

# Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2016



## McMINNVILLE School District

*Achieving Excellence in Education*

**McMinnville School District #40**

1500 NE Baker St.  
McMinnville, Oregon 97128

503.565.4000

[www.msd.k12.or.us](http://www.msd.k12.or.us)

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

**Comprehensive Annual  
Financial Report**

**Year Ended June 30, 2016**

Prepared by the  
Business Office

---

Maryalice Russell  
Superintendent

Susan Escure  
Director of Finance

THIS PAGE INTENTIONALLY LEFT BLANK

## TABLE OF CONTENTS

	Page
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	i
GFOA Certificate of Achievement for Excellence in Financial Reporting	vii
ASBO Certificate of Excellence in Financial Reporting	viii
Organization Chart	ix
Appointed and Elected Officials	x
 <u>FINANCIAL SECTION</u>	
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	6-14
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balance of Governmental Funds to the Statement of Activities	21
Statement of Net Position – Fiduciary Funds	22
Statement of Changes in Net Position – Fiduciary Funds	23
Notes to the Basic Financial Statements	24-47
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Funding Progress for Postemployment Benefits	50
Oregon Public Employees Retirement System Schedules – District's Proportionate share of the Net Pension Liability and District Contributions	51
Schedule of Revenues, Expenditures, and Changes in Fund balance – Budget and Actual:	
General Fund	52
Grants Fund	53
Notes to Required Supplementary Information	54-55
SUPPLEMENTARY INFORMATION:	
OTHER MAJOR FUNDS	
Combining Balance Sheet – Major Governmental Fund	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Major Governmental Fund	59
Schedule of Revenues, Expenditures, and Changes in Fund balance – Budget and Actual:	
Asset Reserve Fund	60
Textbook and Technology Replacement Reserve	61
Insurance Reserve Fund	62
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Debt Service Fund	64
NONMAJOR FUNDS	
Combining Balance Sheet – Nonmajor Governmental Funds	66
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	67

## TABLE OF CONTENTS

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

# **INTRODUCTORY SECTION**

THIS PAGE INTENTIONALLY LEFT BLANK



# McMinnville School District No. 40

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

---

November 30, 2016

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, 2016, is hereby submitted.

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

Wilcox Arredondo & Co., Certified Public Accountants, have issued an unmodified ("clean") opinion on the District's financial statements for the year ending June 30, 2016. 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 6,700 children in six elementary schools, two middle schools, and one high school.

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

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

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

The Board hires all management staff. The management staff includes a superintendent, six district-level directors, nine principals, five assistant principals, four district program coordinators, and four support services supervisors. The District employs 723 full-time equivalent personnel, including management staff, teachers, educational assistants, secretarial, custodial, maintenance, technology, and other support staff.

## ENROLLMENT

Student enrollment in the fall of 2015 was 6,734. The District's enrollment over the past five years has grown by five percent, which can be attributed to in-migration. Over the past ten years, enrollment has increased an average of one percent annually.

<b>Grade Level</b>	<b>2005</b>	<b>2010</b>	<b>2015</b>
Elementary (Grades K-5)	2,776	2,933	3,084
Middle School (Grades 6-8)	1,415	1,495	1,541
High School (Grades 9-12)	1,839	1,983	2,109
<b>Total Enrollment</b>	<b>6,030</b>	<b>6,411</b>	<b>6,734</b>

According to a study prepared by the Population Research Center of Portland State University, the District enrollment is forecast to increase on average by 0.4 percent annually over the next five years.

## **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 33,080, and Lafayette, population 3,905. McMinnville is surrounded by Yamhill County's 200 plus vineyards and 90 wineries; home of more vineyards than in any other county in Oregon. In addition, McMinnville is home to the county seat and Linfield College, a private university. Major industries within the area include steel rebar production, medical services, retail, insurance products and services, plastics fabrication, tourism, food production, and agriculture.

As of June 2016, the Yamhill County unemployment rate was 4.5%, as compared to 4.8% for the state of Oregon and 4.9% at the national level. The fastest-growing private-sector industries over the past year included: retail trade, professional services, health services and leisure and hospitality.

The real market value of property located in the boundaries of the District increased by 10.0% from 2014-15 to 2015-16, while the assessed property values increased by 7%. Assessed value as a percentage of real market value was 77.4% compared to 79.6% in the prior year. Per Oregon law, enacted in 1997, property tax is based on the lower of real market value or maximum assessed value, which increases by 3% each year. For 2015-16, the total real market value of property within the District boundaries is \$4.03 billion and the assessed value is \$3.12 billion.

## **STATE SCHOOL FUNDING**

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

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

According to the Oregon Office of Economic Analysis, Oregon's economy is at or near full employment and is forecasted for continued economic growth, although it will begin to slow compared to the past couple of years when the state was recovering from the great recession. Oregon's revenue outlook remains stable. State revenues increased by 13.7% over the 2013-15 biennium and are expected to increase by 11.8% over the 2015-17 biennium. The State's budget allocation to K-12 education was increased from \$6.65 billion to \$7.4 billion for 2015-17, an 11% increase. For the 2015-16 fiscal year, this increase in funding allowed the District to add staffing to implement full day kindergarten, decrease class size, and increase student instructional and support services.

## **LONG-TERM FINANCIAL PLANNING**

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

The District's unassigned fund balance in the General Fund as of June 30, 2016 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 2016-17 assumes a year end reserve of \$5 million or 7.7% of estimated revenues.

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

District facilities consist of eleven school buildings and four support services buildings. The average age of these buildings is 47 years, ranging from 8 years old to 102 years old. In 2012, the District began work toward updating its long range facilities plan by completing a detailed professional assessment of each facility. This assessment determined the current condition of facilities, prioritized improvements recommended in the next five to ten years, and estimated the cost of those recommendations. In 2013, the District convened a Long Range Facilities Task Force led by citizen volunteers to determine a more detailed priority list of potential projects and funding goals from the initial assessment. The Task Force made their recommendations to the Board, in June 2015, after reviewing enrollment forecasts and facility recommendations for vocational technical programs. Based on these recommendations and community surveys, the McMinnville School District Board of Directors presented a measure election to district voters in May 2016 for approval of \$89.4 million of bonds to finance prioritized projects without raising the current overall bond tax rate. The bond measure passed by a majority of District voters (62%). The bonds were sold in July 2016.

