2015 as PERS benefit expenditures to be used for bond payments as they become due. In addition, \$1,479,260 in employee contributions were paid by the district for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a net pension asset of \$9,513,656 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012. The District's proportion of the net pension liability was based on the District's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers, actuarially determined. At June 30, 2014 the District's proportion was .42%.

For the year ended June 30, 2015, the District recognized a negative pension expense of \$13 million. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2015

6. Pension Plan (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 13,768,127
Changes in proportion and differences between employer contributions and proportionate share of contributions	152,138	-
District contributions subsequent to the measurement date	<u>4,362,852</u>	<u>-</u>
Total	<u>\$ 4,514,990</u>	<u>\$ 13,768,127</u>

\$4,362,852 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported by the District as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in subsequent years as follows:

	<u>Pension Expense</u>
June 30, 2016	\$ (4,547,115)
June 30, 2017	(4,547,116)
June 30, 2018	(4,547,116)
June 30, 2019	25,358

Actuarial Methods and Assumptions:

Actuarial Valuations

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method.

For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

6. Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation Date	December 31, 2012 rolled forward to June 30, 2014.
Experience Study Report	2012, published September 18, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increases	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2015

6. Pension Plan (Continued)

Depletion Date Projection

GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AAA or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses.

Assumed Asset Allocation

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0	3.0	0.0
Debt Securities	15.0	25.0	20.0
Public Equity	32.5	42.5	37.5
Private Equity	16.0	24.0	20.0
Real Estate	9.5	15.5	12.5
Alternative Equity	0.0	10.0	10.0
Opportunity Portfolio	0.0	3.0	0.0
Total			100.0

6. Pension Plan (Continued)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the oic long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	7.71	6.07
Assumed inflation - Mean		2.75

6. Pension Plan (Continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage point higher (8.75% percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability (asset)	\$ 20,146,558	\$ (9,513,656)	\$ (34,599,314)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report. The effect of OPERS on the District's net position has been determined on the same basis used by OPERS.

Changes in Plan Provisions Effecting the Roll Forward

Senate Bill 822, signed into law in May 2013, eliminated the SB 656/HB 3349 tax remedy payments for benefit recipients who are not subject to Oregon income tax ,because they do not reside in Oregon, and limited the 2013 post-retirement COLA to 1.5% of annual benefit.

Senate Bill 861, signed into law in October 2013, limited the post-retirement COLA for years beyond 2013 to 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

Senate Bill 862, signed into law in October 2013, makes targeted changes such as allowing garnishment of PERS benefits for convicted felons. These changes do not significantly affect System liabilities and were not reflected in the valuation.

For GASB 67 and 68, the total pension liability must be calculated based on the benefit terms legally in effect as of the relevant fiscal year-end for the plan. Due to the timing of the benefit changes, this means only Senate Bill 822 is reflected in the June 30, 2013 total pension liability, but that the combined effects of Senate Bills 822 and 861 are reflected in the June 30, 2014 total pension liability. The decrease in the total pension liability resulting from Senate Bill 861, measured as of June 30, 2014, created a \$2,423.6 million reduction in System pension liabilities.

Changes Subsequent to Measurement Date

In April 2015, the Oregon Supreme Court decision in *Moro v. State of Oregon* stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result of this decision, the total pension liability is estimated to increase by \$4,920 million. The District's proportionate share (.42%) of this increase is \$20.6 million. If this change had occurred prior to the measurement date, the District's statement of net position would reflect a net pension liability of \$11 million versus a pension asset of \$9.5 million.

7. 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:

	2015	2014	2013
Annual required contribution	\$ 691,963	\$ 980,680	\$ 947,518
Interest on net OPEB obligation	105,525	99,448	101,272
Adjustment to annual required contribution	<u>(258,802)</u>	<u>(302,701)</u>	<u>(347,754)</u>
Annual OPEB cost (expense)	538,686	777,427	701,036
Contributions made	<u>496,089</u>	<u>625,514</u>	<u>746,625</u>
Increase in net OPEB obligation	42,597	151,913	(45,589)
Net OPEB obligation -- beginning of year	<u>2,638,111</u>	<u>2,486,198</u>	<u>2,531,787</u>
Net OPEB obligation -- end of year	<u>\$ 2,680,708</u>	<u>\$ 2,638,111</u>	<u>\$ 2,486,198</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2015

8. 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	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	701,036	746,625	107%	2,486,198
June 30, 2014	777,427	625,514	80%	2,638,111
June 30, 2015	538,686	496,089	92%	2,680,708

Funded Status of and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date, for the periods ended June 30, 2015 and June 30, 2016; the District's actuarial accrued liability (AAL) for benefits was \$5,792,399, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,792,399. The covered payroll (annual payroll of active employees covered by the plan) was \$33,538,329 and the ratio of the UAAL to the covered payroll was 17 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 2014 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 7% for the current year, grading down to an annual rate of 5.6% 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, 2015, 235 employees were participating in the plan.

8. Other Post Employment Benefits (Continued)

OPERS Retirement Health Insurance Account Plan Description

The District contributes to the OPERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information.

The report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, telephone (503)598-7377, or by URL: http://Oregon.gov/PERS/section/financial_reports/financials.shtml

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

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.59 percent of annual covered payroll for Tier One and Two employees, and 0.49 percent for OPSRP employees. The Oregon PERS Board of Trustees sets the employer contribution rate. It is based on the annual required contribution of the combined participant employers. This is an amount actuarially determined 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) of the plan over a closed period not to exceed 30 years. The District's contributions to RHIA equaled the required contributions each year and were:

<u>Fiscal Year Ended</u>	<u>RHIA Contributions</u>
June 30, 2013	169,407
June 30, 2014	173,582
June 30, 2015	180,028

9. 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.

10. 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.

11. Adoption of GASB Statement No. 68 and 71

During the year, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows or resources, deferred inflows of resources and expenses/expenditures. GASB 71 addresses an issue regarding application of the transition provisions of GASB Statement 68.

The implementation of GASB Statements 68 and 71 resulted in the restatement of the beginning net position of the governmental activities in the government-wide financial statements as follows:

Net position at June 30, 2014	\$ 36,681,153
Change in reporting for net pension asset	(16,495,904)
Net pension liability at measurement date	(21,418,478)
Employer contributions for fiscal year 2014	3,841,351
Deferred outflows - District's contributions made during fiscal year 2014	<u>194,398</u>
Net position at June 30, 2014, restated	<u><u>\$ 2,802,520</u></u>

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REQUIRED
SUPPLEMENTARY INFORMATION

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF FUNDING PROGRESS FOR
 OTHER POST EMPLOYMENT BENEFITS
 June 30, 2015

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%
7/1/2014	\$ -	\$ 5,792,399	5,792,399	0%	\$ 33,538,329	17.27%

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
June 30, 2015	538,686	496,086	92%	2,680,708

McMINNVILLE SCHOOL DISTRICT NO. 40
 REQUIRED SUPPLEMENTARY INFORMATION
 OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
 June 30, 2015

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

<u>Fiscal Year Ended</u>	<u>(a) District's Proportion of the net pension Liability (NPL)</u>	<u>(b) District's Proportionate Share of the Net Pension Liability (NPL)</u>	<u>(c) District's Covered Payroll</u>	<u>(b/c) NPL as a Percentage of covered Payroll</u>	<u>Plan Fiduciary net position as a percentage of the total pension liability</u>
June 30, 2014	0.4179%	\$ 21,418,478	31,518,849	67.95%	91.97%
June 30, 2015	0.4179%	(9,513,317)	32,826,426	(28.98%)	103.60%

The amounts presented each fiscal year were actuarial determined at 12/31/12 and rolled forward to the measurement date.

