

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

**Comprehensive Annual  
Financial Report**

**Year Ended June 30, 2013**

Prepared by the  
Business Office

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Maryalice Russell  
Superintendent

Susan Escure  
Director of Finance

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# **INTRODUCTORY SECTION**

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# McMinnville

## School District No. 40

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

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December 20, 2013

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, 2013 is hereby submitted.

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

Wilcox Arredondo & Co., Certified Public Accountants, have issued an unmodified ("clean") opinion on the District's financial statements for the year ended June 30, 2013. 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 6,500 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, bilingual programs and programs for special needs children; and, providing transportation and nutrition services to students in accordance with District, state, and federal requirements.

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

## **Transmittal Letter, Year Ended June 30, 2013**

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

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

The Board hires all management staff. The management staff includes a superintendent, five district-level directors, nine principals, five assistant principals, three district program coordinators, and four support services supervisors. The District employs 642 full-time equivalent personnel, including management staff, teachers, educational assistants, secretarial, custodial, maintenance and technology, and other support staff.

### **ECONOMIC CONDITION**

McMinnville School District #40 is located in northwestern Oregon in the northern end of the Willamette Valley, approximately 40 miles southwest of Portland and approximately 25 miles northwest of Salem. The two cities within the District are McMinnville, population 32,435, and Lafayette, population 3,735. 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, commercial aviation, medical services, retail, insurance products and services, manufactured home and recreational vehicle production, plastics fabrication, tourism, food production, and agriculture.

As of June 2013, the Yamhill County unemployment rate was 7.8%, as compared to 8.1% for the state of Oregon and 7.8% at the national level. The Oregon Office of Economic Analysis predicts continued slow recovery of employment.

The real market value of property located in the boundaries of the District decreased from 2012 to 2013 by 1.7%, while the assessed property values increased by 2.7%. Assessed value as a percentage of real market value was 79% compared to 76% for 2012. 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 2013, the total real market value of property within the District boundaries is \$3.49 billion and the assessed value is \$2.76 billion.

### **STATE SCHOOL FUNDING**

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

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



## **Transmittal Letter, Year Ended June 30, 2013**

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

### **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 Districts unassigned fund balance in the General Fund as of June 30, 2013 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 2013-14 uses approximately \$500,000 in reserves over this 5% threshold to offset the budget gap.

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

### **MAJOR INITIATIVES**

#### *Long Range Facility Task Force*

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

#### *Investing in Effective Educators*

Three years ago, the McMinnville School District was awarded a Teachers Incentive Fund grant for \$6.7 million over five years. The grant project includes a performance-based compensation system that allows teachers and administrators to earn bonuses in four categories: school-wide achievement on state assessments, classroom-based student growth on common formative and summative assessments, additional leadership duties, and classroom observation and collaboration with instructional coaches. The District has completed the first three years of this grant and has been given final approval for funding through June, 30, 2015.

#### *Achievement Compact – Oregon's 40-40-20 goal*

In 2011, the state approved the following goal for 2025:

- 40% of Oregonians have a bachelor's or graduate degree
- 40% of Oregonians have an associate's degree or meaningful career/technical certification
- 20% of Oregonians have a high school diploma or equivalent and workforce-ready skills that earn a living family wage

## Transmittal Letter, Year Ended June 30, 2013

The McMinnville School District has formed an Achievement Compact Committee, comprised of teachers and administrators, to develop and align Achievement Compact performance targets with the state's 40-40-20 goal. To reach the ambitious targets established for increased student achievement, accelerated student growth, and increased postsecondary enrollment, the District has proactively pursued and secured competitive grant monies to fund intensive and sustained, research-based professional development and job-embedded instructional coaching in three foundational frameworks: 1) Rigorous Curriculum Design; 2) Power Strategies for Effective Teaching; and, 3) Common Formative Assessments/Data Teams.

### *Oregon Senate Bill 290 – Teacher and Administrator Evaluation System*

The District formed an Evaluation Committee to design a new teacher and principal evaluation system, aligned with Senate Bill 290, which was piloted last spring. The new evaluation system features 1) Model Core Teaching Standards that define what teachers and administrators should know and be able to do; 2) Four performance levels associated with the Standards of Professional Practice on which teachers and administrators are evaluated; 3) The use of multiple sources of data to measure teacher and administrator performance; 4) A regular teacher and administrator evaluation cycle to foster continuous improvement; and, 5) Relevant and targeted professional learning opportunities to improve professional practice and impact on student learning.

## 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, 2012. This was the fourth year the District has received this prestigious award. In order to be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized *CAFR* and must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current *CAFR* continues to meet these standards and will be submitted to GFOA to determine eligibility for another certificate.

In addition, the Association of School Business Officials International (ASBO) awarded its Certificate of Excellence in Financial Reporting to McMinnville School District for its *CAFR* for the year ended June 30, 2012. This was the fourth year that the District received this award. Receiving this award is recognition that the District has met the highest standards of excellence in school financial reporting adopted by ASBO. The District believes that the current *CAFR*, which will be submitted to ASBO for review, will also conform to these standards.

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

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

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

Respectfully submitted,



Maryalice Russell, Ed.D.  
Superintendent



Susan Escure  
Director of Finance



Government Finance Officers Association

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

Presented to

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

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

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, 2012*

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



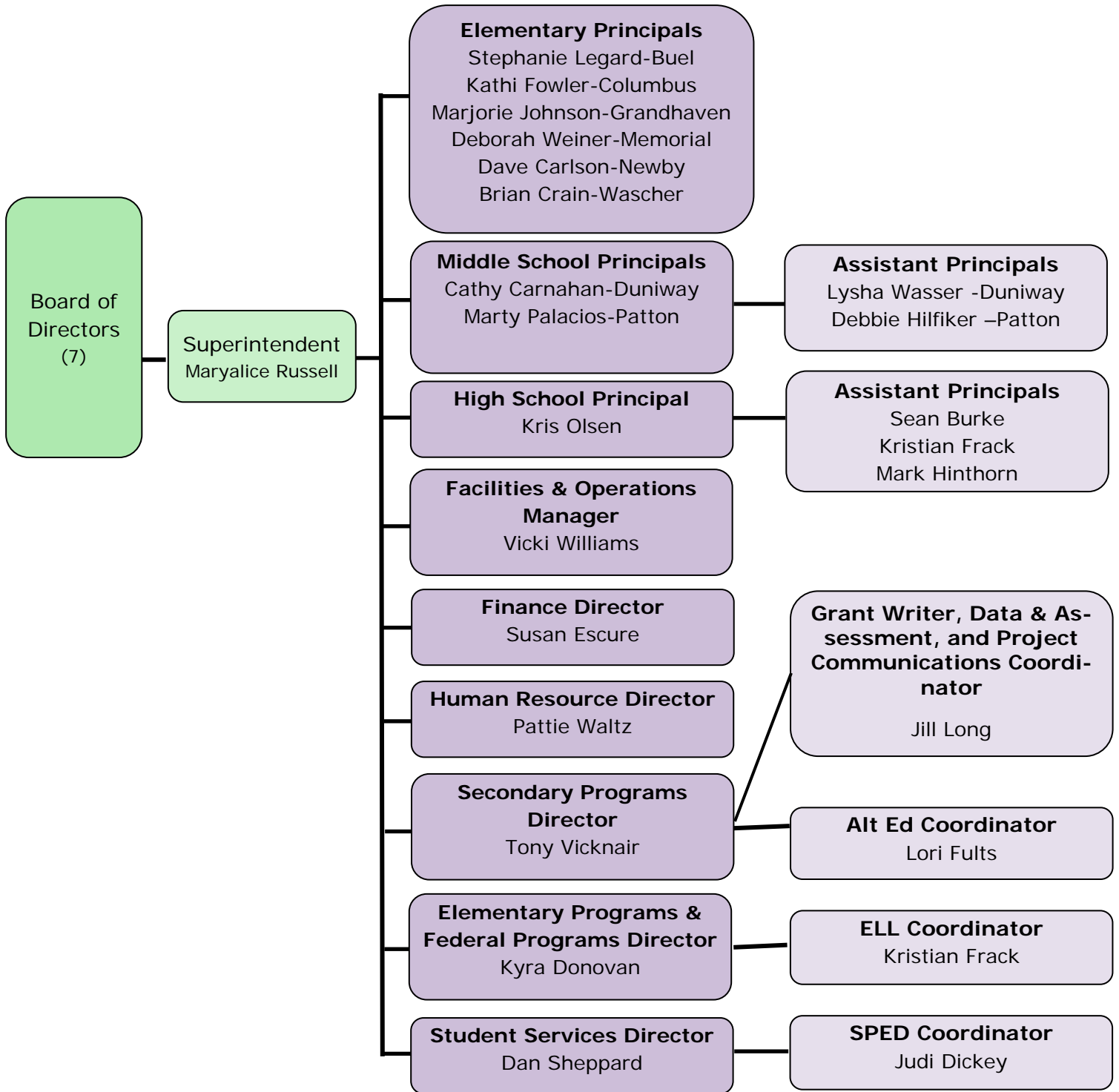
A handwritten signature in black ink, reading 'Ron McCulley', written over a horizontal line.

Ron McCulley, CPPB, RSBO  
President

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

John D. Musso, CAE, RSBA  
Executive Director

**McMinnville School District #40  
Administrative Organizational Chart  
2012-2013**



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, 2013

	<u>Term Expires</u>
Ms. Kathy Cabe 1654 Bonnie Jean Place McMinnville, Oregon 97128	June 30, 2013
Mr. Larry Vollmer, Board Chair 1946 Fir Street McMinnville, Oregon 97128	June 30, 2015
Ms. Janis Braich 124 Anne Street McMinnville, Oregon 97128	June 30, 2015
Dr. Scott Gibson 655 NW Brookview Ct. McMinnville, Oregon 97128	June 30, 2015
Dr. Scott Schieber 2370 NW Horizon Dr. McMinnville, Oregon 97128	June 30, 2015
Stan Primozych 475 NW Mt. Bachelor St. McMinnville, Or 97128	June 30, 2013
Dr. Tim Roberts, Vice Chair 1069 NW Baker Crest Court McMinnville, Oregon 97128	June 30, 2013

# **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, 2013, 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, 2013, 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.



## ***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 Required Supplementary information as listed in the Table of Contents 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 States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *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.



## Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, 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.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 20, 2013, 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 20, 2013

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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, 2013

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, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages i-iv of this report.

### FINANCIAL HIGHLIGHTS

- The District's net position increased by \$2.1 million or 6.6% during the year ended June 30, 2013 to \$33.6 million. The cost of all of the District's programs per the Statement of Activities was \$65.5 million, a decrease of \$1.1 million from the prior year resulting from a combination of factors including a decrease in interest expense on long-term debt with the issuance of refunding bonds and a decrease in instructional services due to District budget reductions. This was offset by an increase in support services costs related to instructional program improvements funded by grant revenues. Total revenues increased by \$1.7 million primarily as a result of increased grant revenues.
- At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$9.3 million, a decrease of \$920,000 in comparison to the prior year. The most significant fund is the General Fund. The unassigned fund balance decreased by \$1 million during the year ended June 30, 2013 to \$3.4 million as a result of the continuing effects of the economic downturn on state revenues.
- The District's total long-term debt decreased by \$6.4 million. The District issued \$42 million of general obligation refunding bonds to advance refund a portion of the 2007 bond to take advantage of lower interest rates.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Financial Statements

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

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

**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.



McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

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

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

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

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

**Notes to the basic financial statements**

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

**Other information**

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

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 46 through 62 of this report.

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$33.6 million as of June 30, 2013.

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

	Governmental Activities		Increase (Decrease)
	June 30, 2013	June 30, 2012	
Current and other assets	\$ 34,141,730	\$ 36,916,835	\$ (2,775,105)
Capital assets	93,893,760	96,257,462	(2,363,702)
<b>Total Assets</b>	<b>128,035,490</b>	<b>133,174,297</b>	<b>(5,138,807)</b>
Long-term debt	89,390,722	95,750,631	(6,359,909)
Other liabilities	5,058,854	5,913,061	(854,207)
<b>Total Liabilities</b>	<b>94,449,576</b>	<b>101,663,692</b>	<b>(7,214,116)</b>
<b>Net Position</b>			
Net investment in capital assets	34,552,035	31,098,952	3,453,083
Restricted	2,578,592	2,410,179 (1)	168,413
Unrestricted	(3,544,713)	(1,998,526) (1)	(1,546,187)
<b>Total Net Position</b>	<b>\$ 33,585,914</b>	<b>\$ 31,510,605</b>	<b>\$ 2,075,309</b>

(1) Restated

Cash and investment make up 10% of total assets. Capital assets, which consist of the District's land, buildings, building improvements and equipment represent 73% of total assets. The net pension asset was 14% of total assets. The remaining assets consist mainly of grant and property tax receivables and bond issuance costs.

The District's largest liability is for long-term debt (95%) consisting of general obligation bonds, limited pension bonds and net OPEB obligations. Long-term debt decreased by \$6.4 million due to repayment of debt and amortization of bond premiums. Other liabilities, representing five percent of the District's total liabilities consist principally of payables on accounts, accrued salaries and benefits and unearned revenue.

During the fiscal year ended June 30, 2013, the District's overall financial position increased by \$2.1 million, a 6.6% increase. This change reflects several factors. Most significantly, the increase related to the refinancing of long-term debt and its effect on the net investment in capital assets. Other factors include the amortization of the net pension asset and the impact of the economic recession on governmental revenues.

The largest portion of the District's net position (\$34.5 million) is the net investment in capital assets, which consist of land, buildings, building improvements and equipment, net of any related outstanding debt that was used to acquire those assets. 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.

An additional portion of the District's net position (\$2.6 million) represents resources that are subject to external restrictions on how they may be used. A negative balance in unrestricted net position (-\$3.5 million) reflects the balance at year end in liabilities for pension bonds and OPEB obligations in excess of any offsetting assets such as the net pension asset. After adding back for these two factors, the unrestricted net position would be \$8.5 million.