## **FINANCIAL INFORMATION**

### ***Budgetary Controls***

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

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

### ***Accounting Policies***

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

### **MAJOR INITIATIVES**

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

***Investing in Effective Educators Project*** - In September 2010, the McMinnville School District was awarded a Teachers Incentive Fund grant for \$6.7 million over five years. The grant project included a performance-based compensation system that allowed teachers and building administrators to earn bonuses in four categories: school-wide achievement on state assessments, classroom-based student growth on common formative and summative assessments, additional leadership duties, and classroom observation and collaboration with instructional coaches. The objective of the Investing in Effective Educators Project was to increase student achievement and accelerate academic growth by increasing teacher effectiveness. This grant ended November of 2015.

***21<sup>st</sup> Century Community Learning Center*** - In July 2013, the District was awarded a \$1.8 million five-year grant to support expanded learning opportunities at the secondary level in an afterschool program, Saturday Academies, and summer programs, with the objective of increasing student achievement and accelerating academic growth, particularly among traditionally underserved students.

***CTE Revitalization Project*** - In January 2013, the District was awarded a \$237,000 18 month grant from the Oregon Education Investment Board's Strategic Initiative to implement an Engineering, Manufacturing, and Fabrication Career Pathway at McMinnville High School, featuring Certification of Completion Programs and dual high school/college credit. The new Pathway is further supported by a vibrant STEM program at both district middle schools.

## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to McMinnville School District for its *Comprehensive Annual Financial Report (CAFR)* for the year ended June 30, 2015. This was the seventh year the District has received this prestigious award. In order to be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized *CAFR* and must satisfy both generally accepted accounting principles and applicable legal requirements.

In addition, the Association of School Business Officials International (ASBO) awarded its Certificate of Excellence in Financial Reporting to McMinnville School District for its *CAFR* for the year ended June 30, 2015. This was the seventh year that the District received this award. Receiving this award is recognition that the District has met the highest standards of excellence in school financial reporting adopted by ASBO.

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

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

Respectfully submitted,



Maryalice Russell, Ed.D.  
Superintendent



Susan Escure  
Director of Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

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

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

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, 2015.**

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



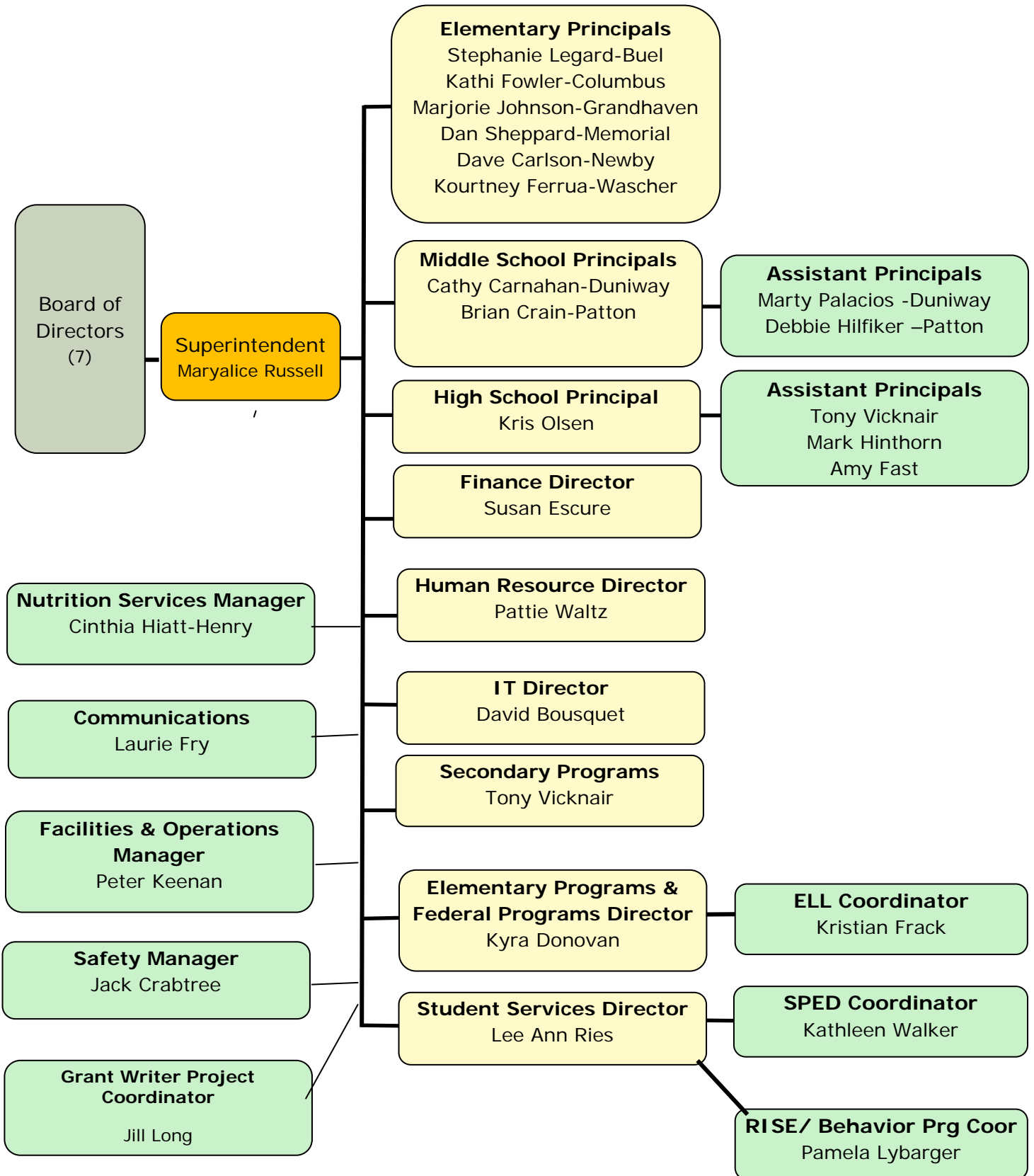
*Brenda Burkett*

Brenda R. Burkett, CPA, CSBA, SFO  
President

*John D. Musso*

John D. Musso, CAE, RSBA  
Executive Director

**McMinnville School District #40  
Administrative Organizational Chart  
2015-16**





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, 2016

	<u>Term Expires</u>
Dr. Scott Schieber, Board Chair 2370 NW Horizon Dr. McMinnville, Oregon 97128	June 30, 2019
Ms. Barbara Carter, Vice Chair 629 NW Jason Court McMinnville, Oregon 97128	June 30, 2017
Mr. Carson Benner 1240 SE Brooks St. McMinnville, Or 97128	June 30, 2017
Ms. Janis Braich 124 Anne Street McMinnville, Oregon 97128	June 30, 2019
Dr. Scott Gibson 655 NW Brookview Court McMinnville, Oregon 97128	June 30, 2019
Dr. Tim Roberts 1069 NW Baker Crest Court McMinnville, Oregon 97128	June 30, 2017
Mr. Larry Vollmer 1946 Fir Street McMinnville, Oregon 97128	June 30, 2019