SCHEDULE OF DISTRICT CONTRIBUTIONS

<u>Fiscal Year Ended</u>	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required Contribution</u>	<u>Contribuiton deficiency (excess)</u>	<u>District's Covered payroll</u>	<u>Contributions as a percent of covered payroll</u>
June 30, 2014	\$ 3,874,843	\$ 3,874,843	\$ -	31,518,849	12.29%
June 30, 2015	4,362,852	4,362,852	-	32,826,426	13.29%

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, 2015

	Budget		Actual	Variance with Final budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Property Taxes	\$ 11,630,000	\$ 11,630,000	\$ 11,730,318	\$ 100,318
Tuition	245,000	245,000	183,078	(61,922)
Investment Earnings	90,000	90,000	86,549	(3,451)
Extracurricular Activities	128,000	128,000	143,325	15,325
Community Service Activities	85,000	85,000	89,772	4,772
Rentals	15,000	15,000	14,333	(667)
Fees Charged to Grants	160,000	160,000	154,738	(5,262)
Miscellaneous Local Sources	45,000	45,000	34,217	(10,783)
Total Local Revenues	12,398,000	12,398,000	12,436,330	38,330
Revenues from Intermediate Sources				
ESD Apportionment	2,090,000	2,090,000	2,189,842	99,842
County School Fund	25,000	25,000	26,153	1,153
Total Intermediate Sources	2,115,000	2,115,000	2,215,995	100,995
Revenues from State Sources				
State School Fund Support	44,057,974	44,057,974	43,684,575	(373,399)
Common School Fund	566,223	566,223	653,513	87,290
Total State Revenues	44,624,197	44,624,197	44,338,088	(286,109)
Revenues from Federal Sources				
Child Care and Development Fund	20,000	20,000	18,447	(1,553)
Child Care Food Program	-	-	3,203	3,203
Total Federal Revenues	20,000	20,000	21,650	1,650
Total Revenues	59,157,197	59,157,197	59,012,063	(145,134)
Expenditures				
Instruction *	39,165,588	39,165,588	38,253,142	912,446
Support Services *	19,381,609	19,381,609	18,559,600	822,009
Facilities Acquisition and Construction *	10,000	10,000	-	10,000
Contingencies *	4,000,000	4,000,000	-	4,000,000
Total Expenditures	62,557,197	62,557,197	56,812,742	5,744,455
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,400,000)	(3,400,000)	2,199,321	5,599,321
Other Financing Sources (Uses):				
Transfers out *	(850,000)	(850,000)	(850,000)	-
Total Other Financing Sources (Uses)	(850,000)	(850,000)	(850,000)	-
Net Change in Fund Balance	(4,250,000)	(4,250,000)	1,349,321	5,599,321
Fund Balance				
Beginning of Year	4,250,000	4,250,000	4,755,843	505,843
End of Year	\$ -	\$ -	6,105,164	\$ 6,105,164
* Legally adopted appropriation level				
Reconciliation to Governmental Ending Fund Balance:				
Asset Reserve Fund			2,310,406	
Textbook and Technology Replacement Fund			250,000	
Insurance Reserve Fund			771,402	
Total Governmental Funds			\$ 9,436,972	

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, 2015

	Budget		Actual	Variance with Final budget
	Adopted	Final		
Revenues				
Local Sources	\$ 235,484	\$ 235,484	\$ 264,323	\$ 28,839
Intermediate Sources	141,600	141,600	157,725	16,125
State Sources	1,546,500	1,546,500	850,489	(696,011)
Federal Sources	6,527,700	6,527,700	5,307,750	(1,219,950)
Total Revenues	8,451,284	8,451,284	6,580,287	(1,870,997)
Expenditures				
Instruction *	4,620,468	4,620,468	3,557,556	1,062,912
Support Services *	3,635,802	3,635,802	3,045,349	590,453
Community Services *	291,014	291,014	81,942	209,072
Facilities Acquisition and Construction *	107,000	107,000	-	107,000
Total Expenditures	8,654,284	8,654,284	6,684,847	1,969,437
Excess (Deficiency) of Revenues Over (Under) Expenditures	(203,000)	(203,000)	(104,560)	98,440
Other Financing Sources (Uses): Transfers in	100,000	100,000	100,000	-
Total Other Financing Sources (Uses)	100,000	100,000	100,000	-
Net Change in Fund Balance	(103,000)	(103,000)	(4,560)	98,440
Fund Balances				
Beginning of Year	103,000	103,000	259,795	156,795
End of Year	\$ -	\$ -	\$ 255,235	\$ 255,235

* 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. Employee Retirement Pension Benefits.

Changes in Plan Provisions Subsequent to Measurement Date

On April 30, 2015, the Oregon Supreme Court ruled that the provisions of Senate Bill 861, signed into law in October 2013, which limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before Senate Bill 861 passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a two percent increase annually. OPERS will make restoration payments to eligible recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and not included in the net pension liability (asset) proportionate shares provided to employers in June 2015.

It is estimated that this change will increase net pension liability by \$20.6 Million.

Changes in Assumptions

A summary of key changes implemented since the December 31, 2011 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published on September 18, 2013, and can be found at: <http://www.oregon.gov/pers/docs/2012ExptudyUpdated.pdf>.

Changes in Actuarial Methods and Allocation Procedures.

Actuarial Cost Method - The Actuarial Cost Method was changed from the Projected Unit Credit (PUC) Cost Method to the Entry Age Normal (EAN) Cost Method. This change will allow OPERS to use the same cost method for contribution rate calculations as required for financial reporting under GASB Statements No. 67 and 68.

Tier 1/Tier 2 Unfunded Actuarial Liability (UAL) amortization - In combination with the change in cost method, the OPERS Board chose to re-amortize the outstanding Tier 1/Tier 2 UAL as of December 31, 2013 over a closed period of 20 years as a level percentage of projected payroll. Gains and losses between subsequent rate-setting valuations will be amortized over a closed 20-year period from the valuation in which they are first recognized.

Contribution Rate Stabilization Method - The "grade-in range" over which the rate collar gradually doubles was modified so that the collar doubles as funded status (excluding side accounts) decreases from 70 to 60 percent or increases from 130 to 140 percent. Previously the ranges had been 80 to 70 percent and 120 to 130 percent. The modification to the grade-in range was made in combination with the change to actuarial cost method, as discussed at the July 2013 OPERS Board public meeting.

2. Employee Retirement Pension Benefits.

Allocation of Liability for Service Segments - For purposes of allocating Tier 1/Tier 2 members' actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the Full Formula methodology used by OPERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier 1/Tier 2 population. For the December 31, 2010 and December 31, 2011 valuations, the Money Match was weighted 40 percent for General Service members and 10 percent for Police and Fire members. For the December 31, 2012 and December 31, 2013 valuations, this weighting has been adjusted to 30 percent for General Service members and 5 percent for Police and Fire members, based on a projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

Changes in Economic Assumptions

Investment Return and Interest Crediting - The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.75 percent. Previously, the assumed investment return and interest crediting to regular account balances was 8 percent and the assumed interest crediting to variable account balances was 8.25 percent.

OPSRP Administrative Expenses - Assumed administrative expenses for the OPSRP System were reduced from \$6.6 million per year to \$5.5 million per year.

Healthcare Cost Inflation - The healthcare cost inflation for the maximum Retiree Health Insurance Premium Account (RHIPA) subsidy was updated based on analysis performed by Milliman's healthcare actuaries. This analysis includes the consideration of the excise tax that will be introduced in 2018 by the Patient Protection and Affordable Care Act.

Changes in Demographic Assumptions

Healthy Mortality - The healthy mortality assumption is based on the RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match recently observed system experience.

Disabled Mortality - The disabled mortality assumption base was changed from the RP2000 healthy tables to the RP2000 disabled tables. Gender-specific adjustments were applied to align the assumption with recently observed system experience. RP2000 are mortality tables developed by the Society of Actuaries for the Secretary of Treasury.

Disability, Retirement from Active Status, and Termination - Rates for disability, retirement from active status, and termination were adjusted. Termination rates were changed from being indexed upon age to being indexed upon duration from hire date.

Changes in Salary Increase Assumptions

Merit Increases, Unused Sick Leave, and Vacation Pay - Unused sick leave and vacation pay rates were adjusted.

Retiree Healthcare Participation - The RHIA participation rate for healthy retirees was reduced from 48 to 45 percent. The RHIPA participation rate was changed from a uniform rate of 13 percent to a service-based table of rates.

(Source: December 31, 2012 OPERS Actuarial Valuation p.89)

3. 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 three 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.

4. Budget

A budget is prepared and legally adopted for the General Fund, Asset Reserve Fund, Textbooks and Technology Reserve, 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.