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

**Governmental Activities.** During the fiscal year, the District's net position increased by \$2.1 million. The key elements of the change in the District's net assets for the year ended June 30, 2013 are as follows:

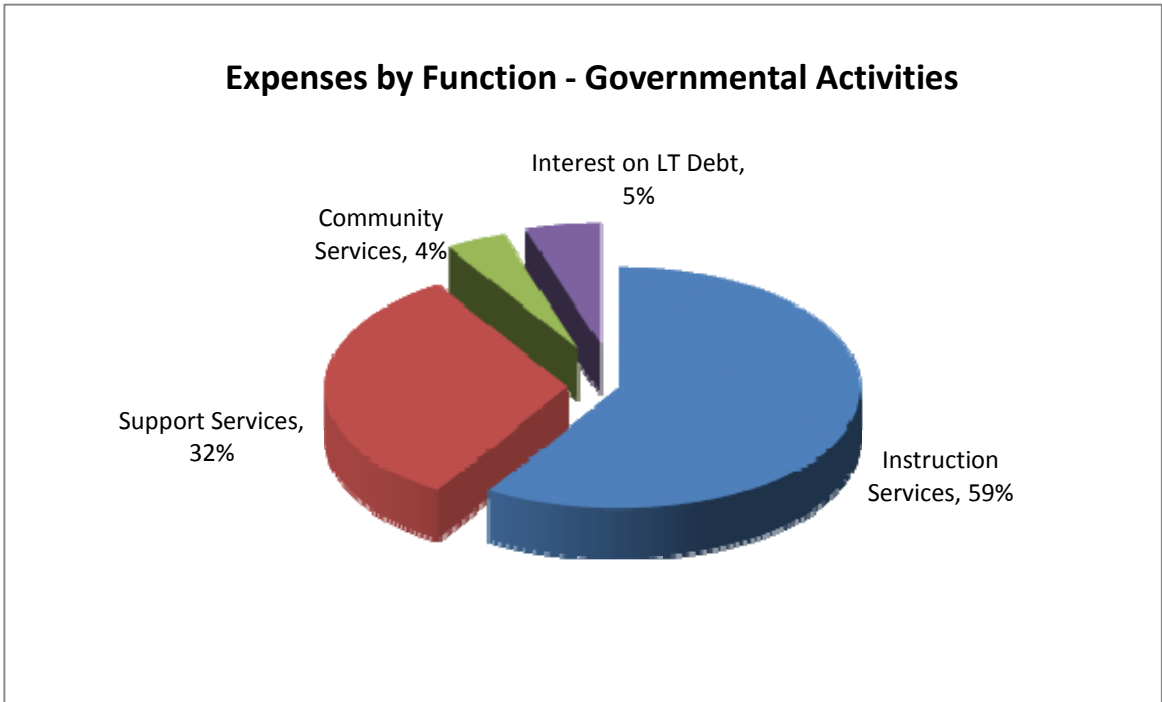
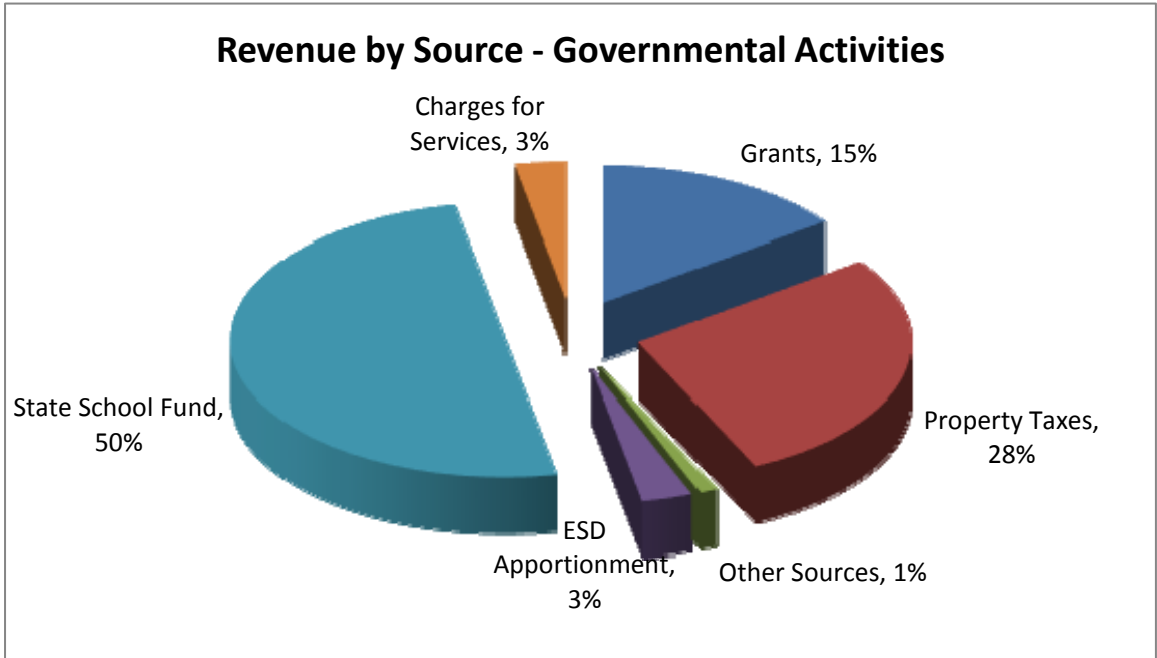
**Changes in Net Position  
For the Year Ended June 30, 2013 and 2012**

	Governmental Activities		Increase (Decrease)
	June 30, 2013	June 30, 2012	
Revenues:			
Program Revenues:			
Charges for services	\$ 1,783,028	\$ 2,052,603	\$ (269,575)
Operating grants and contributions	10,300,449	8,849,537	1,450,912
General Revenues:			
Property taxes	18,757,989	18,292,024	465,965
State school fund	33,941,098	34,490,713	(549,615)
ESD apportionment	1,875,412	1,264,323	611,089
Other state and local sources	823,229	739,183	84,046
Earnings on investments	132,079	131,244	835
Other	-	53,251	(53,251)
Total revenues	<u>67,613,284</u>	<u>65,872,878</u>	<u>1,740,406</u>
Expenses:			
Instruction	39,110,966	39,655,528	(544,562)
Support services	20,819,158	19,142,980	1,676,178
Community services	2,499,644	2,521,615	(21,971)
Facilities services	15,993	472,056	(456,063)
Interest on long-term debt	3,092,214	4,828,778	(1,736,564)
Total expenses	<u>65,537,975</u>	<u>66,620,957</u>	<u>(1,082,982)</u>
Change in net position	2,075,309	(748,079)	2,823,388
Net position - July 1	<u>31,510,605</u>	<u>32,258,684</u>	<u>(748,079)</u>
Net position - June 30	<u>\$ 33,585,914</u>	<u>\$ 31,510,605</u>	<u>\$ 2,075,309</u>

Total revenues increased by \$1.7 million (2.6%) which is mainly attributable to an increase in grants. New grants for support services programs to improve instruction and teacher evaluation systems provided \$1.5 million in additional revenues. General revenues increased slightly by \$.6 million due to multiple factors. ESD apportionment revenue increased by \$611,000 as a result of the District choosing to receive cash in lieu of services from the regional education school district. State school funding decreased by 1.6% from the prior year due to continued economic downturn in state revenues. Property taxes increased by 2.55% from the prior year.

Total expenses decreased by \$1.1 million (1.6%) due to the net effect of two major factors. Interest expense decreased by \$1.7 million with the refinancing of long-term debt and amortization of related bond issuance premiums. This was offset by the increase in support services due to the new grants received as mentioned earlier.

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013



McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

**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, 2013, the District's governmental funds reported combined ending fund balances of \$9.3 million, a decrease of \$920,000. 37% of this amount (\$3.4 million) is *unassigned fund balance*, which is available for spending at the government's discretion. 28% of this amount is *restricted* for particular purposes (\$2.6 million) and 35% is *committed* by the District for specific purposes (\$3.3 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, 2013, the total general fund balance was \$6.2 million, \$932,000 less than the prior year. The unassigned fund balance is \$3.4 million which represents 7.0% of total General Fund revenues. The District drew down reserves as part of a planned short-term strategy to support District operations during the economic downturn which has caused decreased state school revenues. Committed fund balances include \$1.9 million for asset reserve and \$775,000 for insurance reserve with no significant change from the prior year.

*Grants Fund.* The Grants Fund accounts for the revenues and expenditures of specific educational programs funded from federal, state and local sources. The *restricted* fund balance at year end is \$219,000. 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 \$704,145. There is no significant change from the prior year fund balance, all of which is reserved for the payment of debt service.

**General Fund Budgetary Highlights**

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

*Final budget compared to actual results.* Estimated revenues were \$50.1 million and actual revenues were \$49.7 million with a difference of \$338,000. The most significant difference between estimated and actual revenues was in the category of state sources. This shortfall is due to the prolonged slow recovery from the recession.

A review of expenditures compared to the appropriations in the final budget yields no significant variances. Actual expenditures were \$3.3 million less than budget appropriations. Budgeted appropriations include \$2.5 million of contingencies (planned reserves) which remained unspent. Instruction services expenditures were \$255,000 less than budget and support services expenditures were \$555,000 less than budget. Most of the savings occurred in expenditures for utilities and contracted services.

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The District's investment in capital assets includes land, buildings and improvements and equipment. As of June 30, 2013, the District had invested \$93.9 million in capital assets, net of depreciation, as shown in the following table:

**McMinnville School District - Capital Assets  
June 30, 2013 and 2012**

	Governmental Activities		Increase (Decrease)
	June 30, 2013	June 30, 2012	
Land	\$ 3,972,911	\$ 3,972,911	\$ -
Buildings and Improvements	87,615,517	89,688,847	(2,073,330)
Equipment	2,305,332	2,595,704	(290,372)
 Total capital assets, net of accumulated depreciation	 <u>\$ 93,893,760</u>	 <u>\$ 96,257,462</u>	 <u>\$ (2,363,702)</u>

During fiscal year, net capital assets decreased by \$2.4 million. This decrease was primarily due to depreciation expense of \$2.6 million. Major capital asset events for the year ended June 30, 2013 included the purchase of nutrition services equipment \$43,000, remodel of modular classrooms \$146,000, softball scoreboard \$15,000, a new chiller compressor \$30,000 and installation of three HVAC units \$21,000. Additional information on the District's capital assets can be found in Note 3 of this report.

**Long-term debt.** At the end of the current fiscal year, the District had total debt outstanding of \$89.4 million consisting of general obligation and limited tax pension bond debt, including unamortized premiums and discounts and net OPEB obligations.

**McMinnville School District - Outstanding Debt  
June 30, 2013 and 2012**

	Governmental Activities		Increase (Decrease)
	June 30, 2013	June 30, 2012	
General obligation bonds	\$ 59,795,000	\$ 63,805,000	\$ (4,010,000)
Pension obligation bonds	27,434,804	27,931,681	(496,877)
Unamortized premium	7,426,391	1,482,163	5,944,228
Deferred charges on refunding	(7,751,671)	-	(7,751,671)
OPEB obligation	2,486,198	2,531,787	(45,589)
 Total long-term debt	 <u>\$ 89,390,722</u>	 <u>\$ 95,750,631</u>	 <u>\$ (6,359,909)</u>

During the current fiscal year, the District's total debt decreased by \$6.4 million. The net decrease was due to scheduled principal payments and the refinancing of the 2007 general obligation bonds. The District maintains an underlying rating of "Aa3" from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt the District may issue to 7.95 percent of total real market property values. The total debt limitation for the District is \$277.3 million with outstanding general obligation debt of \$59.8 million, leaving \$217.5 million as current debt limitation available for the District. Additional information on the District's long-term debt can be found in Note 4 of this report.

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

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

The most significant economic factor for the District is the State School Fund. For the year ended June 30, 2013 the State School Fund – General Support provided 71 percent of the District's General Fund program resources. In June of 2013, the State legislature passed their budget for the coming 2013-2015 biennium. The state appropriated \$6.55 billion to K-12 education compared to \$5.71 billion in the prior biennium. For McMinnville School District, state school fund revenues are expected to increase by 10 percent. Additionally, the State funding is based on the District's average daily membership of students. The school projected flat enrollment for the 2013-14 school year, but October 1, 2013 numbers were actually 2% higher than expected.

For 2013-14, the cost of salaries is expected to increase mostly due to the restoration of furlough days. Employees took between four to six furlough days in 2012-13. Employer contributions to the State retirement program will increase by approximately 2.7%.

Board policy mandates that the District budget with the goal to maintain a minimum target of five percent ending fund balance. For the past three years of budget shortfalls, the District has maintained an ending fund balance in excess of five percent. The budget for 2013-14 includes planned reserves of \$3 million or 5.5% of revenues.

**REQUESTS FOR INFORMATION**

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

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# **BASIC FINANCIAL STATEMENTS**

McMINNVILLE SCHOOL DISTRICT NO. 40  
 STATEMENT OF NET POSITION  
 June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 12,328,191
Accounts receivables	
Grants	1,157,964
Undistributed tax collections	373,042
Property taxes	1,809,239
Accounts	316,971
Deferred charges	501,772
Restricted cash and investments	5,163
Net pension asset	17,649,388
Capital assets, net	
Land	3,972,911
Buildings and improvements	87,615,517
Equipment	<u>2,305,332</u>
Total Assets	<u>128,035,490</u>
Liabilities	
Accounts payable	188,100
Accrued payroll and payroll liabilities	3,674,268
Accrued interest payable	111,750
Unearned revenue	1,084,736
Long-term debt	
Due within one year	5,582,120
Due in more than one year	<u>83,808,602</u>
Total Liabilities	<u>94,449,576</u>
Net Position	
Net investment in capital assets	34,552,035
Restricted for:	
Debt service	704,145
Capital projects	660,824
Associated student body	507,463
Nutrition services	486,686
Other purposes	219,474
Unrestricted	<u>(3,544,713)</u>
Total Net Position	<u>\$ 33,585,914</u>

The accompanying notes are an integral part of these financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instructional services	\$ 39,110,966	\$ 1,250,940	\$ 4,019,410	\$ (33,840,616)
Supporting services				
Student transportation	2,198,634	-	1,487,500	(711,134)
Other support services	18,620,524	143,440	2,828,362	(15,648,722)
Community services	2,499,644	388,648	1,965,177	(145,819)
Facilities services	15,993	-	-	(15,993)
Interest on long-term debt	3,092,214	-	-	(3,092,214)
<b>Total Governmental Activities</b>	<b>\$ 65,537,975</b>	<b>\$ 1,783,028</b>	<b>\$ 10,300,449</b>	<b>(53,454,498)</b>
General Revenues				
Property taxes levied for general purposes				11,109,870
Property taxes levied for debt service				7,648,119
Construction excise tax				169,735
State school fund - general support				33,941,098
Common school fund				633,398
County common school fund				20,096
ESD apportionment				1,875,412
Earnings on investments				132,079
<b>Total general revenues</b>				<b>55,529,807</b>
Change in Net Position				2,075,309
Net Position				
Beginning of year				31,510,605
End of year				<b>\$ 33,585,914</b>

The accompanying notes are an integral part of these financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