# **FINANCIAL SECTION**

THIS PAGE INTENTIONALLY LEFT BLANK

# **INDEPENDENT AUDITORS' REPORT**

THIS PAGE INTENTIONALLY LEFT BLANK



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, 2016, 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, 2016, 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 Oregon Public Employee Retirement System information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Additionally, accounting principles generally accepted in the United States of America require that the General Fund and Grant Fund budgetary comparison be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund and Grant Fund budgetary comparison are fairly stated in all material respects in relation to the basic financial statements taken as a whole

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory section, the other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as



defined in the table of contents, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 30, 2016, on our consideration of the District's internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

*Wilcox Arredondo & Co.*

Certified Public Accountants  
Canby, Oregon  
November 30, 2016



THIS PAGE INTENTIONALLY LEFT BLANK

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

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages i-vi of this report.

### FINANCIAL HIGHLIGHTS

- In the government-wide statements, the District's net position decreased by \$17.9 million or 66.1% during the year ended June 30, 2016 to \$9.2 million. Of this amount, \$44.3 million was a net capital investment in capital assets, \$1.5 million was restricted for debt service, \$3.4 million was restricted for other purposes and a negative net position of \$40 million was unrestricted.
- The change in net position relates primarily to the increase in the District's net pension liability. As of the prior year ended June 30, 2015, the District recorded a net pension asset of \$9.5 million. An Oregon Supreme Court decision in *Moro v. State of Oregon*, issued April 30, 2015, reversed a significant portion of PERS reform measures that reduced future system cost of living adjustments. The actuarial valuation after this decision resulted in a net pension liability of \$24 million.
- The cost of all of the District's programs per the government-wide Statement of Activities was \$99 million, an increase of \$45.3 million. Most of this increase is due to the difference in pension expense; \$24.1 million expense for fiscal year June 30, 2016 compared to a negative pension expense of \$13 million in the prior year.
- The District's governmental funds report combined ending fund balance is \$15.4 million, an increase of \$1.9 million in comparison to the prior year. Approximately 43% of this amount is available for spending at the government's discretion (*unassigned fund balance*).
- The most significant fund is the General Fund. At the end of the current fiscal year, the unassigned fund balance for the general fund was \$6.6 million, an increase of \$0.5 million from the prior year.
- The District's total long-term obligations increased by \$16.9 million during fiscal year 2015. The net pension liability increased long-term obligations by \$24.1 million. This increase was offset by a decrease in bonds payable for debt service payments and amortization of premiums of \$7.4 million.

### 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, deferred outflows of resources, liabilities and deferred inflows of resources of the District with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**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 but unused vacation leave).

In the government-wide financial statements, the District's activities are shown in one category as *governmental activities*. All of the District's basic functions are shown here including instruction, support services, enterprise and community services, facilities acquisition and construction and debt service. These activities are primarily financed through property taxes, Oregon's State School Fund and other intergovernmental revenues. The government-wide financial statements are found on pages 16 and 17 of this report.

**Fund Financial Statements**

The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The McMinnville School District #40, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** The *governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide statements of Net Position and Activities.

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

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

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

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

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Notes to the basic financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 47 of this report.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* related to Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual for the General Fund and Grants Fund. Required supplementary information can be found on pages 50 through 53 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 58 through 62 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position.**

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

**Statement of Net Position**

	<u>Governmental Activities</u>		Increase (Decrease)
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	
Current and other assets	\$ 23,046,396	\$ 30,073,419	\$ (7,027,023)
Capital assets	87,105,195	89,269,599	(2,164,404)
Total Assets	<u>110,151,591</u>	<u>119,343,018</u>	<u>(9,191,427)</u>
Deferred Outflows of Resources	<u>11,437,544</u>	<u>11,209,613</u>	<u>227,931</u>
Long-term obligations	101,303,671	84,418,855	16,884,816
Other liabilities	5,828,552	5,316,659	511,893
Total Liabilities	<u>107,132,223</u>	<u>89,735,514</u>	<u>17,396,709</u>
Deferred Inflows of Resources	<u>5,288,294</u>	<u>13,768,127</u>	<u>(8,479,833)</u>
Net Position			
Net investment in capital assets	44,269,882	40,288,915	3,980,967
Restricted	4,934,389	3,461,939	1,472,450
Unrestricted	<u>(40,035,653)</u>	<u>(16,701,864)</u>	<u>(23,333,789)</u>
Total Net Position	<u>\$ 9,168,618</u>	<u>\$ 27,048,990</u>	<u>\$ (17,880,372)</u>

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

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

**Net position.** The largest portion of the District's net position reflects an investment of \$44.3 million in capital assets (land, buildings and equipment), net of any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students and other District residents; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

The second component of the District's net position is restricted which totals \$4.9 million and represents resources that are subject to external restrictions on how they may be used.

The remaining balance is an unrestricted net position deficit totaling \$40 million. This deficit is primarily due to the impact of implementing GASB 68 to record the Districts proportionate share of pension liabilities and other post-employment benefit obligations in excess of offsetting assets.

**Cash and other assets.** Cash and other assets totaled \$23 million at year end. Cash and investments (\$19.2 million) made up 83% of this total. Total cash and other assets decreased by \$7 million from the prior year. A net pension asset of \$9.5 million was included in the prior year balance. This was offset by an increase in cash and investments of \$2.6 million.