SUPPLEMENTARY INFORMATION

McMINNVILLE SCHOOL DISTRICT NO. 40
 COMBINING BALANCE SHEET
 MAJOR GOVERNMENTAL FUND - GENERAL FUND
 June 30, 2015

	General	Asset Reserve	Textbooks and Technology Reserve	Insurance Reserve	Totals
ASSETS					
Cash and Investments	\$ 10,110,911	\$ 2,317,257	\$ -	\$ 771,402	\$ 13,199,570
Receivables					
Undistributed Tax Collections	203,305	-	-	-	203,305
Property Taxes	1,184,972	-	-	-	1,184,972
Accounts	363,502	-	-	-	363,502
Due from Other Funds	-	-	250,000	-	250,000
Total Assets	<u>\$ 11,862,690</u>	<u>\$ 2,317,257</u>	<u>\$ 250,000</u>	<u>\$ 771,402</u>	<u>\$ 15,201,349</u>
LIABILITIES					
Accounts Payable	\$ 144,043	\$ 6,851	\$ -	\$ -	\$ 150,894
Accrued Payroll and Payroll Liabilities	4,434,664	-	-	-	4,434,664
Due to Other Funds	63,492	-	-	-	63,492
Total Liabilities	<u>4,642,199</u>	<u>6,851</u>	<u>-</u>	<u>-</u>	<u>4,649,050</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	1,115,327	-	-	-	1,115,327
Total Deferred Inflows of Resources	<u>1,115,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,115,327</u>
FUND BALANCES					
Fund Balances					
Committed to					
Asset Reserve	-	2,310,406	-	-	2,310,406
Insurance Reserve	-	-	-	771,402	771,402
Textbooks and Technology	-	-	250,000	-	250,000
Unassigned	6,105,164	-	-	-	6,105,164
Total Fund Balances	<u>6,105,164</u>	<u>2,310,406</u>	<u>250,000</u>	<u>771,402</u>	<u>9,436,972</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 11,862,690</u>	<u>\$ 2,317,257</u>	<u>\$ 250,000</u>	<u>\$ 771,402</u>	<u>\$ 15,201,349</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 MAJOR GOVERNMENTAL FUND - GENERAL FUND
 Year Ended June 30, 2015

	General	Asset Reserve	Textbooks and Technology Reserve	Insurance Reserve	Total
Revenues					
Property Taxes	\$ 11,730,318	\$ -	\$ -	\$ -	\$ 11,730,318
Intermediate Sources	2,215,995	-	-	-	2,215,995
State Sources	44,338,088	-	-	-	44,338,088
Federal Sources	21,650	-	-	-	21,650
Charges for Services	416,176	-	-	-	416,176
Rentals	14,332	37,062	-	-	51,394
Investment Earnings	86,549	10,682	-	4,219	101,450
Fees Charged to Grants	154,738	-	-	-	154,738
Miscellaneous	34,217	-	-	68,633	102,850
Total Revenues	59,012,063	47,744	-	72,852	59,132,659
Expenditures					
Instruction	38,253,142	-	-	890	38,254,032
Support Services	18,559,600	30,015	-	46,764	18,636,379
Facilities Acquisition and Construction	-	253,737	-	-	253,737
Total Expenditures	56,812,742	283,752	-	47,654	57,144,148
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,199,321	(236,008)	-	25,198	1,988,511
Other Financing Sources (Uses)					
Transfer In	-	500,000	250,000	-	750,000
Transfers Out	(850,000)	-	-	-	(850,000)
Total Other Sources (Uses)	(850,000)	500,000	250,000	-	(100,000)
Net Change in Fund Balance	1,349,321	263,992	250,000	25,198	1,888,511
Fund Balances					
Beginning of Year	4,755,843	2,046,414	-	746,204	7,548,461
End of Year	\$ 6,105,164	\$ 2,310,406	\$ 250,000	\$ 771,402	\$ 9,436,972

McMINNVILLE SCHOOL DISTRICT NO. 40
ASSET RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ 10,000	\$ 10,000	\$ 10,682	\$ 682
Rentals	30,000	30,000	37,062	7,062
Miscellaneous Local Sources	10,000	10,000	-	(10,000)
Total Revenue	50,000	50,000	47,744	(2,256)
Expenditures				
Support Services *	290,000	290,000	30,015	259,985
Facilities Acquisition and Construction *	1,010,000	1,010,000	253,737	756,263
Contingencies *	1,200,000	1,200,000	-	1,200,000
Total Expenditures	2,500,000	2,500,000	283,752	2,216,248
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,450,000)	(2,450,000)	(236,008)	2,213,992
Other Financing Sources				
Transfer in	500,000	500,000	500,000	-
Total Other Sources *	500,000	500,000	500,000	-
Net Change in Fund Balance	(1,950,000)	(1,950,000)	263,992	2,213,992
Fund Balance				
Beginning of Year	1,950,000	1,950,000	2,046,414	96,414
End of Year	\$ -	\$ -	\$ 2,310,406	\$ 2,310,406

* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40
 TEXTBOOKS AND TECHNOLOGY REPLACEMENT RESERVE
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ -	\$ -	\$ -	\$ -
Miscellaneous Local Sources	-	-	-	-
Total Revenue	-	-	-	-
Expenditures				
Instruction *	250,000	250,000	-	250,000
Total Expenditures	250,000	250,000	-	250,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(250,000)	(250,000)	-	250,000
Other Financing Sources				
Transfer in	250,000	250,000	250,000	-
Total Other Sources *	250,000	250,000	250,000	-
Net Change in Fund Balance	-	-	250,000	250,000
Fund Balance				
Beginning of Year	-	-	-	-
End of Year	\$ -	\$ -	\$ 250,000	\$ 250,000

* 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, 2015

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ 5,000	\$ 5,000	\$ 4,219	\$ (781)
Miscellaneous Local Sources	60,000	60,000	68,633	8,633
Total Revenue	<u>65,000</u>	<u>65,000</u>	<u>72,852</u>	<u>7,852</u>
Expenditures				
Instruction *	100,000	100,000	890	99,110
Support Services *	212,663	212,663	46,764	165,899
Contingencies *	502,337	502,337	-	502,337
Total Expenditures	<u>815,000</u>	<u>815,000</u>	<u>47,654</u>	<u>767,346</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(750,000)	(750,000)	25,198	775,198
Fund Balance				
Beginning of Year	<u>750,000</u>	<u>750,000</u>	<u>746,204</u>	<u>(3,796)</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 771,402</u>	<u>\$ 771,402</u>

* Legally adopted appropriation level

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, 2015

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Property Taxes	\$ 7,968,000	\$ 7,968,000	\$ 8,123,514	\$ 155,514
Investment Earnings	18,000	18,000	21,772	3,772
Total Revenue	<u>7,986,000</u>	<u>7,986,000</u>	<u>8,145,286</u>	<u>159,286</u>
Expenditures				
Debt Service *				
Redemption of Principal	5,535,000	5,535,000	5,535,000	-
Interest	2,428,682	2,428,682	2,428,681	1
Total Expenditures	<u>7,963,682</u>	<u>7,963,682</u>	<u>7,963,681</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	22,318	22,318	181,605	159,287
Fund Balance				
Beginning of Year	<u>500,000</u>	<u>500,000</u>	<u>568,295</u>	<u>68,295</u>
End of Year	<u>\$ 522,318</u>	<u>\$ 522,318</u>	<u>\$ 749,900</u>	<u>\$ 227,582</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, 2015

	Special Revenue Funds				Total
	Nutrition Services	Student Body	Construction Excise Tax	PERS Debt Service	
ASSETS					
ASSETS					
Cash and Investments	\$ 372,116	\$ 510,837	\$ 1,411,112	\$ 564,760	\$ 2,858,825
Grants Receivable	164,636	-	-	-	164,636
Restricted Cash and Investments	-	-	-	5,280	5,280
Total Assets	\$ 536,752	\$ 510,837	\$ 1,411,112	\$ 570,040	\$ 3,028,741
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 1,640	\$ -	\$ 257	\$ -	\$ 1,897
Total Liabilities	1,640	-	257	-	1,897
FUND BALANCES					
Restricted for					
Capital Improvements	-	-	1,410,855	-	1,410,855
Student Body Activities	-	510,837	-	-	510,837
Nutrition Services	535,112	-	-	-	535,112
Committed To					
PERS Debt Service	-	-	-	570,040	570,040
Total Fund Balances	535,112	510,837	1,410,855	570,040	3,026,844
Total Liabilities and Fund Balances	\$ 536,752	\$ 510,837	\$ 1,411,112	\$ 570,040	\$ 3,028,741

McMINNVILLE SCHOOL DISTRICT NO. 40
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2015

	Special Revenue Funds				Total
	Nutrition Services	Student Body	Construction Excise Tax	PERS Debt Service	
Revenues					
Local Sources	\$ 97,270	\$ 1,055,549	\$ 446,477	\$ 2,312,205	\$ 3,911,501
State Sources	71,167	-	-	-	71,167
Federal Sources	2,802,634	-	-	-	2,802,634
Total Revenues	<u>2,971,071</u>	<u>1,055,549</u>	<u>446,477</u>	<u>2,312,205</u>	<u>6,785,302</u>
Expenditures					
Instruction	-	1,035,611	-	-	1,035,611
Enterprise and Community Services	2,926,203	-	-	-	2,926,203
Facilities Acquisition and Construction	-	-	4,625	-	4,625
Debt Service					
Principal	-	-	-	648,956	648,956
Interest	-	-	-	1,660,076	1,660,076
Total Expenditures	<u>2,926,203</u>	<u>1,035,611</u>	<u>4,625</u>	<u>2,309,032</u>	<u>6,275,471</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	44,868	19,938	441,852	3,173	509,831
Fund Balances					
Beginning of Year	<u>490,244</u>	<u>490,899</u>	<u>969,003</u>	<u>566,867</u>	<u>2,517,013</u>
End of Year	<u>\$ 535,112</u>	<u>\$ 510,837</u>	<u>\$ 1,410,855</u>	<u>\$ 570,040</u>	<u>\$ 3,026,844</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, 2015