	General	Grants Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
ASSETS					
ASSETS					
Cash and Investments	\$ 9,657,149	\$ -	\$ 516,953	\$ 2,154,090	\$ 12,328,192
Receivables					
Grants	-	1,082,880	-	75,084	1,157,964
Undistributed Tax Collections	222,053	-	150,989	-	373,042
Property Taxes	1,083,548	-	725,690	-	1,809,238
Accounts	316,971	-	-	-	316,971
Due from Other Funds	-	222,571	-	-	222,571
Restricted Cash and Investments	-	-	-	5,163	5,163
<b>Total Assets</b>	<b>\$ 11,279,721</b>	<b>\$ 1,305,451</b>	<b>\$ 1,393,632</b>	<b>\$ 2,234,337</b>	<b>\$ 16,213,141</b>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 171,073	\$ 1,242	\$ -	\$ 15,786	\$ 188,101
Accrued Payroll and Payroll Liabilities	3,674,268	-	-	-	3,674,268
Due to Other Funds	222,571	-	-	-	222,571
Deferred Revenue	1,030,590	1,084,735	689,487	-	2,804,812
<b>Total Liabilities</b>	<b>5,098,502</b>	<b>1,085,977</b>	<b>689,487</b>	<b>15,786</b>	<b>6,889,752</b>
FUND BALANCES					
Restricted for					
Grant Activities	-	219,474	-	-	219,474
Debt Service	-	-	704,145	-	704,145
Capital Improvements	-	-	-	660,824	660,824
Associated Student Body	-	-	-	507,463	507,463
Nutrition Services	-	-	-	486,686	486,686
Committed to					
Asset Reserve	1,969,466	-	-	-	1,969,466
Insurance Reserve	774,738	-	-	-	774,738
PERS Bond Debt Service	-	-	-	563,578	563,578
Unassigned	3,437,015	-	-	-	3,437,015
<b>Total Fund Balances</b>	<b>6,181,219</b>	<b>219,474</b>	<b>704,145</b>	<b>2,218,551</b>	<b>9,323,389</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,279,721</b>	<b>\$ 1,305,451</b>	<b>\$ 1,393,632</b>	<b>\$ 2,234,337</b>	<b>\$ 16,213,141</b>

The accompanying notes are an integral part of these financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 RECONCILIATION OF GOVERNMENTAL FUNDS  
 BALANCE SHEET TO STATEMENT OF NET POSITION  
 June 30, 2013

Total fund balances - governmental funds \$ 9,323,389

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

Cost	\$ 125,604,785	
Accumulated depreciation	<u>(31,711,025)</u>	93,893,760

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. 1,720,077

The net pension asset is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds. 17,649,388

The unamortized portion of bond issuance costs is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds 501,772

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 recognized as an expenditure when due. These liabilities consist of:

Accrued interest payable	(111,750)	
Bonds Payable	(87,229,804)	
Bond Premium	(7,426,391)	
Deferred charges on refunding	7,751,671	
Net OPEB obligations	<u>(2,486,198)</u>	<u>(89,502,472)</u>

Total Net Position \$ 33,585,914

The accompanying notes are an integral part of these financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 Year Ended June 30, 2013

	General	Grants Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
<b>Revenues</b>					
Property Taxes	\$ 11,011,796	\$ -	\$ 7,573,402	\$ -	\$ 18,585,198
Construction Excise Tax	-	-	-	169,735	169,735
Intermediate Sources	1,895,508	-	-	-	1,895,508
State Sources	36,061,996	1,068,350	-	27,857	37,158,203
Federal Sources	16,475	5,653,681	-	1,910,989	7,581,145
Charges for Services	450,506	70,642	-	1,294,434	1,815,582
Rentals	33,983	-	-	-	33,983
Investment Earnings	98,040	-	19,665	14,374	132,079
Contributions and Donations	3,797	133,909	-	1,500	139,206
Fees Charged to Grants	170,413	-	-	-	170,413
Services to Other Funds	-	-	-	1,911,448	1,911,448
Miscellaneous	199,164	84,065	-	13,162	296,391
<b>Total Revenues</b>	<b>49,941,678</b>	<b>7,010,647</b>	<b>7,593,067</b>	<b>5,343,499</b>	<b>69,888,891</b>
<b>Expenditures</b>					
<b>Current</b>					
Instruction	32,766,351	3,725,221	-	909,809	37,401,381
Support Services	17,826,640	3,227,674	-	-	21,054,314
Enterprise and Community Services	55,000	62,857	-	2,303,664	2,421,521
Facilities Acquisition and Construction	13,504	-	-	2,489	15,993
<b>Debt Service</b>					
Principal	-	-	4,900,000	496,877	5,396,877
Interest	-	-	2,685,761	1,580,119	4,265,880
Bond Issuance Costs	-	-	233,036	-	233,036
<b>Capital Outlay</b>					
Enterprise and Community Services	-	-	-	42,940	42,940
Facilities Acquisition and Construction	212,407	-	-	-	212,407
<b>Total Expenditures</b>	<b>50,873,902</b>	<b>7,015,752</b>	<b>7,818,797</b>	<b>5,335,898</b>	<b>71,044,349</b>
<b>Excess (Deficiency) of</b>					
Revenues Over (Under) Expenditures	(932,224)	(5,105)	(225,730)	7,601	(1,155,458)
<b>Other Financing Sources (Uses)</b>					
Refunding Bonds Issued	-	-	42,075,000	-	42,075,000
Premium on Refunding Bonds Issued	-	-	7,273,383	-	7,273,383
Payment to Refunded Bond Escrow Agent	-	-	(49,112,845)	-	(49,112,845)
<b>Total Other Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>235,538</b>	<b>-</b>	<b>235,538</b>
<b>Net Change in Fund Balance</b>	<b>(932,224)</b>	<b>(5,105)</b>	<b>9,808</b>	<b>7,601</b>	<b>(919,920)</b>
<b>Fund Balances</b>					
Beginning of Year	7,113,443	224,579	694,337	2,210,950	10,243,309
End of year	\$ 6,181,219	\$ 219,474	\$ 704,145	\$ 2,218,551	\$ 9,323,389

The accompanying notes are an integral part of these 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, 2013

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

Net Change in Fund Balances - total governmental funds \$ (919,920)

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	\$ 255,347	
Less current year depreciation	<u>(2,619,049)</u>	(2,363,702)

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 assets. This is the net effect of these differences in the treatment of long-term debt.

Principal payments	5,396,877	
Bond issuance costs on refunding bonds	233,036	
Refunding bonds issued	(42,075,000)	
Premium on refunding bonds issued	(7,273,383)	
Payment to refunded bond escrow agent	<u>49,112,845</u>	5,394,375

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 issuance costs	(274,006)	
Amortization of deferred charge on refunding bonds	(176,174)	
Amortization of premium	<u>1,329,155</u>	878,975

Governmental funds report prepayments on unfunded pension liability as an expenditure. However, in the Statement of Activities this payment is recorded as a net pension assets and amortized on a straight-line basis over the life of the bonds. (1,153,484)

In the statement of activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as interest expenses when due. 20,685

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. 172,791

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: 45,589

Change in Net Position \$ 2,075,309

McMINNVILLE SCHOOL DISTRICT NO. 40  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
June 30, 2013

	<u>Private Purpose Trust Fund</u>
Assets	
Cash and investments	<u>\$          117,017</u>
Total Assets	<u>                  117,017</u>
 Net Position	
Held in trust for:	
Scholarships	<u>                  117,017</u>
Total Net Position	<u><u>                  \$          117,017</u></u>

The accompanying notes are an integral part of these financial statements.



McMINNVILLE SCHOOL DISTRICT NO. 40  
 STATEMENT OF CHANGES IN NET POSITION  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2013

	Private Purpose Trust Fund
Additions:	
Investment earnings	\$ 563
Contributions	1,000
Total Additions	<u>1,563</u>
Deductions:	
Scholarships	<u>8,000</u>
Total Deductions	<u>8,000</u>
Change in Net Position	(6,437)
Net Position	
Beginning of year	<u>123,454</u>
Total Net Position	<u><u>\$ 117,017</u></u>

The accompanying notes are an integral part of these financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
NOTES TO BASIC FINANCIAL STATEMENTS  
Year Ended June 30, 2013

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

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

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

Cash and Investments

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

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

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

Property Taxes Receivable

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

1. Summary of Significant Accounting Policies (Continued)

Property Taxes Receivable (Continued)

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

Accounts and Other Receivables

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

Grants

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

Pension Assets

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

Capital Assets

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

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

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

Retirement Plans

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

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

1. Summary of Significant Accounting Policies (Continued)

Post Employment Health Care Benefits

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

Compensated Absences

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

Long-term Debt

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, 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, as well as bond issuance costs, 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.

1. Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

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

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

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

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

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

*Unassigned fund balance* is the residual classification for balances not assigned to another category.

There are no nonspendable or assigned fund balances as of June 30, 2013.

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:

*Invested for capital assets, net of related debt* – This amount consist of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

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

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

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2013

1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

2. Cash and Investments

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

Cash and investments on June 30, 2013 consist of the following:

Petty Cash	\$ 1,054
Cash with fiscal agent	5,163
Deposits with banks	992,959
Time certificates of deposit	36,258
Investments	<u>11,414,936</u>
	<u>\$ 12,450,370</u>

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

Statement of Net Assets	
Cash and Investments	\$ 12,328,190
Restricted Cash and Investments	5,163
Statement of Net Assets - Fiduciary Funds	
Cash and Investments - Private Purpose Trust	<u>117,017</u>
	<u>\$ 12,450,370</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.



2. Cash and Investments (Continued)

*Custodial credit risk – Deposits (Continued)*

Deposits with financial institutions include primarily bank demand and money market deposits. The balances in these accounts according to the District's records total \$998,124 on June 30, 2013. The bank statement records reflect a balance of \$1,904,581 at year end. Of this amount, \$250,000 is covered by the FDIC's general deposit insurance rules. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of State Treasurer. As a result the District has no exposure to custodial credit risk for deposits with financial institutions.

Investments

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

	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposit	12 months average	\$ 36,258
Oregon State Treasury Local Government Investment Pool	6.56 months average	11,414,936
		<u>\$ 11,451,194</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, 2013 the fund's composite weighted rating was equivalent to S&P's AA ratings. The State's investment policies are governed by statute and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB) and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Certificate of Deposits balance of \$36,258 was covered by Federal Depository Insurance and/or multiple financial institution collateral pool that is maintained by and in the name of the Office of State Treasurer

As of June 30, 2013 and for the year then ended, the District was in compliance with the State of Oregon statutes regarding investments as discussed under Note 1 on Page 26.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2013

3. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 3,972,911	\$ -	\$ -	\$ 3,972,911
Total Capital Assets not being depreciated	3,972,911	-	-	3,972,911
Capital assets being depreciated:				
Buildings and improvements	116,969,192	197,498	-	117,166,690
Equipment	4,454,735	57,849	47,400	4,465,184
Total capital assets being depreciated	121,423,927	255,347	47,400	121,631,874
Less accumulated depreciation for:				
Buildings and improvements	(27,280,345)	(2,270,828)	-	(29,551,173)
Equipment	(1,859,031)	(348,221)	(47,400)	(2,159,852)
Total accumulated depreciation	(29,139,376)	(2,619,049)	(47,400)	(31,711,025)
Total capital assets being depreciated, net	92,284,551	(2,363,702)	-	89,920,849
Total capital assets, net	\$ 96,257,462	\$ (2,363,702)	\$ -	\$ 93,893,760

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

Program	
Instructional programs	\$ 2,402,505
Supporting services	117,620
Community services	98,924
Total depreciation expense	\$ 2,619,049

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, 2013

4. Long-Term Debt (Continued)

General 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, 2013 is as follows:

Issue Date	Issue Amount	Outstanding July 1, 2012	Additions	Reductions	Outstanding June 30, 2013	Interest Rates
General Obligation Bonds:						
09/01/01	\$ 16,835,000	\$ 8,230,000	\$ -	\$ 1,885,000	\$ 6,345,000	5.00 - 5.50%
06/14/07	62,000,000	55,575,000	-	43,710,000	11,865,000	4.50 - 5.25%
02/27/13	42,075,000	-	42,075,000	490,000	41,585,000	1.25% - 5.0%
		63,805,000	42,075,000	46,085,000	59,795,000	
Limited Tax Pension Obligation Bonds:						
10/31/02	16,044,243	13,431,681	-	286,877	13,144,804	4.82 - 5.55 %
02/19/04	13,715,000	13,380,000	-	210,000	13,170,000	4.40 - 5.53%
08/11/11	1,120,000	1,120,000	-	-	1,120,000	4.12%
		27,931,681	-	496,877	27,434,804	
Total G.O. and Pension Bonds		91,736,681	42,075,000	46,581,877	87,229,804	
Unamortized premium		1,482,163	7,273,383	1,329,155	7,426,391	
Deferred charges on refunding		-	(7,751,671)	-	(7,751,671)	
Total bonds payable		93,218,844	41,596,712	47,911,032	86,904,524	
Net OPEB Obligation		2,531,787	-	45,589	2,486,198	
Total long-term debt		\$ 95,750,631	\$ 41,596,712	\$ 47,956,621	\$ 89,390,722	

Future maturities are as follows:

Fiscal Year	Principal	Interest
2013-2014	\$ 5,582,120	\$ 4,301,834
2014-2015	6,183,956	4,088,757
2015-2016	6,811,361	3,860,159
2016-2017	2,857,628	3,607,823
2017-2018	3,182,249	3,551,225
2018-2023	23,932,490	14,301,881
2023-2028	38,680,000	5,690,324
Total	\$ 87,229,804	\$ 39,402,003

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.

4. Long-Term Debt (Continued)

Advance Refunding

The District issued \$42,075,000 general obligation refunding bonds with interest rates ranging from 1.25% to 5.0% on February 27, 2013. The proceeds were used to advance refund \$41,185,000 of Series 2007 bonds which had interest rates ranging from 4.75% to 5.25%, callable on June 15, 2017. The net proceeds of \$49,112,845 from the advance refunding (including a \$7,273,383 premium and after payment of \$233,036 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As required by generally accepted accounting principles, the assets and liabilities of these trust accounts are not included in the District's basic financial statements. As a result, the Series 2007 bonds callable on June 15, 2017 are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$7,927,844. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The advance refunding reduced the total debt service payments over the next 15 years by approximately \$2.54 million. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2.14 million.

5. Interfund Receivables & Payables

The composition of interfund balances as of June 30, 2013 is as follows:

	Due From Other Funds	Due to Other Funds
	<u>                    </u>	<u>                    </u>
Major Government Funds		
General Fund	\$ -	\$ 222,571
Grants Fund	222,571	-
	<u>                    </u>	<u>                    </u>
	<u>\$ 222,571</u>	<u>\$ 222,571</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, 2013, there is a \$222,571 interfund balance in the Grants Fund which represents deferred grant revenues.

6. Pension Plan

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

6. Pension Plan (Continued)

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

Description of Funding Policy

Covered employees are required by state statute to contribute 6 percent of their salary to PERS. Starting July 1, 2008, this amount is paid by the District for administrative and licensed employee groups. The District is required by this statute to contribute, at an actuarially determined rate, the remaining amounts necessary to pay benefits when due; the District's employer contribution effective July 1, 2011 for Tier I / Tier II and OPSRP employees are 12.12% and 10.61%.