**Capital assets.** At year end, the District's investment in capital assets amounted to \$87.1 million (net of accumulated depreciation). This includes land, buildings and improvements and equipment as shown in the following table:

	<b>Capital Assets (Net of Depreciation)</b>		
	Governmental Activities		Increase (Decrease)
	June 30, 2016	June 30, 2015	
Land/Construction in Progress	\$ 4,250,569	\$ 4,052,530	\$ 198,039
Buildings and Improvements	81,138,491	83,363,786	(2,225,295)
Equipment	1,716,135	1,853,283	(137,148)
<b>Total capital assets, net of accumulated depreciation</b>	<b>\$ 87,105,195</b>	<b>\$ 89,269,599</b>	<b>\$ (2,164,404)</b>

During fiscal year, net capital assets decreased by \$2.2 million. This decrease was primarily due to depreciation expense of \$2.6 million. Major capital asset purchases during the year included the following:

- Instructional equipment (\$8,200)
- Intercoms and security equipment (\$37,400)
- Maintenance and Nutrition Services vehicles (\$43,000)
- Property purchase for school buffer zone (\$161,500)
- Building and land improvements (\$54,700)
- Construction in Progress (\$127,400)

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

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

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

**Deferred inflows and outflows of resources.** With the implementation of GASB 68 for the year ended June 30, 2015, the District recorded an \$11.2 million deferred outflow of resources for the difference between projected and actual earnings on pension investments as of June 30, 2015. This decreased by \$8.5 million as of June 30, 2016.

**Liabilities.** Accrued liabilities, representing 5.4% of the District's total liabilities, consists of payables on accounts, salaries and benefits, interest charges, and unearned revenues.

Outstanding long-term obligations represent 94.6% of the District's total liabilities. At the end of the current fiscal year, the District's long-term obligations totaled \$101.3 million. The following table shows the types of obligations for the current and prior year.

**Outstanding Long-term Obligations**

	Governmental Activities		Increase (Decrease)
	June 30, 2016	June 30, 2015	
General obligation bonds	\$ 43,170,000	\$ 49,250,000	\$ (6,080,000)
Pension obligation bonds	25,482,368	26,213,728	(731,360)
Unamortized premium	5,698,433	6,274,419	(575,986)
Net Pension Liability	24,131,137	-	24,131,137
OPEB obligation	2,821,733	2,680,708	141,025
 Total long-term debt	 \$ 101,303,671	 \$ 84,418,855	 \$ 16,884,816

The net pension liability created an increase of \$24.1 million in long-term obligations. Principal payments on bonds payable during the year were \$6.8 million. The District maintains an underlying rating of "Aa3" from Moody's and "A+" from S&P for general obligation debt. State statutes limit the amount of general obligation debt the District may issue to 7.95 percent of total real market property values. The current debt limitation for the District is \$320.1 million, which is significantly in excess of the District's outstanding general obligation debt of \$43.2 million. Additional information on the District's long-term debt can be found in Note 4 of this report.

In May 2016, the District taxpayers approved a ballot measure authorizing the issuance of \$89,400,000 in general obligation bonds for capital projects (see note 11 for additional information).

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

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

**Governmental Activities.** During the fiscal year, the District's net position decreased by \$17.9 million. The key elements of the change in the District's net position for the year ended June 30, 2016 are as follows:

<b>Changes in Net Position</b>			
<b>For the Year Ended</b>			
	Governmental Activities		
	June 30, 2016	June 30, 2015	Increase (Decrease)
Revenues:			
Program Revenues:			
Charges for services	\$ 1,754,485	\$ 1,657,309	\$ 97,176
Operating grants and contributions	10,090,709	10,840,699	(749,990)
General Revenues:			
Property taxes	20,756,714	19,971,205	785,509
State school fund	45,102,671	42,186,575	2,916,096
ESD apportionment	2,126,367	2,189,842	(63,475)
Other state and local sources	1,201,250	1,119,603	81,647
Earnings on investments	199,469	139,129	60,340
Total revenues	81,231,665	78,104,362	3,127,303
Expenses:			
Instruction	63,619,441	30,991,109	32,628,332
Support services	27,736,353	16,195,532	11,540,821
Community services	3,838,040	2,548,372	1,289,668
Facilities services	117,817	92,820	24,997
Interest on long-term debt	3,800,386	4,030,059	(229,673)
Total expenses	99,112,037	53,857,892	45,254,145
Change in net position	(17,880,372)	24,246,470	(42,126,842)
Net position - July 1,	27,048,990	2,802,520	24,246,470
Net position - June 30	\$ 9,168,618	\$ 27,048,990	\$ (17,880,372)