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Sales	\$ 280,000	\$ 280,000	\$ 94,237	\$ (185,763)
Investment Earnings	2,000	2,000	975	(1,025)
Miscellaneous Local Sources	11,500	11,500	2,058	(9,442)
Total Local Sources	293,500	293,500	97,270	(196,230)
Revenue from State Sources				
State School Fund	24,500	24,500	23,329	(1,171)
State Restricted Grants	4,500	4,500	47,838	43,338
Total State Sources	29,000	29,000	71,167	42,167
Revenues from Federal Sources				
National School Lunch Program	2,175,500	2,175,500	2,615,987	440,487
U.S.D.A. Donated Commodities	145,300	145,300	126,075	(19,225)
Federal Restricted Grants	53,000	53,000	60,572	7,572
Total Federal Sources	2,373,800	2,373,800	2,802,634	428,834
Total Revenues	2,696,300	2,696,300	2,971,071	274,771
Expenditures				
Enterprise and Community Services *	3,296,300	3,296,300	2,926,203	370,097
Excess (Deficiency) of Revenues Over (Under) Expenditures	(600,000)	(600,000)	44,868	644,868
Fund Balance				
Beginning of Year	600,000	600,000	490,244	(109,756)
End of Year	\$ -	\$ -	\$ 535,112	\$ 535,112

* 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, 2015

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Extracurricular Activities	\$ 1,000,000	\$ 1,000,000	\$ 1,055,549	\$ 55,549
Expenditures				
Instruction *	1,500,000	1,500,000	1,035,611	464,389
Excess (Deficiency) of Revenues Over (Under) Expenditures	(500,000)	(500,000)	19,938	519,938
Fund Balance				
Beginning of Year	500,000	500,000	490,899	(9,101)
End of Year	\$ -	\$ -	\$ 510,837	\$ 510,837

* 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, 2015

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Excise tax	\$ 200,000	\$ 200,000	\$ 439,937	\$ 239,937
Investment Earnings	5,000	5,000	6,540	1,540
Total Revenues	205,000	205,000	446,477	241,477
Expenditures				
Facilities Acquisition and Construction*	10,000	10,000	4,625	5,375
Contingencies *	1,080,000	1,080,000	-	1,080,000
Total Expenditures	1,090,000	1,090,000	4,625	1,085,375
Excess (Deficiency) of Revenues Over (Under) Expenditures	(885,000)	(885,000)	441,852	1,326,852
Fund Balance				
Beginning of the Year	885,000	885,000	969,003	84,003
End of Year	\$ -	\$ -	\$ 1,410,855	\$ 1,410,855

* 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, 2015

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ 8,000	\$ 8,000	\$ 8,392	\$ 392
Services Provided to Other Funds	2,380,000	2,380,000	2,303,813	(76,187)
Total Revenues	<u>2,388,000</u>	<u>2,388,000</u>	<u>2,312,205</u>	<u>(75,795)</u>
Expenditures				
Debt Service *				
Redemption of Principal	648,957	648,957	648,956	1
Interest	1,660,076	1,660,076	1,660,076	-
Total Debt Service	<u>2,309,033</u>	<u>2,309,033</u>	<u>2,309,032</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	78,967	78,967	3,173	(75,794)
Fund Balance				
Beginning of Year	<u>500,000</u>	<u>500,000</u>	<u>566,867</u>	<u>66,867</u>
End of Year	<u>\$ 578,967</u>	<u>\$ 578,967</u>	<u>\$ 570,040</u>	<u>\$ (8,927)</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, 2015

	Budget		Actual	Variance Favorable (Unfavorable)
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Earnings on Investments	\$ 500	\$ 500	\$ 464	\$ (36)
Contributions	10,000	10,000	7,345	(2,655)
Total Revenues	10,500	10,500	7,809	(2,691)
Expenditures				
Community Services *	50,000	50,000	5,000	45,000
Operating Contingencies *	80,000	80,000	-	80,000
Total Expenditures	130,000	130,000	5,000	125,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(119,500)	(119,500)	2,809	122,309
Fund Balances				
Beginning of Year	119,500	119,500	112,844	(6,656)
End of Year	\$ -	\$ -	\$ 115,653	\$ 115,653

* Legally adopted appropriation level

OTHER FINANCIAL SCHEDULES

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF PROPERTY TAX TRANSACTIONS
 Year Ended June 30, 2015

<u>Tax Roll Year</u>	<u>Uncollected July 1, 2014 and Tax Levy</u>	<u>Less Discounts</u>	<u>Net Adjustments</u>	<u>Collections</u>	<u>Uncollected June 30,2015</u>
2014-2015	20,410,647	\$ 519,292	\$ (51,804)	\$ 19,008,327	\$ 831,224
2013-2014	811,304	-	(15,592)	331,721	463,991
2012-2013	468,507	-	3,226	156,110	315,623
2011-2012	258,846	-	1,762	127,345	133,263
2010-2011	140,744	-	858	56,290	85,312
2009-2010	85,072	-	1,073	6,019	80,126
Prior	83,205	-	(1,502)	9,615	72,088
	<u>\$ 22,258,325</u>	<u>\$ 519,292</u>	<u>\$ (61,979)</u>	19,695,427	<u>\$ 1,981,627</u>

Interest	147,110
Offsets and other adjustments	(5,281)
Undistributed tax collections, June 30, 2015	117,515
Undistributed tax collections, June 30, 2014	(100,939)

Revenue Turned Over to District \$ 19,853,832

	<u>General Fund</u>	<u>Debt Sevice Fund</u>	<u>Total Revenue</u>
Current Year's Taxes	\$ 11,273,035	\$ 7,815,514	\$ 19,088,549
Prior Year's Taxes	457,283	308,000	765,283
Revenue Turned Over to District	<u>\$ 11,730,318</u>	<u>\$ 8,123,514</u>	<u>\$ 19,853,832</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 SUPPLEMENTAL INFORMATION AS REQUIRED
 BY THE OREGON DEPARTMENT OF EDUCATION
 Year Ended June 30, 2015

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

	Objects 325 & 326
Function 2540	\$ 951,257
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, 2015

	General Fund 100	Special Revenue Fund 200	Debt Service Fund 300	Trust Fund 700	Total
Local Sources					
1111 Current year taxes	\$ 11,273,035	\$ -	\$ 7,815,514	\$ -	\$ 19,088,549
1112 Prior year taxes	457,283	-	308,000	-	765,283
1130 Construction Excise Tax	-	439,937	-	-	439,937
1300 Tuition	183,078	-	-	-	183,078
1500 Earnings on Investments	86,549	22,416	30,164	464	139,593
1600 Food Service	-	94,237	-	-	94,237
1700 Extra-Curricular Activities	143,325	1,113,136	-	-	1,256,461
1800 Community Service Activities	89,772	-	-	-	89,772
1910 Rentals	14,333	37,062	-	-	51,395
1920 Contributions and Donations	-	124,111	-	7,345	131,456
1970 Services Provided Other Funds	-	-	2,303,813	-	2,303,813
1980 Fees Charged to Grants	154,738	-	-	-	154,738
1990 Miscellaneous	34,217	153,316	-	-	187,533
Total Local Sources	12,436,330	1,984,215	10,457,491	7,809	24,885,845
Intermediate Sources					
2101 County School Fund	26,153	-	-	-	26,153
2102 ESD Apportionment	2,189,842	-	-	-	2,189,842
2199 Other Intermediate Sources	-	157,725	-	-	157,725
2200 Restricted Revenue	-	-	-	-	-
Total Intermediate Sources	2,215,995	157,725	-	-	2,373,720
State Sources					
3101 State School Fund	43,684,575	-	-	-	43,684,575
3102 State School Fund Match	-	23,329	-	-	23,329
3103 Common School Fund	653,513	-	-	-	653,513
3299 Other Restricted Grants-In-Aid	-	898,327	-	-	898,327
Total State Sources	44,338,088	921,656	-	-	45,259,744
Federal Sources					
4300 Restricted Direct from Federal	-	1,721,996	-	-	1,721,996
4500 Restricted Through State	21,650	6,219,533	-	-	6,241,183
4700 Restricted Through Intermediate	-	42,780	-	-	42,780
4900 Commodities	-	126,075	-	-	126,075
Total Federal Sources	21,650	8,110,384	-	-	8,132,034
Other Sources					
5200 Interfund Transfers In	-	850,000	-	-	850,000
Total Other Sources	-	850,000	-	-	850,000
TOTAL REVENUES	\$ 59,012,063	\$ 12,023,980	\$ 10,457,491	\$ 7,809	\$ 81,501,343