The District is required by statute to contribute actuarially computed amounts as determined by PERS. Rates are subject to change every two years as a result of subsequent actuarial valuations. The contribution rates are revised to reflect the issuance of pension bonds to finance a portion of the District's estimated unfunded actuarial liability. PERS charges to various funds for the year ended June 30, 2013 to cover bond payments were estimated to be 8.00% of covered payroll.

Contribution information for the years ending June 30, 2013, 2012, and 2011 is as follows:

Year Ended June 30,	Employer Contributions		Employee Contributions		Total Contribution
	Annual Pension Costs (APC)	Percentages of APC Contributed	Paid by Employer	Paid by Employee	
2013	\$ 3,516,444	100%	\$ 1,344,934	\$ 482,974	\$ 5,344,352
2012	3,500,020	100%	1,315,289	496,239	5,311,548
2011	1,227,347	100%	1,338,323	500,883	3,066,553

7. Net Pension Asset

As a result of the issuance of the limited tax pension obligations bonds discussed in Note 4, the District has reported a Net Pension Asset in the Statement of Net Position. The Net Pension Asset is equal to the initial \$28,837,103 in payments made to PERS from the bond proceeds, less accumulated amortization of \$11,187,716. Annual amortization is being calculated on a straight-line basis over the life of the pension obligation bonds.

8. Other Post Employment Benefits

Early Retirement

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.

8. Other Post Employment Benefits (Continued)

Early Retirement (Continued)

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:

	2013	2012	2011
Annual required contribution	\$ 947,518	\$ 1,916,101	\$ 1,851,305
Interest on net OPEB obligation	101,272	75,380	44,789
Adjustment to annual required contribution	(347,754)	(226,831)	(87,678)
Annual OPEB cost (expense)	701,036	1,764,650	1,808,416
Contributions made	746,625	1,117,315	1,043,606
Increase in net OPEB obligation	(45,589)	647,335	764,810
Net OPEB obligation -- beginning of year	2,531,787	1,884,452	1,119,642
Net OPEB obligation -- end of year	<u>\$ 2,486,198</u>	<u>\$ 2,531,787</u>	<u>\$ 1,884,452</u>

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, 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

9. Other Post Employment Benefits (Continued)

Funded Status of and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date, for the periods ended June 30, 2012 and June 30, 2013; the District's actuarial accrued liability (AAL) for benefits was \$6,055,109, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,055,109. The covered payroll (annual payroll of active employees covered by the plan) was \$30,566,801 and the ratio of the UAAL to the covered payroll was 20 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress 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 – The projected unit credit actuarial cost method was used to determine contribution levels for the early retirement plan. Contribution levels are comprised of two components: normal cost and amortization payments. Under this method, the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries and medical premiums) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year.

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

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

Tax Sheltered Annuity

The District offers its employees a tax deferred annuity program established pursuant to Section 403(b) of the Internal Revenue Code (the Code). Contributions are made through salary reductions from participating employee up to the amounts specified in the Code. No contributions are required from the District. As of June 30, 2013, 250 employees were participating in the plan.

10. Risk Management

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

11. Contingent Liabilities

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

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

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

12. Adoption of GASB Statement No. 63

During the year, the District adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The adoption of this statement has no material impact on comparison with prior year financial statements, or any amounts presented in the current year financial statements. The adoption of this policy required that amounts referred to in prior years as net assets, be referred to as net position in the current, and future, years. The names of several statements were changed accordingly.



**REQUIRED**  
**SUPPLEMENTARY INFORMATION**

McMINNVILLE SCHOOL DISTRICT NO. 40  
 SCHEDULE OF FUNDING PROGRESS FOR  
 OTHER POST EMPLOYMENT BENEFITS  
 June 30, 2013

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

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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

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, 2013

	Budget		Actual	Variance with Final budget
	Adopted	Final		
<b>Revenues</b>				
<b>Revenues from Local Sources</b>				
Property Taxes	\$ 10,950,000	\$ 10,950,000	\$ 11,011,796	\$ 61,796
Tuition	351,000	351,000	243,988	(107,012)
Investment Earnings	100,000	100,000	82,734	(17,266)
Extracurricular Activities	109,000	109,000	125,481	16,481
Community Service Activities	70,000	70,000	81,037	11,037
Rentals	12,000	12,000	13,885	1,885
Contributions and Donations	-	-	189	189
Fees Charged to Grants	150,000	150,000	170,413	20,413
Miscellaneous Local Sources	30,001	30,001	37,577	7,576
<b>Total Local Revenues</b>	<b>11,772,001</b>	<b>11,772,001</b>	<b>11,767,100</b>	<b>(4,901)</b>
<b>Revenues from Intermediate Sources</b>				
ESD Apportionment	1,800,000	1,800,000	1,875,412	75,412
County School Fund	60,000	60,000	20,096	(39,904)
<b>Total Intermediate Revenues</b>	<b>1,860,000</b>	<b>1,860,000</b>	<b>1,895,508</b>	<b>35,508</b>
<b>Revenues from State Sources</b>				
State School Fund Support	35,800,000	35,800,000	35,428,598	(371,402)
Common School Fund	627,500	627,500	633,398	5,898
<b>Total State Revenues</b>	<b>36,427,500</b>	<b>36,427,500</b>	<b>36,061,996</b>	<b>(365,504)</b>
<b>Revenues from Federal Sources</b>				
Child Care and Development Fund	20,000	20,000	13,397	(6,603)
Child Care Food Program	-	-	3,078	3,078
<b>Total Federal Revenues</b>	<b>20,000</b>	<b>20,000</b>	<b>16,475</b>	<b>(3,525)</b>
<b>Total Revenues</b>	<b>50,079,501</b>	<b>50,079,501</b>	<b>49,741,079</b>	<b>(338,422)</b>
<b>Expenditures</b>				
Instruction *	33,018,650	33,018,650	32,763,365	255,285
Support Services *	18,245,851	18,245,851	17,690,811	555,040
Community Services *	55,000	55,000	55,000	-
Facilities Acquisition and Construction *	10,000	10,000	-	10,000
Contingencies *	2,500,000	2,500,000	-	2,500,000
<b>Total Expenditures</b>	<b>53,829,501</b>	<b>53,829,501</b>	<b>50,509,176</b>	<b>3,320,325</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(3,750,000)</b>	<b>(3,750,000)</b>	<b>(768,097)</b>	<b>2,981,903</b>
<b>Other Financing Sources (Uses):</b>				
Transfers out *	(250,000)	(250,000)	(250,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(250,000)</b>	<b>(250,000)</b>	<b>(250,000)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(4,000,000)</b>	<b>(4,000,000)</b>	<b>(1,018,097)</b>	<b>2,981,903</b>
<b>Fund Balance</b>				
Beginning of Year	4,000,000	4,000,000	4,455,112	455,112
End of Year	\$ -	\$ -	3,437,015	\$ 3,437,015
* Legally adopted appropriation level				
<b>Reconciliation to Governmental Ending Fund Balance:</b>				
Asset Reserve Fund			1,969,466	
Insurance Reserve Fund			774,738	
<b>Total Governmental Funds</b>			<b>\$ 6,181,219</b>	

McMINNVILLE SCHOOL DISTRICT NO. 40  
 GRANTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)  
 Year Ended June 30, 2013

	Budget		Actual	Variance with Final budget
	Adopted	Final		
Revenues				
Local Sources	\$ 432,850	\$ 432,850	\$ 288,616	\$ (144,234)
Intermediate Sources	-	-	-	-
State Sources	953,000	953,000	1,068,350	115,350
Federal Sources	6,509,629	6,509,629	5,653,681	(855,948)
Total Revenues	<u>7,895,479</u>	<u>7,895,479</u>	<u>7,010,647</u>	<u>(884,832)</u>
Expenditures				
Instruction *	4,410,297	3,810,297	3,725,221	85,076
Support Services *	3,260,478	3,860,478	3,227,674	632,804
Community Services *	301,804	301,804	62,857	238,947
Facilities Acquisition and Construction *	102,500	102,500	-	102,500
Total Expenditures	<u>8,075,079</u>	<u>8,075,079</u>	<u>7,015,752</u>	<u>1,059,327</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(179,600)	(179,600)	(5,105)	174,495
Fund Balances				
Beginning of Year	<u>179,600</u>	<u>179,600</u>	<u>224,579</u>	<u>44,979</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,474</u>	<u>\$ 219,474</u>

\* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2013

1. Other Postemployment Benefits

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

2. General Fund

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

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

3. Budget

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

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

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

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# **SUPPLEMENTARY INFORMATION**

McMINNVILLE SCHOOL DISTRICT NO. 40  
 COMBINING BALANCE SHEET  
 MAJOR GOVERNMENTAL FUND - GENERAL FUND  
 June 30, 2013

	<u>General</u>	<u>Asset Reserve Fund</u>	<u>Insurance Reserve Fund</u>	<u>Totals</u>
ASSETS				
ASSETS				
Cash and Investments	\$ 6,888,959	\$ 1,969,646	\$ 798,544	\$ 9,657,149
Receivables				
Undistributed Tax Collections	222,053	-	-	222,053
Property Taxes	1,083,548	-	-	1,083,548
Accounts	316,971	-	-	316,971
Total Assets	<u>\$ 8,511,531</u>	<u>\$ 1,969,646</u>	<u>\$ 798,544</u>	<u>\$ 11,279,721</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 147,087	\$ 180	\$ 23,806	\$ 171,073
Accrued Payroll and Payroll Liabilities	3,674,268	-	-	3,674,268
Due to Other Funds	222,571	-	-	222,571
Deferred Revenue	1,030,590	-	-	1,030,590
Total Liabilities	<u>5,074,516</u>	<u>180</u>	<u>23,806</u>	<u>5,098,502</u>
FUND BALANCES				
Fund Balances				
Committed to				
Asset Reserve	-	1,969,466	-	1,969,466
Insurance Reserve	-	-	774,738	774,738
Unassigned	3,437,015	-	-	3,437,015
Total Fund Balances	<u>3,437,015</u>	<u>1,969,466</u>	<u>774,738</u>	<u>6,181,219</u>
Total Liabilities and Fund Balances	<u>\$ 8,511,531</u>	<u>\$ 1,969,646</u>	<u>\$ 798,544</u>	<u>\$ 11,279,721</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, 2013

	General Fund	Asset Reserve	Insurance Reserve	Total
<b>Revenues</b>				
Property Taxes	\$ 11,011,796	\$ -	\$ -	\$ 11,011,796
Intermediate Sources	1,895,508	-	-	1,895,508
State Sources	36,061,996	-	-	36,061,996
Federal Sources	16,475	-	-	16,475
Charges for Services	450,506	-	-	450,506
Rentals	13,885	20,098	-	33,983
Investment Earnings	82,734	10,513	4,793	98,040
Contributions and Donations	189	3,608	-	3,797
Fees Charged to Grants	170,413	-	-	170,413
Miscellaneous	37,577	98,809	62,778	199,164
<b>Total Revenues</b>	<b>49,741,079</b>	<b>133,028</b>	<b>67,571</b>	<b>49,941,678</b>
<b>Expenditures</b>				
Instruction	32,763,365	-	2,986	32,766,351
Support Services	17,690,811	67,155	68,674	17,826,640
Enterprise and Community Services	55,000	-	-	55,000
Facilities Acquisition and Construction	-	225,911	-	225,911
<b>Total Expenditures</b>	<b>50,509,176</b>	<b>293,066</b>	<b>71,660</b>	<b>50,873,902</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(768,097)</b>	<b>(160,038)</b>	<b>(4,089)</b>	<b>(932,224)</b>
<b>Other Financing Sources (Uses)</b>				
Transfer In	-	250,000	-	250,000
Transfers Out	(250,000)	-	-	(250,000)
<b>Total Other Sources (Uses)</b>	<b>(250,000)</b>	<b>250,000</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(1,018,097)</b>	<b>89,962</b>	<b>(4,089)</b>	<b>(932,224)</b>
<b>Fund Balances</b>				
Beginning of Year	4,455,112	1,879,504	778,827	7,113,443
End of Year	\$ 3,437,015	\$ 1,969,466	\$ 774,738	\$ 6,181,219

McMINNVILLE SCHOOL DISTRICT NO. 40  
ASSET RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
<b>Revenues</b>				
Revenues from Local Sources				
Investment Earnings	\$ 10,000	\$ 10,000	\$ 10,513	\$ 513
Rentals	30,000	30,000	20,098	(9,902)
Contributions and Donations	-	-	3,608	3,608
Miscellaneous Local Sources	10,000	10,000	98,809	88,809
Total Revenue	<u>50,000</u>	<u>50,000</u>	<u>133,028</u>	<u>83,028</u>
<b>Expenditures</b>				
Support Services *	425,000	425,000	67,155	357,845
Facilities Acquisition and Construction *	<u>1,675,000</u>	<u>1,675,000</u>	<u>225,911</u>	<u>1,449,089</u>
Total Expenditures	<u>2,100,000</u>	<u>2,100,000</u>	<u>293,066</u>	<u>1,806,934</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,050,000)	(2,050,000)	(160,038)	1,889,962
<b>Other Financing Sources</b>				
Transfer in	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total Other Sources *	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(1,800,000)	(1,800,000)	89,962	1,889,962
<b>Fund Balance</b>				
Beginning of Year	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,879,504</u>	<u>79,504</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,969,466</u>	<u>\$ 1,969,466</u>

\* 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, 2013

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
<b>Revenues</b>				
Revenues from Local Sources				
Investment Earnings	\$ 5,000	\$ 5,000	\$ 4,793	\$ (207)
Miscellaneous Local Sources	<u>40,000</u>	<u>40,000</u>	<u>62,778</u>	<u>22,778</u>
Total Revenue	<u>45,000</u>	<u>45,000</u>	<u>67,571</u>	<u>22,571</u>
<b>Expenditures</b>				
Instruction *	400,000	400,000	2,986	397,014
Support Services *	<u>395,000</u>	<u>395,000</u>	<u>68,674</u>	<u>326,326</u>
Total Expenditures	<u>795,000</u>	<u>795,000</u>	<u>71,660</u>	<u>723,340</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(750,000)	(750,000)	(4,089)	745,911
<b>Fund Balance</b>				
Beginning of Year	<u>750,000</u>	<u>750,000</u>	<u>778,827</u>	<u>28,827</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 774,738</u>	<u>\$ 774,738</u>

\* Legally adopted appropriation level

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## **OTHER MAJOR GOVERNMENTAL FUNDS**