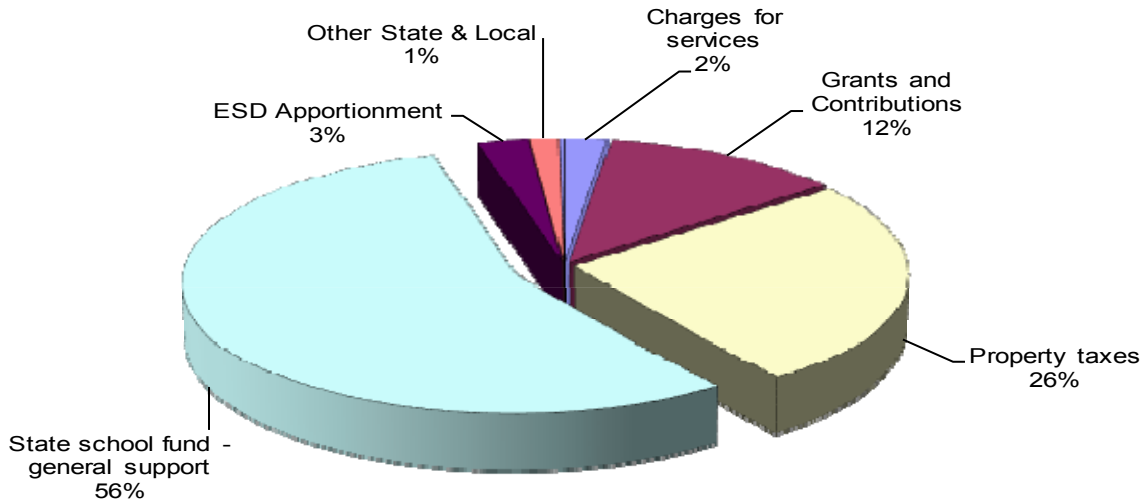


McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

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

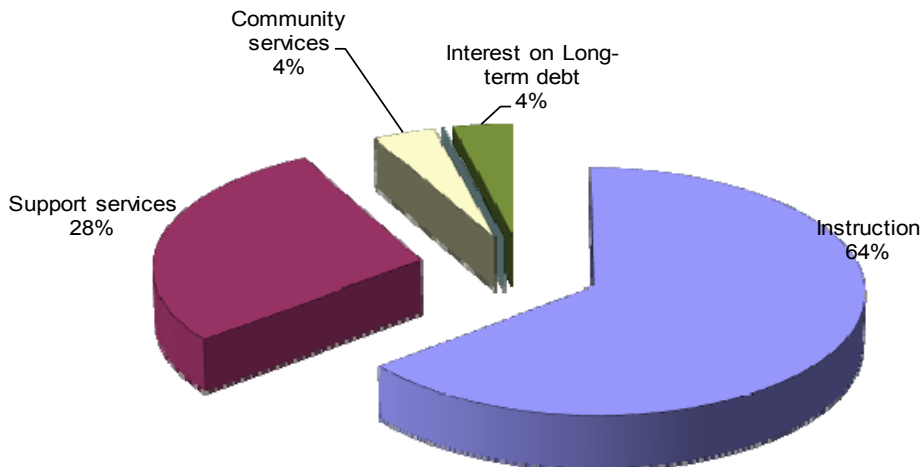
**Revenues.** Total revenues increased by \$3.1 million (4.0% increase). Program revenues decreased by \$0.65 million due primarily to the ending of a large federal grant program. General revenues increased by \$3.8 million as a result of increased state aid and local property tax revenues.

**Revenues by Source - Governmental Activities**



**Expenses.** Total expenses increased by \$45.3 million (84% increase). This significant increase in expenditures is due to the inclusion of the District's proportionate share of the OPSRP pension liability on a full accrual basis. For FY 2015-16, the District recognized a pension expense of \$24 million. This was a total increase of \$37 million when compared to the prior year pension negative expense of \$13 million. All other areas of expense increased by \$8.3 million due to increases in costs and growth in instructional and support services.

**Expenses by Function - Governmental Activities**



McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

## 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, 2016, the District's governmental funds reported combined ending fund balances of \$15.4 million, an increase of \$1.9 million. 43% of this amount (\$6.6 million) is *unassigned fund balance*, which is available for spending at the government's discretion. 27% of this amount is *restricted* for particular purposes (\$4.2 million) and 30% is *committed* by the District for specific purposes (\$4.6 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, 2016, the total general fund balance was \$10.6 million, \$1.2 million more than the prior year. The unassigned fund balance is \$6.6 million which represents 10% of total General Fund revenues. Due to improvements in the state economy, state and local revenues have increased. The committed fund balances include \$2.9 million for asset reserve, \$421,000 for textbook/technology replacement reserve and \$691,000 for insurance reserve. Committed funds were increased by \$667,000 for future building improvements, major repairs, replacement equipment and textbook and technology purchases as part of the District's plan to systematically save for these purposes.

*Grants Fund.* The Grants Fund accounts for the revenues and expenditures of specific educational programs funded from federal, state and local sources. The *restricted* fund balance at year end is \$263,000. Grant revenue is normally recognized as grant expenditures are expended.

*Debt Service Fund.* The Debt Service Fund has a total *restricted* fund balance of \$803,000. There is no significant change from the prior year fund balance, all of which is reserved for the payment of debt service.

### General Fund Budgetary Highlights

*Original budget compared to final budget.* During the year there was one budget resolution to increase transfers between budgetary funds for unanticipated capital project needs prior to year-end. Appropriations were transferred from contingencies to facilities acquisition and improvements. The General Fund budgetary schedule can be found on page 52 of this report.

*Final budget compared to actual results.* The most significant difference between estimated revenue and actual revenue was in local and state sources. Actual revenues were \$1.4 million higher than anticipated for property taxes and the state revenues. The District experienced a higher enrollment than anticipated which resulted in higher state school funding.

Appropriated expenditures were lower than the final budget by \$1.2 million. The largest difference was for support services expenditures for utilities and student transportation.

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

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

The most significant economic factor for the District is the State School Fund. Oregon has continued to see slow and steady recovery in the economy, as reflected in increased state revenues. For the 2015-17 biennium, the State legislature appropriated \$7.4 billion to K-12 education compared to \$6.65 billion in the prior biennium. Local property tax revenues, which are also included in the state funding formula, are expected to increase by over 5 %. Additionally, the State funding allocation to each District is based on average daily student membership and McMinnville School District's enrollment. Enrollment increased by 114 students (1.7%) for the 2015-16 school year. Enrollment was projected to increase for the 2016-17 school year by 1.4%.

General fund revenues are projected to increase for 2016-17 by approximately 4.5%. The budget plan for next fiscal year includes adding classroom staff to maintain class sizes due to increased enrollment and the addition of instructional support positions for early learning needs and college and career readiness programs. Appropriated expenditures in the general fund are \$66.8 million, \$3.4 million more than the 2015-16 budget.

Board policy mandates that the District budget with the goal to maintain a minimum target of five percent ending fund balance. The budget for 2016-17 includes planned reserves of \$5 million or 7.7% of revenues.