McMINNVILLE SCHOOL DISTRICT NO. 40
GENERAL FUND (100) EXPENDITURE SUMMARY (BUDGETARY BASIS)
Year Ended June 30, 2015

	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Transfers Object 700	Total
Instruction								
1111 Elementary Programs	\$ 8,216,805	\$ 4,826,240	\$ 85,677	\$ 714,068	\$ 11,306	\$ -	\$ -	\$ 13,854,096
1121 Middle/Junior High Programs	4,146,160	2,440,749	43,567	135,860	-	350	-	6,766,686
1122 Middle/Junior High School Extracurricular	76,134	21,873	8,576	14,517	-	-	-	121,100
1131 High School Programs	4,837,580	2,837,697	156,855	367,828	39,639	80	-	8,239,679
1132 High School Extra-curricular	259,990	75,558	51,080	50,336	-	6,215	-	443,179
1140 Pre-kindergarten Programs	23,571	19,574	-	-	-	-	-	43,145
1210 Programs for the Talented and Gifted	125,215	87,165	-	9,754	-	-	-	222,134
1220 Restrictive programs for students with disabilities	1,115,517	851,841	13,952	13,070	-	-	-	1,994,380
1250 Less restrictive programs for students with disabilities	1,435,663	1,036,299	349	4,131	-	-	-	2,476,442
1280 Alternative Education	641,976	393,303	-	8,163	-	-	-	1,043,442
1291 English Second Language Programs	1,585,822	1,094,749	6,081	23,905	-	-	-	2,710,557
1292 Teen Parent Programs	126,506	85,686	-	11,403	-	-	-	223,595
1299 Other Programs	30,317	5,118	100	-	-	-	-	35,535
1400 Summer School Programs	59,461	18,867	-	844	-	-	-	79,172
Total Instruction	22,680,717	13,794,719	366,237	1,353,879	50,945	6,645	-	38,253,142
Support Services								
2110 Attendance and Social Work Services	318,324	223,991	736	310	-	-	-	543,361
2120 Guidance Services	979,652	611,767	-	2,621	-	50	-	1,594,090
2130 Health Services	132,407	94,032	1,969	83	-	269	-	228,760
2140 Psychological Services	191,183	117,210	90,460	2,509	-	-	-	401,362
2150 Speech Pathology and Audiology Services	195,011	119,251	492,047	30,647	-	805	-	837,761
2190 Service Direction: Student Support Services	288,082	154,308	7,526	3,632	-	490	-	454,038
2210 Improvement of Instruction Services	203,860	103,425	20,413	43,594	-	89	-	371,381
2213 Technology Curriculum Development	65,304	45,361	-	54,540	-	-	-	165,205
2220 Educational Media Services	426,575	284,788	310	50,366	-	-	-	762,039
2230 Assessment and Testing	-	-	1,210	5,548	-	-	-	6,758
2240 Instructional Staff Development	6,549	1,278	117,239	8,970	-	-	-	134,036
2310 Board of Education Services	-	-	135,428	6,610	-	120,406	-	262,444
2320 Executive Administration Services	188,968	124,292	1,927	6,790	-	1,044	-	323,021
2410 Office of the Principal Services	1,992,762	1,208,452	18,878	47,257	-	1,078	-	3,268,427
2510 Direction of Business Support Services	99,099	48,315	12,791	933	-	250	-	161,388
2520 Fiscal Services	294,824	166,601	11,914	4,712	-	14,729	-	492,780
2540 Operation and Maintenance of Plant Services	1,582,833	1,161,477	1,495,415	294,067	-	219,790	-	4,753,582
2550 Student Transportation Services	-	-	2,045,591	-	-	-	-	2,045,591
2570 Internal Services	-	-	22,290	32,348	-	32	-	54,670
2610 Direction of Central Support Services	203,155	113,801	70,885	5,501	-	16,477	-	409,819
2630 Information Services	32,125	5,562	23,317	3,175	-	-	-	64,179
2660 Technology Services	444,239	268,490	45,765	124,606	75,685	-	-	958,785
2700 Supplemental Retirement Program	112,730	153,393	-	-	-	-	-	266,123
Total Support Services	7,757,682	5,005,794	4,616,111	728,819	75,685	375,509	-	18,559,600
Other Functions								
5200 Transfers of Funds	-	-	-	-	-	-	850,000	850,000
Total Other Functions	-	-	-	-	-	-	850,000	850,000
TOTAL EXPENDITURES	\$ 30,438,399	\$ 18,800,513	\$ 4,982,348	\$ 2,082,698	\$ 126,630	\$ 382,154	\$ 850,000	\$ 57,662,742

McMINNVILLE SCHOOL DISTRICT NO. 40
SPECIAL REVENUE FUNDS (200) EXPENDITURE SUMMARY (BUDGETARY BASIS)
Year Ended June 30, 2015

	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Transfers Object 700	Total
Instruction								
1111 Elementary Programs	\$ 6,726	\$ 1,652	\$ 85	\$ 147,249	\$ -	\$ -	\$ -	\$ 155,712
1113 Elementary Extracurricular	-	-	-	80,468	-	-	-	80,468
1121 Middle/Junior High Programs	1,749	599	-	10,635	-	-	-	12,983
1122 Middle/Junior High School Extracurricular	5,245	1,070	-	147,014	-	-	-	153,329
1131 High School Programs	121,129	70,909	48,505	217,959	-	4,853	-	463,355
1132 High School Extra-curricular	3,524	877	-	835,599	-	-	-	840,000
1140 Pre-kindergarten Programs	29,757	25,121	-	37,636	-	-	-	92,514
1220 Restrictive programs for students with disabilities	174,974	128,958	84,222	895	-	-	-	389,049
1250 Less restrictive programs for students with disabilities	123,499	84,069	40	17,961	-	-	-	225,569
1271 Remediation	322,419	94,544	2,402	90,479	-	15,058	-	524,902
1272 Title I	804,799	574,433	-	6,692	-	46,147	-	1,432,071
1280 Alternative Education	-	-	1,550	963	-	-	-	2,513
1291 English Second Language Programs	11,950	12,249	-	96,229	-	-	-	120,428
1292 Teen Parent Programs	1,182	318	-	-	-	-	-	1,500
1400 Summer School Programs	72,257	21,953	-	5,454	-	-	-	99,664
Total Instruction	1,679,210	1,016,752	136,804	1,695,233	-	66,058	-	4,594,057
Support Services								
2110 Attendance and Social Work Services	6,644	2,110	500	7,853	-	-	-	17,107
2120 Guidance Services	9,379	1,701	-	-	-	-	-	11,080
2140 Psychological Services	71,734	49,013	1,512	4,529	-	-	-	126,788
2150 Speech Pathology and Audiology Services	26,647	23,501	41,788	-	-	-	-	91,936
2160 Other Student Treatment	-	-	24,267	-	-	-	-	24,267
2190 Service Direction: Student Support Services	-	-	-	-	-	18,443	-	18,443
2210 Improvement of Instruction Services	1,228,213	536,755	34,708	26,257	-	50,659	-	1,876,592
2220 Educational Media Services	6,530	1,787	-	-	-	-	-	8,317
2240 Instructional Staff Development	345,946	121,974	188,996	63,680	-	19,579	-	740,175
2410 Office of the Principal Services	943	154	1,375	-	-	-	-	2,472
2490 Other Support Services-School Administration	54,598	28,097	-	-	-	-	-	82,695
2540 Operation and Maintenance of Plant Services	-	-	2,365	-	30,014	-	-	32,379
2546 Security Services	15,182	5,145	11,764	2,135	-	516	-	34,742
2550 Student Transportation Services	-	-	21,654	-	-	-	-	21,654
2610 Direction of Central Support Services	772	119	1,134	-	-	-	-	2,025
2640 Staff Services	12,262	16,037	479	2,678	-	-	-	31,456
Total Support Services	1,778,850	786,393	330,542	107,132	30,014	89,197	-	3,122,128
Enterprise and Community Services								
3100 Food Services	872,001	613,372	55,785	1,339,103	40,169	5,773	-	2,926,203
3300 Community Services	29,752	6,950	9,292	35,948	-	-	-	81,942
Total Enterprise and Community Services	901,753	620,322	65,077	1,375,051	40,169	5,773	-	3,008,145
Facilities Acquisition and Construction								
4120 Site Acquisition and Development Services	-	-	53,088	-	-	9,620	-	62,708
4150 Building Acquisition, Construction, and Improvement	-	-	4,625	-	191,029	-	-	195,654
Total Facilities Acquisition and Construction	-	-	57,713	-	191,029	9,620	-	258,362
TOTAL EXPENDITURES	\$ 4,359,813	\$ 2,423,467	\$ 590,136	\$ 3,177,416	\$ 261,212	\$ 170,648	\$ -	\$ 10,982,692