McMINNVILLE SCHOOL DISTRICT NO. 40  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Property Taxes	\$ 7,514,000	\$ 7,514,000	\$ 7,573,402	\$ 59,402
Investment Earnings	16,000	16,000	19,665	3,665
Total Revenue	<u>7,530,000</u>	<u>7,530,000</u>	<u>7,593,067</u>	<u>63,067</u>
Expenditures				
Debt Service *				
Redemption of Principal	4,410,000	4,410,000	4,900,000	(490,000)
Interest	3,178,431	3,178,431	2,685,761	492,670
Bond Issuance Costs	-	-	233,036	(233,036)
Total Expenditures	<u>7,588,431</u>	<u>7,588,431</u>	<u>7,818,797</u>	<u>(230,366) **</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(58,431)</u>	<u>(58,431)</u>	<u>(225,730)</u>	<u>(167,299)</u>
Other Financing Sources (Uses)				
Refunding Bonds Issued	-	-	42,075,000	42,075,000
Premium on Refunding Bonds Issued	-	-	7,273,383	7,273,383
Payment to Refunded Bonds Escrow Agent	-	-	(49,112,845)	(49,112,845)
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>235,538</u>	<u>235,538</u>
Net Change in Fund Balance	(58,431)	(58,431)	9,808	68,239
Fund Balance				
Beginning of Year	<u>589,000</u>	<u>589,000</u>	<u>694,337</u>	<u>105,337</u>
End of Year	<u>\$ 530,569</u>	<u>\$ 530,569</u>	<u>\$ 704,145</u>	<u>\$ 173,576</u>

\* Legally adopted appropriation level

\*\* Not a budget violation

## **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, 2013

	Special Revenue Funds				Total
	School Nutrition Fund	Student Body Fund	Construction Excise Tax Fund	PERS Debt Service Fund	
<b>ASSETS</b>					
<b>ASSETS</b>					
Cash and Investments	\$ 427,388	\$ 507,463	\$ 660,824	\$ 558,415	\$ 2,154,090
Grants Receivable	75,084	-	-	-	75,084
Restricted Cash and Investments	-	-	-	5,163	5,163
<b>Total Assets</b>	<b>\$ 502,472</b>	<b>\$ 507,463</b>	<b>\$ 660,824</b>	<b>\$ 563,578</b>	<b>\$ 2,234,337</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 15,786	\$ -	\$ -	\$ -	\$ 15,786
<b>Total Liabilities</b>	<b>15,786</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,786</b>
<b>FUND BALANCES</b>					
Restricted for					
Capital Improvements	-	-	660,824	-	660,824
Nutrition Services	486,686	-	-	-	486,686
Student Body Activities	-	507,463	-	-	507,463
Committed To					
PERS Debt Service	-	-	-	563,578	563,578
<b>Total Fund Balances</b>	<b>486,686</b>	<b>507,463</b>	<b>660,824</b>	<b>563,578</b>	<b>2,218,551</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 502,472</b>	<b>\$ 507,463</b>	<b>\$ 660,824</b>	<b>\$ 563,578</b>	<b>\$ 2,234,337</b>



McMINNVILLE SCHOOL DISTRICT NO. 40  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2013

	Special Revenue Funds				Total
	School Nutrition Fund	Student Body Fund	Construction Excise Tax Fund	PERS Debt Service Fund	
Revenues					
Local Sources	\$ 391,821	\$ 918,948	\$ 172,997	\$ 1,920,887	\$ 3,404,653
State Sources	27,857	-	-	-	27,857
Federal Sources	1,910,989	-	-	-	1,910,989
<b>Total Revenues</b>	<b>2,330,667</b>	<b>918,948</b>	<b>172,997</b>	<b>1,920,887</b>	<b>5,343,499</b>
Expenditures					
Instruction	-	909,809	-	-	909,809
Enterprise and Community Services	2,346,604	-	-	-	2,346,604
Facilities Acquisition and Construction	-	-	2,489	-	2,489
Debt Service					
Principal	-	-	-	496,877	496,877
Interest	-	-	-	1,580,119	1,580,119
<b>Total Expenditures</b>	<b>2,346,604</b>	<b>909,809</b>	<b>2,489</b>	<b>2,076,996</b>	<b>5,335,898</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,937)	9,139	170,508	(156,109)	7,601
Fund Balances					
Beginning of Year	502,623	498,324	490,316	719,687	2,210,950
End of Year	\$ 486,686	\$ 507,463	\$ 660,824	\$ 563,578	\$ 2,218,551

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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, 2013

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
<b>Revenues</b>				
Revenues from Local Sources				
Sales	\$ 560,000	\$ 560,000	\$ 375,486	\$ (184,514)
Investment Earnings	1,000	1,000	1,673	673
Miscellaneous Local Sources	18,000	18,000	14,662	(3,338)
<b>Total Local Sources</b>	<b>579,000</b>	<b>579,000</b>	<b>391,821</b>	<b>(187,179)</b>
Revenue from State Sources				
State School Fund	24,500	24,500	23,122	(1,378)
State Restricted Grants	-	-	4,735	4,735
<b>Total State Sources</b>	<b>24,500</b>	<b>24,500</b>	<b>27,857</b>	<b>3,357</b>
Revenues from Federal Sources				
National School Lunch Program	1,841,950	1,841,950	1,738,372	(103,578)
U.S.D.A. Donated Commodities	165,000	165,000	120,772	(44,228)
Federal Restricted Grants	50,000	50,000	51,845	1,845
<b>Total Federal Sources</b>	<b>2,056,950</b>	<b>2,056,950</b>	<b>1,910,989</b>	<b>(145,961)</b>
<b>Total Revenues</b>	<b>2,660,450</b>	<b>2,660,450</b>	<b>2,330,667</b>	<b>(329,783)</b>
<b>Expenditures</b>				
Enterprise and Community Services *	3,047,450	3,047,450	2,346,604	700,846
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(387,000)</b>	<b>(387,000)</b>	<b>(15,937)</b>	<b>371,063</b>
<b>Fund Balance</b>				
Beginning of Year	387,000	387,000	502,623	115,623
End of Year	\$ -	\$ -	\$ 486,686	\$ 486,686

\* 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, 2013

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Extracurricular Activities	\$ 1,005,000	\$ 1,005,000	\$ 918,948	\$ (86,052)
Expenditures				
Instruction *	1,500,000	1,500,000	909,809	590,191
Excess (Deficiency) of Revenues Over (Under) Expenditures	(495,000)	(495,000)	9,139	504,139
Fund Balance				
Beginning of Year	495,000	495,000	498,324	3,324
End of Year	\$ -	\$ -	\$ 507,463	\$ 507,463

\* 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, 2013

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Excise tax	\$ 100,000	\$ 100,000	\$ 169,735	\$ 69,735
Investment Earnings	3,000	3,000	3,262	262
Total Revenues	103,000	103,000	172,997	69,997
Expenditures				
Facilities Acquisition and Construction*	563,000	563,000	2,489	560,511
Excess (Deficiency) of Revenues Over (Under) Expenditures	(460,000)	(460,000)	170,508	630,508
Fund Balance				
Beginning of the Year	460,000	460,000	490,316	30,316
End of Year	\$ -	\$ -	\$ 660,824	\$ 660,824

\* 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, 2013

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
<b>Revenues</b>				
Revenues from Local Sources				
Investment Earnings	\$ 6,000	\$ 6,000	\$ 9,439	\$ 3,439
Services Provided to Other Funds	1,700,000	1,700,000	1,911,448	211,448
<b>Total Revenues</b>	<b>1,706,000</b>	<b>1,706,000</b>	<b>1,920,887</b>	<b>214,887</b>
<b>Expenditures</b>				
Debt Service *				
Redemption of Principal	496,877	496,877	496,877	-
Interest	1,580,120	1,580,120	1,580,119	1
<b>Total Debt Service</b>	<b>2,076,997</b>	<b>2,076,997</b>	<b>2,076,996</b>	<b>1</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(370,997)	(370,997)	(156,109)	214,888
<b>Fund Balance</b>				
Beginning of Year	800,000	800,000	719,687	(80,313)
End of Year	\$ 429,003	\$ 429,003	\$ 563,578	\$ 134,575

\* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40  
 CONSTRUCTION EARNINGS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 Year Ended June 30, 2013

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Expenditures				
Facilities Acquisition and Construction *	387,000	387,000	-	387,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(384,000)	(384,000)	-	384,000
Fund Balance				
Beginning of Year	384,000	384,000	-	(384,000)
End of Year	\$ -	\$ -	\$ -	\$ -

\* Legally adopted appropriation level



# **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, 2013

	Budget		Actual	Variance Favorable (Unfavorable)
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Earnings on Investments	\$ 1,000	\$ 1,000	\$ 563	\$ (437)
Contributions	10,000	10,000	1,000	(9,000)
Total Revenues	11,000	11,000	1,563	(9,437)
Expenditures				
Community Services *	50,000	50,000	8,000	42,000
Operating Contingencies *	100,000	100,000	-	100,000
Total Expenditures	150,000	150,000	8,000	142,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(139,000)	(139,000)	(6,437)	132,563
Fund Balances				
Beginning of Year	139,000	139,000	123,454	(15,546)
End of Year	\$ -	\$ -	\$ 117,017	\$ 117,017

\* Legally adopted appropriation level

# **OTHER FINANCIAL SCHEDULES**

McMINNVILLE SCHOOL DISTRICT NO. 40  
 SCHEDULE OF PROPERTY TAX TRANSACTIONS  
 Year Ended June 30, 2013

<u>Tax Roll Year</u>	<u>Uncollected July 1, 2012 and Tax Levy</u>	<u>Less Discounts</u>	<u>Net Adjustments</u>	<u>Collections</u>	<u>Uncollected June 30,2013</u>
2012-2013	19,244,450	\$ 475,619	\$ (118,057)	\$ 17,757,708	\$ 893,066
2011-2012	834,448	-	(22,156)	406,197	406,095
2010-2011	479,476	-	(7,284)	216,305	255,887
2009-2010	254,695	-	(1,261)	121,669	131,765
2008-2009	75,443	-	(1,227)	45,169	29,047
2007-2008	28,308	-	(982)	6,734	20,592
Prior	94,374	-	(14,952)	6,634	72,788
	<u>\$ 21,011,194</u>	<u>\$ 475,619</u>	<u>\$ (165,919)</u>	18,560,416	<u>\$ 1,809,240</u>

Interest	149,403
Offsets and other adjustments	5,675
Undistributed tax collections, June 30, 2013	89,162
Undistributed tax collections, June 30, 2012	<u>(219,458)</u>

Revenue Turned Over to District \$ 18,585,198

	<u>General Fund</u>	<u>Debt Sevice Fund</u>	<u>Total Revenue</u>
Current Year's Taxes	\$ 10,558,248	\$ 7,268,373	\$ 17,826,621
Prior Year's Taxes	<u>453,548</u>	<u>305,029</u>	<u>758,577</u>
Revenue Turned Over to District	<u>\$ 11,011,796</u>	<u>\$ 7,573,402</u>	<u>\$ 18,585,198</u>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 SUPPLEMENTAL INFORMATION AS REQUIRED  
 BY THE OREGON DEPARTMENT OF EDUCATION  
 Year Ended June 30, 2013

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

	Objects 325 & 326
Function 2540	\$ 901,207
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, 2013

	General Fund 100	Special Revenue Fund 200	Debt Service Fund 300	Trust Fund 700	Total
<b>Local Sources</b>					
1111 Current year taxes	\$ 10,558,248	\$ -	\$ 7,268,373	\$ -	\$ 17,826,621
1112 Prior year taxes	453,548	-	305,029	-	758,577
1130 Construction Excise Tax	-	169,735	-	-	169,735
1300 Tuition	243,988	-	-	-	243,988
1500 Earnings on Investments	82,734	20,241	29,104	563	132,642
1600 Food Service	-	375,486	-	-	375,486
1700 Extra-Curricular Activities	125,481	989,590	-	-	1,115,071
1800 Community Service Activities	81,037	-	-	-	81,037
1910 Rentals	13,885	20,098	-	-	33,983
1920 Contributions and Donations	189	139,017	-	1,000	140,206
1960 Recovery of Prior Years' Expenditure	-	-	-	-	-
1970 Services Provided Other Funds	-	-	1,911,448	-	1,911,448
1980 Fees Charged to Grants	170,413	-	-	-	170,413
1990 Miscellaneous	37,577	258,814	-	-	296,391
<b>Total Local Sources</b>	<b>11,767,100</b>	<b>1,972,981</b>	<b>9,513,954</b>	<b>1,563</b>	<b>23,255,598</b>
<b>Intermediate Sources</b>					
2101 County School Fund	20,096	-	-	-	20,096
2102 ESD Apportionment	1,875,412	-	-	-	1,875,412
2199 Other Intermediate Sources	-	-	-	-	-
2200 Restricted Revenue	-	-	-	-	-
<b>Total Intermediate Sources</b>	<b>1,895,508</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,895,508</b>
<b>State Sources</b>					
3101 State School Fund	35,428,598	-	-	-	35,428,598
3102 State School Fund Match	-	23,122	-	-	23,122
3103 Common School Fund	633,398	-	-	-	633,398
3299 Other Restricted Grants-In-Aid	-	1,073,085	-	-	1,073,085
<b>Total State Sources</b>	<b>36,061,996</b>	<b>1,096,207</b>	<b>-</b>	<b>-</b>	<b>37,158,203</b>
<b>Federal Sources</b>					
4300 Restricted Direct from Federal	-	1,674,186	-	-	1,674,186
4500 Restricted Through State	16,475	5,682,226	-	-	5,698,701
4700 Restricted Through Intermediate	-	87,486	-	-	87,486
4900 Commodities	-	120,772	-	-	120,772
<b>Total Federal Sources</b>	<b>16,475</b>	<b>7,564,670</b>	<b>-</b>	<b>-</b>	<b>7,581,145</b>
<b>Other Sources</b>					
5100 Bond Proceeds	-	-	49,348,383	-	49,348,383
5200 Interfund Transfers In	-	250,000	-	-	250,000
<b>Total Other Sources</b>	<b>-</b>	<b>250,000</b>	<b>49,348,383</b>	<b>-</b>	<b>49,598,383</b>
<b>TOTAL REVENUES</b>	<b>\$ 49,741,079</b>	<b>\$ 10,883,858</b>	<b>\$ 58,862,337</b>	<b>\$ 1,563</b>	<b>\$ 119,488,837</b>