**REQUESTS FOR INFORMATION**

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

# **BASIC FINANCIAL STATEMENTS**

McMINNVILLE SCHOOL DISTRICT NO. 40  
 STATEMENT OF NET POSITION  
 June 30, 2016

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments	\$ 19,201,114
Accounts receivables	
Grants	1,108,619
Undistributed tax collections	246,409
Property taxes	1,998,471
Accounts	484,567
Restricted cash and investments	7,216
Capital assets, net	<u>87,105,195</u>
<b>Total Assets</b>	<u><b>110,151,591</b></u>
<b>Deferred Outflows of Resources</b>	
Pension plan	5,271,445
Deferred Charge on Refunding	<u>6,166,099</u>
<b>Total Deferred Outflows of Resources</b>	<u><b>11,437,544</b></u>
<b>Liabilities</b>	
Accounts payable	319,490
Accrued payroll and payroll liabilities	5,321,716
Accrued interest payable	77,647
Unearned revenue	109,699
Long-term debt	
Due within one year	2,857,628
Due in more than one year	
Bonds Payable	71,493,173
Net Pension Liability	24,131,137
Other postemployment benefits payable	<u>2,821,733</u>
<b>Total Liabilities</b>	<u><b>107,132,223</b></u>
<b>Deferred Inflows of Resources</b>	
Pension Plan	<u>5,288,294</u>
<b>Total Deferred Inflows of Resources</b>	<u><b>5,288,294</b></u>
<b>Net Position</b>	
Net investment in capital assets	44,269,882
Restricted for:	
Debt service	1,558,690
Capital projects	1,795,091
Associated student body	519,024
Nutrition services	798,727
Other purposes	262,857
Unrestricted	<u>(40,035,653)</u>
<b>Total Net Position</b>	<u><u><b>\$ 9,168,618</b></u></u>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instructional services	\$ 63,619,441	\$ 1,530,476	\$ 3,443,133	\$ (58,645,832)
Supporting services				
Student transportation	2,089,382	-	1,456,000	(633,382)
Other support services	25,646,971	122,901	1,813,208	(23,710,862)
Community services	3,838,040	101,108	3,378,368	(358,564)
Facilities services	117,817	-	-	(117,817)
Interest on long-term debt	3,800,386	-	-	(3,800,386)
<b>Total Governmental Activities</b>	<b>\$ 99,112,037</b>	<b>\$ 1,754,485</b>	<b>\$ 10,090,709</b>	<b>(87,266,843)</b>
General Revenues				
				12,490,591
Property taxes levied for general purposes				8,266,123
Property taxes levied for debt service				378,871
Construction excise tax				45,102,671
State school fund - general support				797,287
Common school fund				25,092
County common school fund				2,126,367
ESD apportionment				199,469
Earnings on investments				
<b>Total general revenues</b>				<b>69,386,471</b>
Change in Net Position				(17,880,372)
Net Position				
Beginning of year				27,048,990
End of year				<b>\$ 9,168,618</b>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

	General	Grants Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>					
Cash and Investments	\$ 15,059,667	\$ -	\$ 662,624	\$ 3,478,823	\$ 19,201,114
Receivables					
Grants	21,642	882,316	-	204,661	1,108,619
Undistributed Tax Collections	147,900	-	98,509	-	246,409
Property Taxes	1,200,914	-	797,557	-	1,998,471
Accounts	484,567	-	-	-	484,567
Due from Other Funds	496,518	-	-	-	496,518
Restricted Cash and Investments	-	-	-	7,216	7,216
<b>Total Assets</b>	<b>\$ 17,411,208</b>	<b>\$ 882,316</b>	<b>\$ 1,558,690</b>	<b>\$ 3,690,700</b>	<b>\$ 23,542,914</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 303,248	\$ 14,208	\$ -	\$ 2,034	\$ 319,490
Accrued Payroll and Payroll Liabilities	5,308,044	13,672	-	-	5,321,716
Due to Other Funds	-	496,518	-	-	496,518
Unearned Revenue	14,638	95,061	-	-	109,699
<b>Total Liabilities</b>	<b>5,625,930</b>	<b>619,459</b>	<b>-</b>	<b>2,034</b>	<b>6,247,423</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	1,139,042	-	755,887	-	1,894,929
<b>Total Deferred Inflows of Resources</b>	<b>1,139,042</b>	<b>-</b>	<b>755,887</b>	<b>-</b>	<b>1,894,929</b>
<b>FUND BALANCES</b>					
Restricted for					
Grant Activities	-	262,857	-	-	262,857
Debt Service	-	-	802,803	-	802,803
Capital Improvements	-	-	-	1,795,091	1,795,091
Associated Student Body	-	-	-	519,024	519,024
Nutrition Services	-	-	-	798,727	798,727
Committed to					
Asset Reserve	2,886,198	-	-	-	2,886,198
Textbook and Technology Replacement	421,400	-	-	-	421,400
Insurance Reserve	690,886	-	-	-	690,886
PERS Bond Debt Service	-	-	-	575,824	575,824
Unassigned	6,647,752	-	-	-	6,647,752
<b>Total Fund Balances</b>	<b>10,646,236</b>	<b>262,857</b>	<b>802,803</b>	<b>3,688,666</b>	<b>15,400,562</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 17,411,208</b>	<b>\$ 882,316</b>	<b>\$ 1,558,690</b>	<b>\$ 3,690,700</b>	<b>\$ 23,542,914</b>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 RECONCILIATION OF GOVERNMENTAL FUNDS  
 BALANCE SHEET TO STATEMENT OF NET POSITION  
 June 30, 2016

Total fund balances - governmental funds \$ 15,400,562

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

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

Cost	\$ 126,564,228	
Accumulated depreciation	<u>(39,459,033)</u>	87,105,195

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.		1,894,929
--	--	-----------

The net pension liability is not due and payable in the current period, and therefore is not reported as a liability in the governmental funds		(24,131,137)
--	--	--------------

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred outflows of resources related to pensions	5,271,445	
Deferred outflows of resources related to refunding	6,166,099	
Deferred inflows or resources related to pensions	<u>(5,288,294)</u>	6,149,250

Long-term obligations not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These obligations consist of:

Accrued interest payable	(77,647)	
Bonds Payable	(68,652,368)	
Bond Premium	(5,698,433)	
Net OPEB obligations	<u>(2,821,733)</u>	<u>(77,250,181)</u>

Total Net Position		<u><u>\$ 9,168,618</u></u>
--------------------	--	----------------------------



McMINNVILLE SCHOOL DISTRICT NO. 40  
 GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 Year Ended June 30, 2016