McMINNVILLE SCHOOL DISTRICT NO. 40
 DEBT SERVICE FUND (300) EXPENDITURE SUMMARY (BUDGETARY BASIS)
 Year Ended June 30, 2015

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,272,713	\$ 10,272,713
Total Other Functions	-	-	-	-	-	10,272,713	10,272,713
TOTAL EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,272,713	\$ 10,272,713

McMINNVILLE SCHOOL DISTRICT NO. 40
 FIDUCIARY FUND (700) EXPENDITURE SUMMARY (BUDGETARY BASIS)
 Year Ended June 30, 2015

	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	-	-	5,000	-	-	-	5,000
Total Other Functions	-	-	5,000	-	-	-	5,000
TOTAL EXPENDITURES	\$ -	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000

STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	86
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.	90
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.	95
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.	98
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	102

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)

	2014-15	2013-14 *	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Governmental Activities										
Net investment in capital assets	\$ 40,288,915	\$ 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
Restricted	3,461,939	2,778,236	2,578,592	2,410,179	574,562	506,505	477,674	461,167	403,670	617,952
Unrestricted	(16,701,864)	(36,954,932)	(3,544,713)	(1,998,526)	1,436,885	2,004,510	2,121,883	3,581,371	3,081,933	5,445,282
Total primary government net position	<u>\$ 27,048,990</u>	<u>\$ 2,802,520</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>

* Data as restated for GASB 68

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

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Expenses										
Instructional programs	\$ 30,991,109	\$ 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
Support services										
Student transportation	2,045,590	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
Other support services	14,149,942	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
Community services	2,548,372	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
Facilities services	92,820	20,128	15,993	472,056	-	-	-	-	1,327,849	16,710
Interest on long-term debt	4,030,059	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
Total expenses	53,857,892	69,019,905	65,537,975	66,620,957	66,133,961	62,826,233	62,499,308	59,160,077	54,375,969	49,541,398
Program Revenues										
Charges for services										
Instructional programs	1,440,986	1,404,134	1,250,940	1,419,803	623,646	252,215	218,980	237,606	255,707	251,670
Other support services	120,027	77,982	143,440	185,630	38,989	-	-	-	-	-
Community services	96,296	393,159	388,648	447,170	493,052	557,467	572,397	699,614	685,136	629,131
Operating grants and contributions	10,840,699	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
Capital grants and contributions	-	-	-	-	-	-	962,044	-	-	-
Total program revenues	12,498,008	11,620,462	12,083,477	10,902,140	11,767,628	10,818,176	9,171,831	8,056,998	7,250,191	7,481,919
Net (Expense) Revenue	(41,359,884)	(57,399,443)	(53,454,498)	(55,718,817)	(54,366,333)	(52,008,057)	(53,327,477)	(51,103,079)	(47,125,778)	(42,059,479)
General Revenues										
Property taxes	19,971,205	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
State school fund - general support	42,186,575	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
ESD apportionment	2,189,842	1,934,088	1,875,412	1,264,323	1,200,859	-	-	-	-	-
Other state and local sources	1,119,603	946,812	823,229	739,183	2,025,891	1,638,031	3,671,455	2,210,951	789,580	880,167
Earnings on investments	139,129	128,987	132,079	131,244	123,825	158,813	1,143,609	3,589,191	1,000,422	790,487
Other	-	-	-	53,251	272,048	232,878	16,605	60,338	12,109	80,024
Total general revenues	65,606,354	60,996,454	55,529,807	54,970,738	54,269,257	53,780,985	55,649,551	55,532,316	46,961,986	43,369,181
Change in Net Position	\$ 24,246,470	\$ 3,597,011	\$ 2,075,309	\$ (748,079)	\$ (97,076)	\$ 1,772,928	\$ 2,322,074	\$ 4,429,237	\$ (163,792)	\$ 1,309,702

McMINNVILLE SCHOOL DISTRICT NO. 40
 FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,166	\$ 46,278	\$ 48,666
Unreserved	-	-	-	-	-	6,598,452	5,089,333	4,887,570	5,749,050	5,551,711
Committed to										
Asset Reserve	2,310,406	2,046,414	1,969,466	1,879,503	1,851,530	-	-	-	-	-
Textbook and Technology Replacement	250,000	-	-	-	-	-	-	-	-	-
Insurance Reserve	771,402	746,204	774,738	778,827	735,348	-	-	-	-	-
Unassigned	6,105,164	4,755,843	3,437,015	4,455,113	5,218,825	-	-	-	-	-
Total general fund	<u>\$ 9,436,972</u>	<u>\$ 7,548,461</u>	<u>\$ 6,181,219</u>	<u>\$ 7,113,443</u>	<u>\$ 7,805,703</u>	<u>\$ 6,598,452</u>	<u>\$ 5,089,333</u>	<u>\$ 4,935,736</u>	<u>\$ 5,795,328</u>	<u>\$ 5,600,377</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,726	\$ 23,332	\$ 32,964
Unreserved, reported in:										
Debt Service Funds	-	-	-	-	-	1,103,640	603,894	532,710	808,404	1,319,396
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
Restricted for										
Grant Activities	255,235	259,795	219,474	224,579	114,008	-	-	-	-	-
Debt Service	749,900	568,295	704,145	694,337	574,562	-	-	-	-	-
Capital Improvements	1,410,855	969,003	660,824	490,316	732,000	-	-	-	-	-
Associated Student Body	510,837	490,899	507,463	498,324	-	-	-	-	-	-
Nutrition Services	535,112	490,244	486,686	502,623	422,037	-	-	-	-	-
Committed to										
PERS Bond Debt Service	570,040	566,867	563,578	719,687	1,170,126	-	-	-	-	-
Total all other governmental funds	<u>\$ 4,031,979</u>	<u>\$ 3,345,103</u>	<u>\$ 3,142,170</u>	<u>\$ 3,129,866</u>	<u>\$ 3,012,733</u>	<u>\$ 4,550,691</u>	<u>\$ 6,221,444</u>	<u>\$ 34,095,159</u>	<u>\$ 65,589,374</u>	<u>\$ 3,176,032</u>

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)

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Revenues										
Property Taxes	\$ 19,853,832	\$ 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
Earnings on Investments	139,129	128,986	132,079	131,243	123,825	158,813	1,159,086	3,589,191	1,000,422	790,487
Other Revenue From Local Sources	3,261,526	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
Charges for Services	1,623,549	1,803,474	1,815,582	2,029,211	983,804	809,682	817,383	937,222	940,843	880,801
Intermediate Sources	2,373,720	2,107,064	1,895,508	1,290,982	1,261,691	254,349	246,748	69,265	64,501	63,269
State sources	45,259,744	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
Federal Sources	8,132,034	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
Total Revenues	80,643,534	75,072,086	69,888,891	67,720,491	67,150,393	65,461,177	65,697,229	64,555,425	55,441,909	52,053,848
Expenditures										
Instruction	42,796,254	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
Support Services	21,591,515	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
Enterprise and Community Services	2,967,976	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
Facilities Acquisition and Construction	92,820	20,128	15,993	602,012	303,685	1,937,380	29,971,912	36,123,248	2,447,006	984,710
Debt Service:										
Principal	6,183,956	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
Interest	4,088,757	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
Bond Issuance Costs	-	-	233,036	17,872	-	-	-	-	-	-
Capital Outlay	346,869	288,597	255,347	-	-	-	-	738,329	1,057,084	1,910,381
Total Expenditures	78,068,147	73,501,911	71,044,349	69,874,921	67,481,100	65,622,811	93,344,455	96,912,514	56,874,562	53,474,886
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,575,387	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)
Other Financing Sources (Uses)										
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)	-	-	-	-	-	-	-
Total Other Sources (Uses)	-	-	235,538	1,104,320	-	-	-	-	64,052,966	-
Net Change in Fund Balance	2,575,387	1,570,175	(919,920)	(1,050,110)	(330,707)	(161,634)	(27,647,226)	(32,357,089)	62,620,313	(1,421,038)
Fund Balance										
Beginning of Year	10,893,564	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
Increase (decrease) in Reserve for Inventory	-	-	-	-	-	-	(72,892)	3,282	(12,020)	(8,267)
End of year	\$ 13,468,951	\$ 10,893,564	\$ 9,323,389	\$ 10,243,309	\$ 10,818,436	\$ 11,149,143	\$ 11,310,777	\$ 39,030,895	\$ 71,384,702	\$ 8,776,409
Debt service as a percentage of noncapital expenditures	13.23%	13.50%	13.65%	14.99%	13.34%	13.40%	12.80%	12.95%	9.01%	11.52%