McMINNVILLE SCHOOL DISTRICT NO. 40  
GENERAL FUND (100) EXPENDITURE SUMMARY (BUDGETARY BASIS)  
Year Ended June 30, 2013

	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Transfers Object 700	Total
<b>Instruction</b>								
1111 Elementary Programs	\$ 6,942,496	\$ 3,871,215	\$ 107,271	\$ 580,709	\$ -	\$ -	\$ -	\$ 11,501,691
1121 Middle/Junior High Programs	3,629,299	2,035,983	35,679	100,515	-	300	-	5,801,776
1122 Middle/Junior High School Extracurricular	70,535	20,393	6,258	9,928	-	1,012	-	108,126
1131 High School Programs	4,376,618	2,408,181	133,547	179,534	-	405	-	7,098,285
1132 High School Extra-curricular	253,134	67,826	42,067	42,542	-	1,215	-	406,784
1140 Pre-kindergarten Programs	9,702	6,676	-	-	-	-	-	16,378
1210 Programs for the Talented and Gifted	124,650	77,076	288	1,989	-	-	-	204,003
1220 Restrictive programs for students with disabilities	981,217	663,063	2,284	5,212	-	-	-	1,651,776
1250 Less restrictive programs for students with disabilities	1,385,871	853,756	822	5,837	-	-	-	2,246,286
1280 Alternative Education	597,115	354,400	270	7,968	-	-	-	959,753
1291 English Second Language Programs	1,526,398	945,699	1,317	21,264	-	129	-	2,494,807
1292 Teen Parent Programs	113,744	69,645	-	11,418	-	-	-	194,807
1294 County Corrections	-	-	38,500	-	-	-	-	38,500
1299 Other Programs	30,547	2,814	977	-	-	-	-	34,338
1400 Summer School Programs	4,621	1,434	-	-	-	-	-	6,055
<b>Total Instruction</b>	<b>20,045,947</b>	<b>11,378,161</b>	<b>369,280</b>	<b>966,916</b>	<b>-</b>	<b>3,061</b>	<b>-</b>	<b>32,763,365</b>
<b>Support Services</b>								
2110 Attendance and Social Work Services	309,687	197,742	-	418	-	-	-	507,847
2120 Guidance Services	967,311	564,119	-	4,691	-	-	-	1,536,121
2130 Health Services	101,238	78,170	1,214	-	-	269	-	180,891
2140 Psychological Services	159,946	96,371	93,977	859	-	-	-	351,153
2150 Speech Pathology and Audiology Services	182,255	102,815	387,323	1,087	-	710	-	674,190
2160 Other Student Treatment	-	-	33,661	-	-	-	-	33,661
2190 Service Direction: Student Support Services	254,244	131,563	14,988	5,825	-	-	-	406,620
2210 Improvement of Instruction Services	239,016	102,121	10,598	10,442	-	-	-	362,177
2213 Technology Curriculum Development	60,623	38,447	799	42,864	-	-	-	142,733
2220 Educational Media Services	375,203	232,238	1,400	35,213	-	50	-	644,104
2230 Assessment and Testing	-	-	4,037	12,558	-	-	-	16,595
2240 Instructional Staff Development	3,172	828	76,963	4,673	-	-	-	85,636
2310 Board of Education Services	-	-	110,536	2,855	-	87,791	-	201,182
2320 Executive Administration Services	189,362	113,834	4,392	6,443	-	2,260	-	316,291
2410 Office of the Principal Services	1,872,273	1,020,867	20,311	45,664	-	1,445	-	2,960,560
2510 Direction of Business Support Services	118,021	51,539	7,062	1,929	-	391	-	178,942
2520 Fiscal Services	265,344	140,459	8,459	3,554	-	16,189	-	434,005
2540 Operation and Maintenance of Plant Services	1,561,906	1,043,115	1,491,295	293,205	-	201,594	-	4,591,115
2550 Student Transportation Services	-	-	2,163,190	-	-	-	-	2,163,190
2570 Internal Services	-	-	30,913	24,331	-	2,000	-	57,244
2610 Direction of Central Support Services	193,008	98,479	64,661	9,180	-	14,336	-	379,664
2630 Information Services	20,080	1,614	7,037	743	-	-	-	29,474
2640 Staff Services	-	-	-	-	-	-	-	-
2660 Technology Services	394,834	198,060	185,425	11,715	-	-	-	790,034
2700 Supplemental Retirement Program	78,165	569,217	-	-	-	-	-	647,382
<b>Total Support Services</b>	<b>7,345,688</b>	<b>4,781,598</b>	<b>4,718,241</b>	<b>518,249</b>	<b>-</b>	<b>327,035</b>	<b>-</b>	<b>17,690,811</b>
<b>Enterprise and Community Services</b>								
3300 Community Services	-	-	55,000	-	-	-	-	55,000
<b>Total Enterprise and Community Services</b>	<b>-</b>	<b>-</b>	<b>55,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,000</b>
<b>Other Functions</b>								
5200 Transfers of Funds	-	-	-	-	-	-	250,000	250,000
<b>Total Other Functions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250,000</b>	<b>250,000</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 27,391,635</b>	<b>\$ 16,159,759</b>	<b>\$ 5,142,521</b>	<b>\$ 1,485,165</b>	<b>\$ -</b>	<b>\$ 330,096</b>	<b>\$ 250,000</b>	<b>\$ 50,759,176</b>

McMINNVILLE SCHOOL DISTRICT NO. 40  
SPECIAL REVENUE FUNDS (200) EXPENDITURE SUMMARY (BUDGETARY BASIS)  
Year Ended June 30, 2013

	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	\$ 3,061	\$ 564	\$ -	\$ 400,285	\$ -	\$ -	\$ -	\$ 403,910
1110 Elementary Programs	-	-	-	80,737	-	-	-	80,737
1113 Elementary Extracurricular	1,749	519	-	89,089	-	-	-	91,454
1121 Middle/Junior High Programs	22,097	6,397	-	140,693	-	97	-	169,177
1122 Middle/Junior High School Extracurricular	10,756	1,715	26,753	187,011	-	-	-	226,235
1131 High School Programs	4,946	1,356	-	688,786	-	-	-	695,088
1132 High School Extra-curricular	22,816	14,253	-	18,564	-	-	-	55,633
1140 Pre-kindergarten Programs	192,633	120,042	356,187	1,702	-	-	-	670,564
1220 Restrictive programs for students with disabilities	110,878	88,449	-	3,842	-	10,428	-	203,169
1250 Less restrictive programs for students with disabilities	222,797	59,314	15,253	25,535	-	-	-	333,327
1271 Remediation	939,693	556,661	-	2,996	-	51,734	-	1,551,084
1272 Title I	81,024	43,499	1,509	10,495	-	2,733	-	139,260
1291 English Second Language Programs	-	159	-	2,142	-	-	-	3,403
1292 Teen Parent Programs	9,706	2,577	-	2,692	-	-	-	14,975
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction	1,623,258	895,505	399,702	1,654,559	-	64,992	-	4,638,016
Support Services	1,623,257	895,504	399,703	1,654,559	-	64,993	-	4,638,016
2110 Attendance and Social Work Services	21,376	10,703	11,506	28,970	-	2,383	35,939	110,877
2120 Guidance Services	5,669	1,581	-	-	-	-	-	7,250
2130 Health Services	22,594	14,362	-	-	-	-	-	36,956
2150 Speech Pathology and Audiology Services	23,690	19,894	-	-	-	-	-	43,584
2190 Service Direction: Student Support Services	45,202	21,490	-	-	-	20,289	-	86,981
2210 Improvement of Instruction Services	1,488,221	544,035	96,113	26,598	-	71,023	-	2,225,990
2240 Instructional Staff Development	213,876	82,585	232,849	23,990	-	11,814	-	565,114
2410 Office of the Principal Services	-	-	-	151	-	-	-	151
2490 Other Support Services-School Administration	51,578	23,534	-	-	-	-	-	75,112
2540 Operation and Maintenance of Plant Services	-	-	67,724	579	-	-	-	68,303
2550 Student Transportation Services	-	-	35,444	-	-	-	-	35,444
2610 Direction of Central Support Services	404	73	654	395	-	-	-	1,526
2620 Planning, Development Services	-	-	3,600	-	-	-	-	3,600
2640 Staff Services	22,462	79,998	-	155	-	-	-	102,615
2660 Technology Services	-	-	-	-	-	-	-	-
Total Support Services	1,895,072	798,255	447,890	80,838	-	105,509	35,939	3,363,503
Enterprise and Community Services	742,978	469,703	70,566	1,015,145	42,940	5,273	-	2,346,605
3100 Food Services	29,156	9,691	8,356	15,654	-	-	-	62,857
3300 Community Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services	772,134	479,394	78,922	1,030,799	42,940	5,273	-	2,409,462
Facilities Acquisition and Construction	-	-	-	-	-	7,223	-	7,223
4120 Site Acquisition and Development Services	-	-	8,771	-	212,407	-	-	221,178
4150 Building Acquisition, Construction, and Improvement	-	-	8,771	-	212,407	7,223	-	228,401
Total Facilities Acquisition and Construction	-	-	8,771	-	212,407	7,223	-	228,401
TOTAL EXPENDITURES	\$ 4,290,464	\$ 2,173,154	\$ 935,285	\$ 2,766,196	\$ 255,347	\$ 182,997	\$ 35,939	\$ 10,639,382



McMINNVILLE SCHOOL DISTRICT NO. 40  
 DEBT SERVICE FUND (300) EXPENDITURE SUMMARY (BUDGETARY BASIS)  
 Year Ended June 30, 2013

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,008,638	\$ 59,008,638
Total Other Functions	-	-	-	-	-	59,008,638	59,008,638
TOTAL EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,008,638	\$ 59,008,638

McMINNVILLE SCHOOL DISTRICT NO. 40  
 FIDUCIARY FUND (700) EXPENDITURE SUMMARY (BUDGETARY BASIS)  
 Year Ended June 30, 2013

Other Functions	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Total
3390 Other Community Services	-	-	8,000	-	-	-	8,000
Total Other Functions	-	-	8,000	-	-	-	8,000
<b>TOTAL EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,000</b>

# **STATISTICAL SECTION**

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

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

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

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

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Governmental Activities										
Net investment in capital assets	\$ 34,552,035	\$ 31,098,952	\$ 29,772,254	\$ 29,369,762	\$ 27,508,292	\$ 23,743,237	\$ 19,870,935	\$ 17,457,096	\$ 13,482,037	\$ 9,395,412
Restricted	2,578,592	2,410,179	574,562	506,505	477,674	461,167	403,670	617,952	972,176	2,946,068
Unrestricted	(3,544,713)	(1,998,526)	1,436,885	2,004,510	2,121,883	3,581,371	3,081,933	5,445,282	7,756,415	10,149,454
Total primary government net position	<u>\$ 33,585,914</u>	<u>\$ 31,510,605</u>	<u>\$ 31,783,701</u>	<u>\$ 31,880,777</u>	<u>\$ 30,107,849</u>	<u>\$ 27,785,775</u>	<u>\$ 23,356,538</u>	<u>\$ 23,520,330</u>	<u>\$ 22,210,628</u>	<u>\$ 22,490,934</u>

(1) Restated

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

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
<b>Expenses</b>										
Instructional programs	\$ 39,110,966	\$ 39,655,528	\$ 39,732,278	\$ 37,396,228	\$ 38,755,656	\$ 35,925,114	\$ 33,196,685	\$ 29,885,458	\$ 25,320,497	\$ 23,641,508
Support services										
Student transportation	2,198,634	2,190,121	2,182,331	2,018,216	1,902,104	1,925,252	1,730,873	1,777,772	1,677,748	1,581,814
Other support services	18,620,524	16,952,859	16,726,376	15,871,037	14,161,438	13,790,023	13,489,944	13,455,913	12,431,323	12,497,472
Community services	2,499,644	2,521,615	2,527,026	2,470,481	2,496,624	2,326,043	2,060,785	1,852,763	2,125,745	2,332,685
Facilities services	15,993	472,056	-	-	-	-	1,327,849	16,710	256,477	140,051
Interest on long-term debt	3,092,214	4,828,778	4,965,950	5,070,271	5,183,486	5,193,645	2,569,833	2,552,782	2,589,883	2,276,186
<b>Total expenses</b>	<b>65,537,975</b>	<b>66,620,957</b>	<b>66,133,961</b>	<b>62,826,233</b>	<b>62,499,308</b>	<b>59,160,077</b>	<b>54,375,969</b>	<b>49,541,398</b>	<b>44,401,673</b>	<b>42,469,716</b>
<b>Program Revenues</b>										
Charges for services										
Instructional programs	1,250,940	1,419,803	623,646	252,215	218,980	237,606	255,707	251,670	215,367	220,663
Other support services	143,440	185,630	38,989	-	-	-	-	-	-	-
Community services	388,648	447,170	493,052	557,467	572,397	699,614	685,136	629,131	566,911	547,700
Operating grants and contributions	10,300,449	8,849,537	10,611,941	10,008,494	7,418,410	7,119,778	6,309,348	6,601,118	5,777,258	5,499,929
Capital grants and contributions	-	-	-	-	962,044	-	-	-	-	-
<b>Total program revenues</b>	<b>12,083,477</b>	<b>10,902,140</b>	<b>11,767,628</b>	<b>10,818,176</b>	<b>9,171,831</b>	<b>8,056,998</b>	<b>7,250,191</b>	<b>7,481,919</b>	<b>6,559,536</b>	<b>6,268,292</b>
<b>Net (Expense) Revenue</b>	<b>(53,454,498)</b>	<b>(55,718,817)</b>	<b>(54,366,333)</b>	<b>(52,008,057)</b>	<b>(53,327,477)</b>	<b>(51,103,079)</b>	<b>(47,125,778)</b>	<b>(42,059,479)</b>	<b>(37,842,137)</b>	<b>(36,201,424)</b>
<b>General Revenues</b>										
Property taxes	18,757,989	18,292,024	17,850,725	17,108,697	16,336,344	15,329,263	11,347,556	11,359,276	10,494,648	12,237,849
State school fund - general support	33,941,098	34,490,713	32,795,909	34,642,566	34,481,538	34,342,573	33,812,319	30,259,227	25,998,626	27,395,527
ESD apportionment	1,875,412	1,264,323	1,200,859	-	-	-	-	-	-	-
Other state and local sources	823,229	739,183	2,025,891	1,638,031	3,671,455	2,210,951	789,580	880,167	519,872	856,827
Earnings on investments	132,079	131,244	123,825	158,813	1,143,609	3,589,191	1,000,422	790,487	514,154	279,589
Other	-	53,251	272,048	232,878	16,605	60,338	12,109	80,024	34,531	32,092
<b>Total general revenues</b>	<b>55,529,807</b>	<b>54,970,738</b>	<b>54,269,257</b>	<b>53,780,985</b>	<b>55,649,551</b>	<b>55,532,316</b>	<b>46,961,986</b>	<b>43,369,181</b>	<b>37,561,831</b>	<b>40,801,884</b>
<b>Change in Net Position</b>	<b>\$ 2,075,309</b>	<b>\$ (748,079)</b>	<b>\$ (97,076)</b>	<b>\$ 1,772,928</b>	<b>\$ 2,322,074</b>	<b>\$ 4,429,237</b>	<b>\$ (163,792)</b>	<b>\$ 1,309,702</b>	<b>\$ (280,306)</b>	<b>\$ 4,600,460</b>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

(Prior to GASB 54 implementation)

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
General Fund							
Reserved	\$ -	\$ -	\$ 48,166	\$ 46,278	\$ 48,666	\$ 60,714	\$ 44,257
Unreserved	6,598,452	5,089,333	4,887,570	5,749,050	5,551,711	5,513,188	6,199,031
Total general fund	<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>	<u>\$ 5,573,902</u>	<u>\$ 6,243,288</u>
All Other Governmental Funds							
Reserved	\$ -	\$ -	\$ 24,726	\$ 23,332	\$ 32,964	\$ 29,183	\$ 19,620
Unreserved, reported in:							
Debt Service Funds	1,103,640	603,894	532,710	808,404	1,319,396	1,924,950	3,263,805
Capital Projects Funds	382,182	1,599,060	29,348,894	62,538,908	-	-	856,771
Special Revenue Funds	3,064,869	4,018,490	4,188,829	2,218,730	1,823,672	2,677,679	3,259,338
Total all other governmental funds	<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>	<u>\$ 4,631,812</u>	<u>\$ 7,399,534</u>