	General	Grants Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
<b>Revenues</b>					
Property Taxes	\$ 12,466,876	\$ -	\$ 8,259,021	\$ -	\$ 20,725,897
Construction Excise Tax	-	-	-	378,871	378,871
Intermediate Sources	2,151,459	181,575	-	-	2,333,034
State Sources	47,355,958	646,187	-	60,181	48,062,326
Federal Sources	46,347	4,252,798	-	3,274,774	7,573,919
Charges for Services	466,896	34,546	-	1,187,189	1,688,631
Rentals	52,604	-	-	-	52,604
Investment Earnings	142,257	-	32,863	24,349	199,469
Contributions and Donations	20,378	152,469	-	-	172,847
Fees Charged to Grants	117,042	-	-	-	117,042
Services to Other Funds	-	-	-	2,427,259	2,427,259
Miscellaneous	118,891	72,739	-	950	192,580
<b>Total Revenues</b>	<b>62,938,708</b>	<b>5,340,314</b>	<b>8,291,884</b>	<b>7,353,573</b>	<b>83,924,479</b>
<b>Expenditures</b>					
<b>Current</b>					
Instruction	41,138,366	3,531,935	-	1,078,844	45,749,145
Support Services	19,967,174	1,834,296	-	-	21,801,470
Enterprise and Community Services	-	66,461	-	3,154,247	3,220,708
Facilities Acquisition and Construction	112,395	-	-	5,421	117,816
<b>Debt Service</b>					
Principal	-	-	6,080,000	731,360	6,811,360
Interest	-	-	2,158,981	1,701,179	3,860,160
<b>Capital Outlay</b>					
Instruction	8,248	-	-	-	8,248
Support Services	59,626	-	-	-	59,626
Enterprise and Community Services	-	-	-	20,700	20,700
Facilities Acquisition and Construction	343,635	-	-	-	343,635
<b>Total Expenditures</b>	<b>61,629,444</b>	<b>5,432,692</b>	<b>8,238,981</b>	<b>6,691,751</b>	<b>81,992,868</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,309,264	(92,378)	52,903	661,822	1,931,611
Transfers In	-	100,000	-	-	100,000
Transfers (Out)	(100,000)	-	-	-	(100,000)
<b>Total Other Sources (Uses)</b>	<b>(100,000)</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>1,209,264</b>	<b>7,622</b>	<b>52,903</b>	<b>661,822</b>	<b>1,931,611</b>
<b>Fund Balances</b>					
Beginning of Year	9,436,972	255,235	749,900	3,026,844	13,468,951
End of year	<u>\$ 10,646,236</u>	<u>\$ 262,857</u>	<u>\$ 802,803</u>	<u>\$ 3,688,666</u>	<u>\$ 15,400,562</u>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2016

Net Change in Fund Balances - total governmental funds		\$ 1,931,611
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Expenditures for capital assets	\$ 432,209	
Less current year depreciation	<u>(2,596,613)</u>	(2,164,404)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the net effect of these differences in the treatment of long-term debt.		
Principal payments		6,811,360
Governmental funds report the effect of issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences:		
Amortization of deferred charge on refunding bonds	(528,524)	
Amortization of premium	<u>575,986</u>	47,462
(Increases) decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		
		(24,408,505)
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.		
		12,312
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.		
		30,817
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 increased.		
		<u>(141,025)</u>
Change in Net Position		<u>\$ (17,880,372)</u>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
June 30, 2016

	<u>Private Purpose Trust Fund</u>
Assets	
Cash and investments	<u>\$          127,413</u>
Total Assets	<u>                  127,413</u>
Net Position	
Held in trust for:	
Scholarships	<u>                  127,413</u>
Total Net Position	<u><u>                  \$          127,413</u></u>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 STATEMENT OF CHANGES IN NET POSITION  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2016

	Private Purpose Trust Fund
Additions:	
Investment earnings	\$          650
Contributions	<u>          17,815</u>
Total Additions	<u>          18,465</u>
Deductions:	
Scholarships	<u>          6,705</u>
Total Deductions	<u>          6,705</u>
Change in Net Position	11,760
Net Position	
Beginning of year	<u>          115,653</u>
Total Net Position	<u><u>          \$      127,413</u></u>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
NOTES TO BASIC FINANCIAL STATEMENTS  
Year Ended June 30, 2016

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation – FUND FINANCIAL STATEMENTS (Continued)

The District reports the following major governmental funds:

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

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

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

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

Additionally, the District reports the following fund types:

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

Measurement Focus and Basis of Accounting

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

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

1. Summary of Significant Accounting Policies (Continued)

Budget

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

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

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

Cash and Investments

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

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

Property Taxes Receivable

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

1. Summary of Significant Accounting Policies (Continued)

Property Taxes Receivable (Continued)

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

Accounts and Other Receivables

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

Grants

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

Pensions

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

Capital Assets

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

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

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



1. Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) so will not be recognized as an outflow of resources (expense/expenditure) until that time. The government has two items that arise only under a full accrual basis of accounting that qualify for reporting in this category. The statement of net position reports one type related to the net PERS pension liability and one type related to bond refunding. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that arise for reporting in this category. The balance sheet reports unavailable revenues from one source: property taxes. The statement of net position reports one type related to the net PERS pension liability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Retirement Plans

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

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

Post Employment Health Care Benefits

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

Compensated Absences

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

1. Summary of Significant Accounting Policies (Continued)

Long-term Debt

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

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

Interfund Transactions

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

Interfund Receivables/Payables

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

Fund Balances

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

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

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

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

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

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

1. Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

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

There are no nonspendable or assigned fund balances as of June 30, 2016.

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

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

Net Position

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

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

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

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

Use of Estimates

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

2. Cash and Investments

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

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2016

2. Cash and Investments (Continued)

Cash and investments on June 30, 2016 consist of the following:

Petty Cash	\$ 1,054
Cash with fiscal agent	7,216
Deposits with banks	1,818,196
Investments	<u>17,509,277</u>
	<u>\$ 19,335,743</u>

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

Statement of Net Position	
Cash and Investments	\$ 19,201,114
Restricted Cash and Investments	7,216
Statement of Net Position - Fiduciary Funds	
Cash and Investments - Private Purpose Trust	<u>127,413</u>
	<u>\$ 19,335,743</u>

Deposits

*Custodial credit risk – Deposits*

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

Deposits with financial institutions include primarily bank demand and money market deposits. The balances in these accounts according to the District's records total \$1,818,193 on June 30, 2016. The bank statement records reflect a balance of \$2,850,525 at year end. Of this amount, \$250,000 is covered by the FDIC's general deposit insurance rules. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of State Treasurer. As a result the District has no exposure to custodial credit risk for deposits with financial institutions.

2. Cash and Investments (Continued)

Investments

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

	<u>Maturities</u>	<u>Fair Value</u>
Oregon State Treasury Local Government Investment Pool	<u>six months average</u>	\$ <u>17,509,277</u>
		<u>\$ 17,509,277</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, 2016 the fund's composite weighted rating was equivalent to S&P's AA ratings. The State's investment policies are governed by statute and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB) and approved by the Oregon Investment Council (ORS 294.805 to 294.895).