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					
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%	
2015	2,712,588,271	77,963,094	32,588,494	89,481,076	2,912,620,935	6.94	3,658,832,392	79.61%	

06

(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 Fire	Sheridan Fire	Amity RFPD	Other Taxing Districts (b)
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
2015	4.15	2.79	6.94	2.58	5.70	3.49	0.30	0.89	0.96	1.46	1.47	1.79	0.16

91

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

Taxpayer	June 2015			June 2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Value
Willamette Valley Medical Center	\$ 61,047,921	1	2.10%	\$ 36,632,390	2	1.88%
Cascade Steel Rolling Mills	56,148,472	2	1.93%	43,570,147	1	2.23%
Evergreen Vintage Aircraft	31,178,499	3	1.07%			
Comcast Corporation	18,255,300	4	0.63%			
HCP SH ELP1 Properties LLC (a)	17,994,128	5	0.62%			
Lowes HIW Inc.	16,160,188	6	0.55%	12,757,008	5	0.65%
Frontier Communications (b)	13,746,000	7	0.47%			0.00%
REEF McMinnville Plaza LLC	11,504,773	8	0.39%	8,788,840	9	0.45%
Northwest Natural Gas Co	10,345,400	9	0.36%	11,900,500	7	0.61%
Lassen Doran Properties	9,004,413	10	0.31%			
Verizon Northwest Inc. (b)				17,566,900	3	0.90%
Hillside Manor (a)				15,032,056	4	0.77%
Air Liquide Industrial LP				11,414,506	6	0.59%
Homette Corporation				8,802,495	8	0.45%
Leslie A. Toth				6,175,347	10	0.32%
Subtotal - ten of the District's largest taxpayer:	245,385,094		8.42%	172,640,189		8.86%
All other District taxpayers in Yamhill County	2,667,235,841		91.58%	1,776,876,998		91.14%
Total District taxpayers	<u>\$ 2,912,620,935</u>		<u>100.00%</u>	<u>\$ 1,949,517,187</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
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	(514,123)	16,258,428	15,488,579	92.34%	753,286	16,241,865	99.90%
2010	17,625,301	(512,437)	17,112,864	16,233,698	92.10%	799,039	17,032,737	99.53%
2011	18,226,860	(574,549)	17,652,311	16,842,355	92.40%	724,641	17,566,996	99.52%
2012	18,736,255	(569,378)	18,166,877	17,355,602	92.63%	678,012	18,033,614	99.27%
2013	19,244,450	(630,497)	18,613,953	17,757,708	92.27%	540,622	18,298,330	98.30%
2014	19,410,313	(566,314)	18,843,999	18,048,287	92.98%	331,721	18,380,008	97.54%
2015	20,410,647	(571,097)	19,839,550	19,008,327	93.13%	-	19,008,327	95.81%

Source: Yamhill County Department of Assessment and Taxation.

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

McMINNVILLE SCHOOL DISTRICT NO. 40
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN YEARS

Fiscal Year Ended June 30,	General Obligation Bonds (1)	Less Amounts Available in Debt Service Fund (2)	Total	Taxable Assessed Value (3)	Percentage of Taxable Assessed Value	Estimated Actual Value of Property (3)	Percentage of Estimated Actual Value of Property	District Population (4) (Estimated)	Per Capita (4)
2006	\$ 19,480,000	\$ 617,952	\$ 18,862,048	\$ 1,949,517,187	0.968%	2,731,294,241	0.691%	38,469	\$ 490
2007	81,332,966	403,670	80,929,296	2,093,634,260	3.865%	3,496,194,951	2.315%	39,715	2,038
2008	79,023,681	461,167	78,562,514	2,244,937,543	3.500%	3,877,384,914	2.026%	40,438	1,943
2009	76,218,161	477,674	75,740,487	2,426,419,429	3.121%	4,101,380,879	1.847%	41,067	1,844
2010	73,050,401	506,505	72,543,896	2,539,911,427	2.856%	4,045,707,073	1.793%	41,457	1,750
2011	69,417,641	574,562	68,843,079	2,634,146,320	2.613%	3,961,011,054	1.738%	42,130	1,634
2012	65,287,163	694,337	64,592,826	2,686,997,617	2.404%	3,547,429,517	1.821%	42,232	1,529
2013	67,221,391	704,145	66,517,246	2,758,766,493	2.411%	3,488,131,424	1.907%	42,500	1,565
2014	61,635,405	568,295	61,067,110	2,825,967,489	2.161%	3,518,402,639	1.736%	42,704	1,430
2015	55,524,419	749,900	54,774,519	2,912,620,935	1.881%	3,658,832,392	1.497%	43,113	1,270

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) This is the amount restricted for debt service principal payments
- (3) See Assessed and Real Market Value of properties for property value data.
- (4) 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
 OUTSTANDING DEBT BY TYPE
 LAST TEN YEARS

Fiscal Year Ended June 30,	General Obligation Bonds (1)	Pension Obligation Bonds	Total Outstanding Debt	Percentage of Personal Income (2)	Debt Per Capita (2)
2006	\$ 19,480,000	\$ 29,515,856	\$ 48,995,856	4.31%	\$ 1,274
2007	81,332,966	29,362,766	110,695,732	9.01%	2,787
2008	79,023,681	29,182,498	108,206,179	8.29%	2,676
2009	76,218,161	28,959,870	105,178,031	7.74%	2,561
2010	73,050,401	28,666,141	101,716,542	7.67%	2,454
2011	69,417,641	28,309,657	97,727,298	7.08%	2,320
2012	65,287,163	27,931,681	93,218,844	6.48%	2,207
2013	67,221,391	27,434,804	94,656,195	6.49%	2,227
2014	61,635,405	26,862,684	88,498,089	5.96%	2,072
2015	55,524,419	26,213,728	81,738,147	5.20%	1,896

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 Demographic and Economic Statistics for population and personal income data. These ratios are calculated using income and population from the prior calendar year.

McMINNVILLE SCHOOL DISTRICT NO. 40
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 June 30, 2015

<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	\$ 75,463,728	100.00%	\$ 75,463,728
Overlapping			
Chemeketa Community College	92,590,000	8.93%	8,267,083
City of McMinnville	36,585,000	99.96%	36,570,622
New Carlton Fire District	1,040,000	3.10%	32,234
Willamette ESD	1,180,000	8.10%	95,638
Amity RFPD	75,000	8.84%	<u>6,631</u>
Subtotal, overlapping debt			<u>44,972,208</u>
Total direct and overlapping debt			<u><u>\$ 120,435,936</u></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 2015

Real Market Value	\$ 3,658,832,392
Debt limit (7.95% of real market value)	290,877,175
Debt applicable to limit	(49,250,000)
Legal debt margin	<u>\$ 241,627,175</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
2015	\$ 290,877,175	\$ 49,250,000	\$ 241,627,175	16.93%
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%

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>
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	34,330	1,459,025,000	8.50%
2013	42,704	34,751	1,484,006,704	7.60%
2014	43,113	36,488	1,573,107,144	6.60%

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 Employment Department, Local Area Unemployment Statistics for Yamhill County, seasonally adjusted.