After GASB 54 implementation)

	2012-13	2011-12	2010-11
General Fund			
Committed to			
Asset Reserve	\$ 1,969,466	\$ 1,879,503	\$ 1,851,530
Insurance Reserve	774,738	778,827	735,348
Unassigned	3,437,015	4,455,113	5,218,825
Total general fund	<u>\$ 6,181,219</u>	<u>\$ 7,113,443</u>	<u>\$ 7,805,703</u>
All Other Governmental Funds			
Restricted for			
Grant Activities	\$ 219,474	\$ 224,579	\$ 114,008
Debt Service	704,145	694,337	574,562
Capital Improvements	660,824	490,316	732,000
Student Body Funds	507,463	498,324	-
Nutrition Services	486,686	502,623	422,037
Committed to			
PERS Bond Debt Service	563,578	719,687	1,170,126
Total all other governmental funds	<u>\$ 3,142,170</u>	<u>\$ 3,129,866</u>	<u>\$ 3,012,733</u>

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

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
<b>Revenues</b>										
Property Taxes	\$ 18,585,198	\$ 18,294,839	\$ 17,810,749	\$ 16,817,229	\$ 16,054,711	\$ 15,084,606	\$ 11,423,803	\$ 11,408,540	\$ 10,604,598	\$ 12,260,002
Earnings on Investments	132,079	131,243	123,825	158,813	1,159,086	3,589,191	1,000,422	790,487	514,154	279,589
Other Revenue From Local Sources	2,721,176	2,214,090	3,129,710	2,848,557	2,376,144	1,838,639	1,568,664	1,424,304	1,375,067	1,550,289
Charges for Services	1,815,582	2,029,211	983,804	809,682	817,383	937,222	940,843	880,801	782,278	768,363
Intermediate Sources	1,895,508	1,290,982	1,261,691	254,349	246,748	69,265	64,501	63,269	61,186	60,353
State sources	37,158,203	37,087,147	35,177,714	36,553,481	38,152,294	37,927,838	35,572,205	32,437,765	27,630,437	28,870,810
Federal Sources	7,581,145	6,672,979	8,662,900	8,019,066	6,890,863	5,098,664	4,871,470	5,048,682	4,417,083	4,109,284
<b>Total Revenues</b>	<b>69,888,891</b>	<b>67,720,491</b>	<b>67,150,393</b>	<b>65,461,177</b>	<b>65,697,229</b>	<b>64,555,425</b>	<b>55,441,909</b>	<b>52,053,848</b>	<b>45,384,803</b>	<b>47,898,690</b>
<b>Expenditures</b>										
Instruction	37,401,381	37,511,136	36,901,689	34,900,224	36,603,283	34,359,421	31,463,462	28,326,884	24,358,461	22,441,985
Support Services	21,054,314	18,945,273	18,862,222	17,811,098	16,253,386	15,620,227	15,075,368	14,579,473	13,119,221	13,603,821
Enterprise and Community Services	2,421,521	2,416,555	2,455,359	2,440,894	2,401,551	2,294,868	2,021,733	1,847,542	2,120,949	2,261,913
Facilities Acquisition and Construction	15,993	602,012	303,685	1,937,380	29,971,912	36,123,248	2,447,006	984,710	1,873,802	140,051
Debt Service:										
Principal	5,396,877	5,452,976	3,891,484	3,363,729	2,832,628	2,485,268	2,353,090	3,256,133	3,103,766	3,263,488
Interest	4,265,880	4,929,097	5,066,661	5,169,486	5,281,695	5,291,153	2,456,819	2,569,763	2,681,094	2,302,082
Bond Issuance Costs	233,036	17,872	-	-	-	-	-	-	-	-
Capital Outlay	255,347	-	-	-	-	738,329	1,057,084	1,910,381	1,590,638	1,091,632
<b>Total Expenditures</b>	<b>71,044,349</b>	<b>69,874,921</b>	<b>67,481,100</b>	<b>65,622,811</b>	<b>93,344,455</b>	<b>96,912,514</b>	<b>56,874,562</b>	<b>53,474,886</b>	<b>48,847,931</b>	<b>45,104,972</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(1,155,458)</b>	<b>(2,154,430)</b>	<b>(330,707)</b>	<b>(161,634)</b>	<b>(27,647,226)</b>	<b>(32,357,089)</b>	<b>(1,432,653)</b>	<b>(1,421,038)</b>	<b>(3,463,128)</b>	<b>2,793,718</b>
<b>Other Financing Sources (Uses)</b>										
Bonds Issued and Premiums	-	-	-	-	-	-	64,052,966	-	-	-
Refunding Bonds Issued and Premiums	49,348,383	1,104,320	-	-	-	-	-	-	-	17,117,394
Payments of Escrow for Refunding	(49,112,845)	-	-	-	-	-	-	-	-	(16,579,279)
<b>Total Other Sources (Uses)</b>	<b>235,538</b>	<b>1,104,320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,052,966</b>	<b>-</b>	<b>-</b>	<b>538,115</b>
<b>Net Change in Fund Balance</b>	<b>(919,920)</b>	<b>(1,050,110)</b>	<b>(330,707)</b>	<b>(161,634)</b>	<b>(27,647,226)</b>	<b>(32,357,089)</b>	<b>62,620,313</b>	<b>(1,421,038)</b>	<b>(3,463,128)</b>	<b>3,331,833</b>
<b>Fund Balance</b>										
Beginning of Year	10,243,309	11,293,419	11,149,143	11,310,777	39,030,895	71,384,702	8,776,409	10,205,714	13,642,822	10,322,028
Increase (decrease) in Reserve for Inventory	-	-	-	-	(72,892)	3,282	(12,020)	(8,267)	26,020	(11,039)
<b>End of year</b>	<b>\$ 9,323,389</b>	<b>\$ 10,243,309</b>	<b>\$ 10,818,436</b>	<b>\$ 11,149,143</b>	<b>\$ 11,310,777</b>	<b>\$ 39,030,895</b>	<b>\$ 71,384,702</b>	<b>\$ 8,776,409</b>	<b>\$ 10,205,714</b>	<b>\$ 13,642,822</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>13.98%</b>	<b>15.01%</b>	<b>13.34%</b>	<b>13.40%</b>	<b>12.80%</b>	<b>12.95%</b>	<b>9.01%</b>	<b>11.52%</b>	<b>12.75%</b>	<b>12.69%</b>

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

Fiscal Year Ended June30,	Assessed Value			Utilities	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					
2004	1,567,378,201	57,242,481	31,973,278	62,399,461	1,718,993,421	7.29	2,176,725,924	78.97%
2005	1,681,276,660	59,855,432	31,029,350	63,894,756	1,836,056,197	5.80	2,493,550,887	73.63%
2006	1,794,530,572	59,265,322	30,997,323	64,723,970	1,949,517,187	6.25	2,731,294,241	71.38%
2007	1,932,922,844	61,359,305	33,176,205	66,175,906	2,093,634,260	5.53	3,496,194,951	59.88%
2008	2,072,480,787	64,958,793	36,049,145	71,448,818	2,244,937,543	7.00	3,877,384,914	57.90%
2009	2,241,043,031	71,596,323	38,247,928	75,532,147	2,426,419,429	6.91	4,101,380,879	59.16%
2010	2,337,138,142	75,381,461	41,282,812	86,109,012	2,539,911,427	6.94	4,045,707,073	62.78%
2011	2,428,004,168	76,957,802	40,924,662	88,259,688	2,634,146,320	6.92	3,961,011,054	66.50%
2012	2,488,542,770	73,129,486	36,518,687	88,806,674	2,686,997,617	6.98	3,547,429,517	75.74%
2013	2,562,434,123	74,971,254	34,549,906	86,811,210	2,758,766,493	6.87	3,488,131,424	79.09%

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

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

Source: Yamhill County Assessor's Office.



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

Fiscal Year Ended June 30,	McMinnville School District No. 40			Overlapping Rates (a)									
	Operating	Debt Service	Total District	Yamhill County	City of McMinnville	City of Lafayette	Willamette ESD	Chemeketa Community College	McMinnville RFPD	Carlton RFPD	Sheridan Fire	Amity RFPD	Other Taxing Districts (b)
2004	4.15	3.14	7.29	2.57	6.27	3.49	0.30	0.77	1.14	0.53	1.12	0.84	0.30
2005	4.15	1.65	5.80	2.58	5.98	3.49	0.30	0.96	1.14	0.53	1.12	0.84	0.31
2006	4.15	2.10	6.25	2.58	5.92	3.49	0.30	0.96	1.14	0.53	1.12	0.84	0.31
2007	4.15	1.38	5.53	2.58	5.93	3.49	0.30	0.94	1.14	0.53	1.12	0.84	0.16
2008	4.15	2.85	7.00	2.58	5.87	3.49	0.30	0.70	1.14	1.05	1.47	0.84	0.16
2009	4.15	2.76	6.91	2.58	5.85	3.49	0.30	0.71	1.14	1.54	1.47	0.84	0.16
2010	4.15	2.79	6.94	2.58	5.84	3.49	0.30	0.71	1.14	1.48	1.47	1.77	0.16
2011	4.15	2.77	6.92	2.58	5.74	3.49	0.30	0.79	1.14	1.48	1.47	1.81	0.16
2012	4.15	2.83	6.98	2.58	5.70	3.49	0.30	0.88	1.14	1.50	1.47	1.85	0.16
2013	4.15	2.72	6.87	2.58	5.72	3.49	0.30	0.86	0.96	1.46	1.47	1.76	0.16

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 2013			June 2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Value
Cascade Steel Rolling Mills	\$ 66,884,177	1	2.42%	\$ 39,090,217	1	2.27%
Willamette Valley Medical Center	58,065,106	2	2.10%	34,252,044	2	1.99%
Evergreen Vintage Aircraft	24,241,038	3	0.88%	-	-	-
Hillside Senior Living Community LLC	17,603,599	4	0.64%	16,861,827	4	0.98%
Chemeketa Community College	17,502,481	5	0.63%	-	-	-
Comcast Corporation	15,982,800	6	0.58%	-	-	-
Lowes HIW Inc.	15,232,530	7	0.55%	12,024,703	5	0.70%
Frontier (Verizon) Communications	14,189,000	8	0.51%	18,011,400	3	1.05%
McMinnville Plaza LLC	10,844,382	9	0.39%	-	-	-
Northwest Natural Gas Co	9,828,900	10	0.36%	10,098,600	7	0.59%
Air Liquide Industrial US LP				11,886,971	6	0.69%
Cypress/McMinnville II LP				8,250,814	9	0.48%
Homette Corporation				8,316,732	8	0.48%
Leslie A. Toth				5,685,854	10	0.33%
Subtotal - ten of the District's largest taxpayer:	250,374,013		9.08%	164,479,162		9.56%
All other District taxpayers in Yamhill County	2,508,392,480		90.92%	1,554,514,259		90.44%
Total District taxpayers	\$ 2,758,766,493		100.00%	\$ 1,718,993,421		100.00%

Source: Yamhill County Assessor's Office

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		Total		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Original	Adjustments (a)	Adjusted	Amount	Percentage of Original Levy	Amount		Percentage of Adjusted Levy	
2004	12,523,254	(348,448)	12,174,806	11,708,134	93.49%	12,168,276	460,142	99.95%	
2005	10,691,798	(326,789)	10,365,009	9,971,806	93.27%	10,359,928	388,122	99.95%	
2006	12,212,383	(563,623)	11,648,760	11,462,675	93.86%	11,643,880	181,205	99.96%	
2007	11,635,043	(515,949)	11,119,094	10,774,902	92.61%	11,106,653	331,751	99.89%	
2008	15,749,949	(443,836)	15,306,113	14,699,146	93.33%	15,285,521	586,375	99.87%	
2009	16,772,551	(509,264)	16,263,287	15,488,579	92.34%	16,234,240	745,661	99.82%	
2010	17,625,301	(507,704)	17,117,597	16,233,698	92.10%	16,985,832	752,134	99.23%	
2011	18,226,860	(567,682)	17,659,178	16,842,355	92.40%	17,403,291	560,936	98.55%	
2012	18,736,255	(568,361)	18,167,894	17,355,602	92.63%	17,761,799	406,197	97.76%	
2013	19,244,450	(593,676)	18,650,774	17,757,708	92.27%	17,757,708	-	95.21%	

Source: Yamhill County Department of Assessment and Taxation.