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

Employer	2014			2005		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Private Employers:						
Manufacturing: beverage, wood products, metal, machinery, plastics, other	6,541	1	19.77%	5,981	1	19.23%
Health Services	4,258	2	12.87%	3,346	2	10.76%
Retail	3,361	3	10.16%	3,173	3	10.20%
Natural Resources	3,177	4	9.60%	3,034	4	9.76%
Leisure & Hospitality	3,112	5	9.41%	2,536	5	8.15%
Professional and business services	1,734	6	5.24%	1,819	6	5.85%
Education services	1,433	7	4.33%	1,283	8	4.13%
Construction	1,354	8	4.09%	1,813	7	5.83%
Other services	1,253	9	3.79%	1,072	10	3.45%
Financial activities	935	10	2.83%	1,101	9	3.54%
Transportation, warehousing & utilities	715	11	2.16%	598	12	1.92%
Wholesale	553	12	1.67%	715	11	2.30%
Information	175	13	0.53%	253	13	0.81%
Subtotal Private	28,601		86.45%	26,724		85.93%
Government						
Federal	465		1.41%	508		1.63%
State	493		1.49%	407		1.31%
Local Government						
Education & health services	2,110		6.38%	1,970		6.33%
Public Administration	1,055		3.19%	1,313		4.22%
Other	360		1.09%	176		0.57%
Subtotal Government	4,483		13.55%	4,374		14.07%
Total Employment	33,084		100.00%	31,098		100.00%

Source: Oregon Employment Department Workforce and Economic Research Division at 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>
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	6,269	19.17 :1
2015	349	6,303	18.06 :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

<u>Fiscal Year Ended June 30,</u>	<u>Licensed</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
2015	398	306	23	14	741

Source: McMinnville School District No. 40 personnel records.

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

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

Fiscal Year	(1) Average Daily Membership	General Fund (2) Expenditures and other financing uses	General Fund Per Student Expenditure	Nutrition Services					Student Transportation		
				Breakfast	Lunch	Dinner (3)	Total Meals	Percent Eligible Free or Reduced (4)	Total Bus Routes	Total Miles	Daily average students transported
2015	6,533	\$ 57,662,742	\$ 8,826	338,964	669,075	80,845	1,088,884	100.0%	27	546,937	2,215
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 schedule
- (3) District began serving dinner meals to students in after school programs in 2015
- (4) District participated in the Community Eligibility Provision in 2015 which qualified all students for a free meal.

Source: McMinnville School District Records.

McMINNVILLE SCHOOL DISTRICT NO. 40
 CAPITAL ASSET INFORMATION
 AS OF JUNE 30, 2015

<u>Building</u>	<u>Year of Original Building Construction</u>	<u>Square Footage (1)</u>	<u>Capacity (1)</u>	<u>Enrollment 10/1/2014</u>	<u>Percent of Capacity</u>	<u>Average Age of Buildings (in years)</u>
Elementary Schools						
Buel	2008	80,837	600	527	88%	7
Columbus	1994	68,740	600	511	85%	21
Grandhaven	1999	69,958	600	551	92%	16
Memorial	1947	67,292	600	536	89%	68
Newby	1960	58,527	532	514	97%	55
Wascher	1979	61,259	517	384	74%	36
Total		<u>406,613</u>	<u>3,449</u>	<u>3,023</u>	<u>88%</u>	<u>34</u>
Middle Schools						
Duniway	1993	119,412	961	763	79%	22
Patton	1976	132,820	971	779	80%	39
Total		<u>252,232</u>	<u>1,932</u>	<u>1,542</u>	<u>80%</u>	<u>31</u>
High Schools						
McMinnville High Sch	1955	268,935	2,231			60
Adams Campus	1914	34,052	336	-		101
Total		<u>302,987</u>	<u>2,567</u>	<u>2,055</u>	<u>80%</u>	<u>81</u>
Other Buildings						
Cook	1924	43,464	303			91
District Office	1965	9,081				50
Evans Street	1995	6,418				20
Maintenance	1948	12,395				67
Grounds	1970	2,760				45
Stadium	1980	12,480				35
Total		<u>86,598</u>	<u>303</u>			
GRAND TOTAL		<u><u>1,048,430</u></u>	<u><u>8,251</u></u>	<u><u>6,620</u></u>	<u><u>80%</u></u>	

Notes:

Many buildings have undergone remodels since original construction

(1) Square footage and capacity presented do not include modular classroom space.

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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, 2015, and have issued our report thereon dated December 15, 2015. 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 the District in a separate letter issued letter to management.

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
December 15, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2015.

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
December 15, 2015



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, 2015. 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, 2015.



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 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
December 15, 2015

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor Program Title	Grant Period	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Amount	Federal Expenditures
U.S. Department of Education					
Passed through Oregon State Department of Education					
Title IA Grants	07/01/13-09/30/14	84.010	28168	\$ 1,549,789	\$ 136,812
	07/01/14-09/30/15	84.010	32626	1,624,724	1,461,681
	Total			3,174,513	1,598,493
IDEA: Special Education Grants to State	07/01/13-09/30/15	84.027	28499	848,595	175,802
	07/01/14-09/30/16	84.027	33326	933,467	556,000
SPR&I (System Performance Review and Improvement)	08/01/14-06/30/15	84.027	32158	4,340	3,020
Extended Assessment	09/01/14-06/30/15	84.027	31859	1,800	1,800
	06/14/15-06/18/15	84.027	35396	426	426
IDEA Enhancement	09/01/14-09/30/15	84.027	33744	7,957	7,957
IDEA Part B, Section 619	07/01/13-09/30/15	84.173	28893	10,590	10,590
	07/01/14-09/30/16	84.173	28893	10,590	6,275
	Total			1,817,765	761,870
McKinney Homeless Children	10/01/14-06/30/15	84.196	33916	500	500
	Total			500	500
21st Century Community Learning Centers	07/01/13-09/30/15	84.287	28306	390,334	70,038
	07/01/14-09/30/16	84.287	32276	473,743	424,558
	Total			864,077	494,596
Title III English Language Acquisition	07/01/13-09/30/14	84.365	30024	137,458	17,520
	07/01/14-09/30/15	84.365	32339	122,354	104,491
				259,812	122,011
Title II-B Math and Science Partnerships (MSP)	07/01/13-09/30/14	84.366	29572	327,489	76,663
	07/01/14-09/30/15	84.366	34378	325,000	287,074
				652,489	363,737
Title II-A Improving Teacher Quality	07/01/13-09/30/14	84.367	28686	190,011	53,350
	07/01/14-09/30/15	84.367	32950	189,252	148,416
	Total			379,263	201,766
Passed Through Willamette Education Service District					
IDEA Extended Assessment	07/01/14-09/30/15	84.027	N/A	2,141	428
Title I-C Migrant Education	07/01/14-09/30/15	84.011	N/A	42,352	42,352
Direct Federal Grants					
Teacher Incentive Fund	10/01/10-09/30/15	84.374A	S374A100002	6,739,797	1,721,996
Total U.S. Department of Education				13,932,709	5,307,749

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor Program Title	Grant Period	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Amount	Federal Expenditures
<u>U.S. Department of Agriculture - Special Revenue Fund</u>					
Passed through Oregon State Department of Education					
School Breakfast Program	07/01/14-06/30/15	10.553	N/A	563,378	563,378
National School Lunch Program	07/01/14-06/30/15	10.555	N/A	1,699,356	1,699,356
Commodities - NSLP	07/01/14-06/30/15	10.555	N/A	125,621	125,621
Commodities - SFSP	07/01/14-06/30/15	10.559	N/A	454	454
Summer Food Service Program	07/01/14-06/30/15	10.559	N/A	92,327	92,327
Child Care Food Program	07/01/14-06/30/15	10.558	N/A	243,210	243,210
Child Care Food Program-Cash in Lieu Commodities	07/01/14-06/30/15	10.558	N/A	20,920	20,920
Fresh Fruit and Vegetable Program	07/01/14-09/30/14	10.582	33095	3,473	3,473
Fresh Fruit and Vegetable Program	07/01/14-09/30/14	10.582	33096	3,473	3,473
Fresh Fruit and Vegetable Program	10/01/14-06/30/15	10.582	34556	27,427	25,819
Fresh Fruit and Vegetable Program	10/01/14-06/30/15	10.582	34557	27,807	27,807
Total U.S. Department of Agriculture				<u>2,807,446</u>	<u>2,805,838</u>
<u>U.S. Department of Health and Human Services</u>					
Passed through Oregon Department of Education					
Child Care and Development Fund	07/01/13-06/30/15	93.575	9792	62,000	18,447
Total U.S. Department of Health and Human Services				<u>62,000</u>	<u>18,447</u>
Total Federal Awards				<u>\$ 16,802,155</u>	<u>\$ 8,132,034</u>

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, 2015

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:

<u>CFDA NUMBER</u>	<u>NAME OF PROGRAM OR CLUSTER</u>
10.553, 10.555, 10.559	Child Nutrition Cluster

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 - NONE

SECTION IV - SUMMARY OF PRIOR AUDIT FINDING - NONE

Finding 14-01

Audit Finding The required consultation with private school officials to determine their desire to participate and the extent of services required was not performed for a grant program. 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. This was corrected during the year under audit.