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

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

Fiscal Year Ended June 30,	Net General Bonded Debt				Total Debt					
	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Fund (2)	Pension Obligation Bonds	General Bonded Debt	Percentage of Actual Value of Property (3)	Per Capita (4)	Total Debt Primary Government	Percentage of Taxable Value of Property (3)	Percentage of Personal Income	Per Capita (4)
2004	25,640,000	2,089,297	29,715,755	23,550,703	1.082%	630	55,355,755	3.220%	5.65%	1,481
2005	22,620,000	972,176	29,631,989	21,647,824	0.868%	573	52,251,989	2.846%	5.02%	1,383
2006	19,480,000	617,952	29,515,856	18,862,048	0.691%	490	48,995,856	2.513%	4.31%	1,274
2007	81,332,966	403,670	29,362,766	80,929,296	2.315%	2,038	110,695,732	5.287%	9.01%	2,787
2008	79,023,681	461,167	29,182,498	78,562,514	2.026%	1,943	108,206,179	4.820%	8.29%	2,676
2009	76,218,161	477,674	28,959,870	75,740,487	1.847%	1,873	105,178,031	4.335%	7.74%	2,601
2010	73,050,401	506,505	28,666,141	72,543,896	1.793%	1,750	101,716,542	4.005%	7.67%	2,454
2011	69,417,641	574,562	28,309,657	68,843,079	1.738%	1,634	97,727,298	3.710%	7.08%	2,320
2012	65,364,881	694,337	27,931,681	64,670,544	1.823%	1,531	93,296,562	3.472%	6.49%	2,209
2013	67,293,513	704,145	27,362,682	66,589,368	1.909%	1,567	94,656,195	3.431%	n/a	2,227

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.

n/a - Information not available as of printing.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 June 30, 2013

Governmental Unit	Net General Obligation Debt Outstanding	Percentage Applicable to District	Amount Applicable to District
Direct			
McMinnville School District No. 40	\$ 87,229,804	100.00%	\$ 87,229,804
Overlapping			
Chemeketa Community College	84,905,000	9.09%	7,717,440
City of McMinnville	15,440,000	99.96%	15,433,793
New Carlton Fire District	1,125,000	5.99%	67,358
Willamette ESD	1,625,000	8.28%	134,581
Amity RFPD	105,000	8.78%	9,216
Subtotal, overlapping debt			<u>23,362,388</u>
Total direct and overlapping debt			<u>\$ 110,592,192</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 2013

Real Market Value	\$ 3,488,131,424
Debt limit (7.95% of real market value)	277,306,448
Debt applicable to limit	(59,795,000)
Legal debt margin	<u>\$ 217,511,448</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
2013	\$ 277,306,448	\$ 59,795,000	\$ 217,511,448	21.56%
2012	282,020,647	63,805,000	218,215,647	22.62%
2011	314,900,379	67,760,000	247,140,379	21.52%
2010	321,633,712	71,295,000	250,338,712	22.17%
2009	326,059,780	74,365,000	251,694,780	22.81%
2008	308,252,101	76,975,000	231,277,101	24.97%
2007	224,416,617	79,280,000	145,136,617	35.33%
2006	217,137,892	19,480,000	197,657,892	8.97%
2005	198,237,296	22,620,000	175,617,296	11.41%
2004	136,659,977	55,355,755	81,304,222	40.51%

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

Calendar Year	Estimated Population (a)	Per Capita		Total Estimated Personal Income	Unemployment Rate (c)
		Personal Income (b)	Personal Income		
2003	37,368	26,233	980,274,744	8.20%	
2004	37,793	27,566	1,041,801,838	7.20%	
2005	38,469	29,553	1,136,874,357	6.10%	
2006	39,715	30,936	1,228,623,240	5.10%	
2007	40,438	32,290	1,305,743,020	5.00%	
2008	41,067	33,081	1,358,537,427	6.30%	
2009	41,457	31,991	1,326,250,887	11.40%	
2010	42,130	32,768	1,380,515,840	10.50%	
2011	42,232	34,055	1,438,210,760	9.50%	
2012	42,500	35,386	1,503,905,000	8.50%	

Sources:

- (a) Population estimate includes population of the City of McMinnville, City of Lafayette and 26% of unincorporated areas of Yamhill County. Population estimate per Portland State University Population Research Center data.
- (b) Per Capita Personal Income for Yamhill County per U.S. Department of Commerce, Bureau of Economic Analysis.
- (c) Oregon Labor Market Information System, Labor Force Data for Yamhill County, seasonally adjusted.

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

Employer	2012			2003		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Private Employers:						
Manufacturing: beverage, wood products, metal, machinery, plastics, other	6,115	1	19.56%	5,432	1	18.96%
Health Services	4,054	2	12.97%	3,108	3	10.85%
Retail	3,135	3	10.03%	3,138	2	10.95%
Leisure & Hospitality	2,992	4	9.57%	2,297	5	8.02%
Natural Resources	2,886	5	9.23%	2,978	4	10.39%
Professional and business services	1,694	6	5.42%	1,574	6	5.49%
Education services	1,358	7	4.34%	1,242	8	4.33%
Construction	1,115	8	3.57%	1,427	7	4.98%
Other services	1,240	9	3.97%	981	10	3.42%
Financial activities	951	10	3.04%	1,034	9	3.61%
Transportation & Utilities	667	11	2.13%	618	12	2.16%
Wholesale	483	12	1.55%	623	11	2.17%
Information	166	13	0.53%	258	13	0.90%
Subtotal Private	26,856		85.92%	24,710		86.23%
Government						
Federal	461		1.47%	552		1.93%
State	435		1.39%	186		0.65%
Local Government						
Education & health services	2,049		6.56%	1,870		6.53%
Public Administration	1,235		3.95%	1,162		4.05%
Other	222		0.71%	176		0.61%
Subtotal Government	4,402		14.08%	3,946		13.77%
Total Employment	31,258		100.00%	28,656		100.00%

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

Note: Information provided for Yamhill County



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

<u>Fiscal Year Ended June 30,</u>	<u>Full-time Equivalent Teaching Staff (1)</u>	<u>Students (2)</u>	<u>Ratio of Students to Teaching Staff</u>
2004	289	5,502	19.04 :1
2005	289	5,735	19.84 :1
2006	279	5,842	20.94 :1
2007	354	5,988	16.92 :1
2008	360	6,090	16.92 :1
2009	372	6,205	16.68 :1
2010	335	6,237	18.62 :1
2011	342	6,126	17.91 :1
2012	331	6,131	18.52 :1
2013	321	6,146	19.15 :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>Certificated</u>	<u>Classified</u>	<u>Administrative</u>	<u>Confidential</u>	<u>Total</u>
2004	312	237	21	12	582
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

Source: McMinnville School District No. 40 personnel records.

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

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

Fiscal Year	(1) Average Daily Membership	General Fund		General Fund Per Student Expenditure	Nutrition Services Program						Student Transportation		
		Expenditures and other financing uses	Fund		Breakfast		Lunch		Total Meals	Percent Eligible Free or Reduced	Total Bus Routes	Total Miles	Daily average students transported
					Paid	Free or Reduced	Paid	Free or Reduced					
2013	6,400	\$ 50,759,176	\$ 7,931	8,407	186,305	72,251	440,857	707,820	58.2%	27	657,333	2,332	
2012	6,385	50,331,836	7,883	9,277	179,134	84,932	446,821	720,164	57.9%	27	651,871	2,212	
2011	6,345	50,995,677	8,037	8,997	180,146	106,342	449,484	744,969	55.6%	27	705,512	2,283	
2010	6,467	48,201,963	7,454	13,190	186,286	127,980	451,541	778,997	54.4%	27	686,080	2,275	
2009	6,441	48,456,037	7,523	14,716	181,648	128,919	430,174	755,457	51.3%	27	653,019	2,208	
2008	6,320	48,794,539	7,721	17,508	179,425	151,301	396,521	744,755	49.6%	27	646,725	2,158	
2007	6,239	44,910,030	7,198	17,730	167,807	157,236	371,401	714,174	47.2%	27	608,191	2,104	
2006	6,068	40,657,416	6,700	15,121	158,927	150,026	360,972	685,046	46.2%	27	620,759	2,026	

(1) Average Daily Membership with kindergarten = 1.0

Source: McMinnville School District Records.

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

McMINNVILLE SCHOOL DISTRICT NO. 40  
 CAPITAL ASSET INFORMATION  
 AS OF JUNE 30, 2013

<b>Building</b>	<b>Year of Original Building Construction</b>	<b>Square Footage (1)</b>	<b>Capacity (1)</b>	<b>Enrollment 10/1/2012</b>	<b>Percent of Capacity</b>	<b>Average Age of Buildings (in years)</b>
<b>Elementary Schools</b>						
Buel	2008	80,837	600	527	88%	5
Columbus	1994	68,740	600	508	85%	19
Grandhaven	1999	69,958	600	532	89%	14
Memorial	1947	67,292	600	492	82%	66
Newby	1960	58,527	532	507	95%	53
Wascher	1979	61,259	517	374	72%	34
<b>Total</b>		<u>406,613</u>	<u>3,449</u>	<u>2,940</u>	<u>85%</u>	<u>32</u>
<b>Middle Schools</b>						
Duniway	1993	119,412	961	752	78%	20
Patton	1976	132,820	971	804	83%	37
<b>Total</b>		<u>252,232</u>	<u>1,932</u>	<u>1,556</u>	<u>81%</u>	<u>29</u>
<b>High Schools</b>						
McMinnville	1955	268,935	1,971	1,968	100%	58
Adams Campus	1914	34,052	336	-	0%	99
<b>Total</b>		<u>302,987</u>	<u>2,307</u>	<u>1,968</u>	<u>85%</u>	<u>79</u>
<b>Other Buildings</b>						
Cook	1924	43,464	303			89
District Office	1965	9,081				48
Evans Street	1995	6,418				18
Maintenance	1948	12,395				65
Grounds	1970	2,760				43
Stadium	1980	12,480				33
<b>Total</b>		<u>86,598</u>	<u>303</u>			
<b>GRAND TOTAL</b>		1,048,430	7,991	6,464	81%	

Notes:

Many buildings have undergone remodels since original construction

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

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

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

We have audited the basic financial statements of the McMinnville School District No. 40 (District) as of and for the year ended June 30, 2013, and have issued our report thereon dated December 20, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

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

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

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

OAR 162-10-0230 Internal Control

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



OAR 162-10-0230 Internal Control (Continued)

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

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

We noted certain matters that we reported to management of the District, in a separate letter dated December 20, 2013.

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 20, 2013



# **GRANT COMPLIANCE SECTION**

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

INDEPENDENT AUDITOR'S 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, 2013, 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 20, 2013.

**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 20, 2013



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, 2013. 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, 2013.



## 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 20, 2013

McMINNVILLE SCHOOL DISTRICT NO. 40  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor Program Title	Grant Period	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Amount	Federal Expenditures
<b>U.S. Department of Education</b>					
Passed through Oregon State Department of Education					
Title IA Grants	07/01/11-09/30/13	84.010	22656	\$ 1,522,742	\$ 331,206
	07/01/12-09/30/13	84.010	25288	\$ 1,571,305	\$ 1,353,907
	08/01/12-09/30/13	84.010	27157	7,500	2,323
	<b>Total</b>			<b>3,101,547</b>	<b>1,687,436</b>
IDEA: Special Education Grants to State	07/01/11-09/30/13	84.027	23637	898,870	257,327
	07/01/12-09/30/14	84.027	26738	902,436	796,842
SPR&I (System Performance Review and Improvement)	08/01/12-06/30/13	84.027	25811	4,220	4,029
Extended Assessment	09/01/12-06/30/13	84.027	24982	1,800	1,764
IDEA Enhancement	10/01/12-09/30/13	84.027	26514	7,957	7,957
IDEA Part B, Section 619	07/01/11-09/30/12	84.173	22004	5,005	2,126
	07/01/11-09/30/13	84.173	24241	8,745	7,299
	<b>Total</b>			<b>1,829,033</b>	<b>1,077,344</b>
ARRA-Title II-D Technology Rich Learning and Teaching	06/01/11-09/30/12	84.386	22235	225,623	26,825
Title III English Language Acquisition	07/01/12-09/30/13	84.365	25139	143,959	93,849
Title II-B Math and Science Partnerships (MSP)	07/01/12-09/30/13	84.366	25095	224,982	194,841
Title II-A Improving Teacher Quality	07/01/11-09/30/12	84.367	22844	198,136	93,112
	07/01/12-09/30/13	84.367	25516	205,243	201,776
	<b>Total</b>			<b>403,379</b>	<b>294,888</b>
McKinney Homeless Children	07/01/11-09/30/12	84.196	22331	59,942	20,652
	07/01/12-09/30/13	84.196	26128	59,942	59,446
	<b>Total</b>			<b>119,884</b>	<b>80,098</b>
21st CCLC STEM Prof Dev	02/06/12-09/30/13	84.287	24610	50,000	50,000
21st Century STEM After School	12/05/12-06/30/13	84.287	27161	20,138	20,138
21st Century EL Opportunity Initiative	12/05/12-06/30/13	84.287	27159	4,862	4,862
21st Century Elem After School	07/01/11-06/30/13	84.287	23399	408,824	40,372
21st Century Elem After School	07/01/12-06/30/13	84.287	25039	302,686	273,633
21st Century Learning Centers Stem Initiative	11/01/11-06/30/13	84.287	24334	20,000	3,452
	<b>Total</b>			<b>806,510</b>	<b>392,457</b>
Passed Through Willamette Education Service District					
Title I-C Migrant Education	07/01/12-09/30/13	84.011	N/A	92,982	87,486
Passed through Oregon University Systems					
College Access Challenge Grant - Sustainability	12/27/12-06/30/13	84.378	N/A	25,902	25,899
College Access Challenge Grant - Technology	01/15/13-06/30/13	84.378	N/A	14,700	14,700
	<b>Total</b>			<b>40,602</b>	<b>40,599</b>
Direct Federal Grants					
Teacher Incentive Fund	10/01/10-09/30/13	84.374A	S374A100002	3,569,903	1,674,186
<b>Total U.S. Department of Education</b>				<b>10,558,404</b>	<b>5,650,009</b>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor Program Title	Grant Period	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Amount	Federal Expenditures
<b><u>U.S. Department of Agriculture - Special Revenue Fund</u></b>					
Passed through Oregon State Department of Education					
School Breakfast Program	07/01/12-06/30/13	10.553	N/A	342,245	342,245
National School Lunch Program	07/01/12-06/30/13	10.555	N/A	1,366,372	1,366,372
Commodities - NSLP	07/01/12-06/30/13	10.555	N/A	120,772	120,772
Commodities - SFSP	07/01/12-06/30/13	10.559	N/A	-	-
Summer Food Service Program	07/01/12-06/30/13	10.559	N/A	29,755	29,755
Child Care Food Program	07/01/12-06/30/13	10.558	N/A	2,339	2,339
Child Care Food Program-Cash in Lieu Commodities	07/01/12-06/30/13	10.558	N/A	739	739
Fresh Fruit and Vegetable Program	07/01/12-09/30/12	10.582	26070	2,762	2,762
Fresh Fruit and Vegetable Program	10/01/12-06/30/13	10.582	26993	23,940	23,310
Fresh Fruit and Vegetable Program	07/01/12-09/30/12	10.582	26024	2,743	2,743
Fresh Fruit and Vegetable Program	10/01/12-06/30/13	10.582	27039	23,031	23,031
<b>Total U.S. Department of Agriculture</b>				<b><u>1,914,698</u></b>	<b><u>1,914,068</u></b>
<b><u>U.S. Department of Health and Human Services</u></b>					
Passed through Oregon Employment Department					
Child Care and Development Fund	07/01/12-06/30/13	93.575	115068	31,000	17,068
<b>Total U.S. Department of Health and Human Services</b>				<b><u>31,000</u></b>	<b><u>17,068</u></b>
<b>Total Federal Awards</b>				<b><u>\$ 12,504,102</u></b>	<b><u>\$ 7,581,145</u></b>

NOTES RELATIVE TO SCHEDULE OF FEDERAL AWARDS

NOTE 1 - Basis of Presentation:

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

NOTE 2 - Sub Recipients:

Of the federal expenditures presented in the schedule, McMinnville School District provided federal awards to sub recipients as follows:

Program Title	Federal CFDA Number	Amount to Sub - Recipients
21st Century Learning Centers	84.287	\$ 15,000
McKinney Homeless	84.196	\$ 35,939



McMINNVILLE SCHOOL DISTRICT NO. 40  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2013

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

**Financial Statements:**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

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

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

**Federal Awards:**

Internal control over major programs:

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

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

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

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

**Identification of major programs:**

CFDA NUMBER

NAME OF PROGRAM OR CLUSTER

84.010  
 84.374A  
 84.366

Title I-A  
 Teacher Incentive Fund  
 Title II-B

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

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

McMINNVILLE SCHOOL DISTRICT NO. 40  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
Year Ended June 30, 2013

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

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS - NONE**

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