As of June 30, 2016 and for the year then ended, the District was in compliance with the State of Oregon statutes regarding investments as discussed under Note 1.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2016

3. Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Construction in Progress	\$ -	\$ 127,355	\$ -	\$ 127,355
Land	4,052,530	70,684	-	4,123,214
Total Capital Assets not being depreciated	4,052,530	198,039	-	4,250,569
Capital assets being depreciated:				
Buildings and improvements	117,467,315	54,748	-	117,522,063
Equipment	4,612,174	179,422	-	4,791,596
Total capital assets being depreciated	122,079,489	234,170	-	122,313,659
Less accumulated depreciation for:				
Buildings and improvements	(34,103,529)	(2,280,043)	-	(36,383,572)
Equipment	(2,758,891)	(316,570)	-	(3,075,461)
Total accumulated depreciation	(36,862,420)	(2,596,613)	-	(39,459,033)
Total capital assets being depreciated, net	85,217,069	(2,362,443)	-	82,854,626
Total capital assets, net	\$ 89,269,599	\$ (2,164,404)	\$ -	\$ 87,105,195

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

Program	
Instructional programs	\$ 2,385,387
Supporting services	110,650
Community services	100,576
Total depreciation expense	\$ 2,596,613

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, 2016

4. Long-Term Debt (Continued)

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

Long-term liability activity for the year ended June 30, 2016 is as follows:

Issue Date	Issue Amount	Outstanding July 1, 2015	Additions	Reductions	Outstanding June 30, 2016	Due Within One Year	Interest Rates
General Obligation Bonds:							
09/01/01	\$ 16,835,000	\$ 2,235,000	\$ -	\$ 2,235,000	\$ -	\$ -	5.00 - 5.50%
06/26/07	62,000,000	5,655,000	-	3,730,000	1,925,000	1,925,000	4.50 - 5.25%
02/27/13	42,075,000	41,360,000	-	115,000	41,245,000	120,000	2.0% - 5.0%
		49,250,000	-	6,080,000	43,170,000	2,045,000	
Limited Tax Pension Obligation Bonds:							
10/31/02	16,044,243	12,528,728	-	321,360	12,207,368	327,628	4.82 - 5.55 %
02/19/04	13,715,000	12,565,000	-	410,000	12,155,000	485,000	4.40 - 5.53%
08/11/11	1,120,000	1,120,000	-	-	1,120,000	-	4.12%
		26,213,728	-	731,360	25,482,368	812,628	
Total G.O. and Pension Bonds		75,463,728	-	6,811,360	68,652,368	2,857,628	
Unamortized premium		6,274,419	-	575,986	5,698,433		
Net Pension Liability		-	24,131,137	-	24,131,137		
Net OPEB Obligation		2,680,708	141,025	-	2,821,733		
Total long-term debt		\$ 84,418,855	\$ 24,272,162	\$ 7,387,346	\$ 101,303,671		

Future maturities are as follows:

Fiscal Year	Principal	Interest
2016-2017	\$ 2,857,628	\$ 3,607,823
2017-2018	3,182,249	3,551,225
2018-2019	3,451,769	3,560,210
2019-2020	3,835,722	3,480,175
2020-2021	4,995,000	2,676,310
2021-2026	34,090,000	9,109,876
2026-2029	16,240,000	1,165,634
Total	\$ 68,652,368	\$ 27,151,253

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 Net Pension Liability and OPEB Obligation are paid by the General Fund and the Grants Fund as part of personnel costs.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2016

4. Long-Term Debt (Continued)

Advance Refunding

In prior years, the District defeased general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old obligations. As a result, the early refunded bonds are considered to be defeased. Accordingly, the trust assets and the liabilities for the defeased obligations are not included in the District's basic financial statements. At June 30, 2016, \$41,185,000 of general obligation bonds outstanding is considered defeased.

5. Interfund Receivables/Payables & Transfers

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, 2016, there is a \$496,518 interfund balance in the Grants Fund which represents grants receivable. Transfer from the General Fund to the Grants Fund is made to support Elementary After School Programs.

The composition of interfund balances and transfers as of June 30, 2016 is as follows:

	<u>Due From</u>	<u>Due to</u>
Major Government Funds		
General Fund	\$ 496,518	\$ -
Grants Fund	-	496,518
	<u>\$ 496,518</u>	<u>\$ 496,518</u>
	<u>Transfer In</u>	<u>Transfer Out</u>
Major Government Funds		
General Fund	\$ -	\$ 100,000
Grants Fund	100,000	-
	<u>\$ 100,000</u>	<u>\$ 100,000</u>

6. Pension Plan

Plan Description

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

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



6. Pension Plan (Continued)

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

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

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

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

Pension Benefits

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

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

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

Death Benefits

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

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

6. Pension Plan (Continued)

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

Disability Benefits

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

Benefit Changes after Retirement

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2016 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

b. OPSRP Pension Program (Chapter 238A)

Pension Benefits.

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

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

Death Benefits

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

6. Pension Plan (Continued)

Disability Benefits

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

Benefit Changes after Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2016 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Contributions

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

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2015. The District made lump sum payments to establish side accounts in 2002 and 2004, which reduces the District rates below the standard School District Pool rates. The District's contractually required contribution rate for the year ended June 30, 2016 was 13.28% of eligible payroll for Tier 1/Tier 2 members and 8.59% of eligible payroll for OPSRP members. Employer contributions for the year ended June 30, 2016 were \$3,824,327, excluding amounts to fund employer specific liabilities. \$2,432,237 was charged for the year ended June 30, 2016 as PERS benefit expenditures to be used for bond payments as they become due. In addition, \$1,549,903 in employee contributions were paid by the district for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$24,131,137 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on the District's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers, actuarially determined. At June 30, 2015 the District's proportion was .42% which was unchanged from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized a pension expense of \$23.7 million. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2016

6. Pension Plan (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,301,273	
Net difference between projected and actual earnings on investments		\$ 5,058,433
Changes in proportionate share	10,042	
Differences between employer contributions and employer's proportionate share of system contributions`	152,138	229,861
District contributions subsequent to the measurement date	<u>3,807,992</u>	<u>-</u>
Total	<u><u>5,271,445</u></u>	<u><u>5,288,294</u></u>

District contributions subsequent to the measurement date of \$3,807,992 reported as deferred outflows of resources related to pensions will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported by the District as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in subsequent years as follows:

	<u>Pension Expense</u>
June 30, 2017	\$ (2,125,506)
June 30, 2018	(2,125,506)
June 30, 2019	(2,125,506)
June 30, 2020	2,453,363
June 30, 2021	98,314

Actuarial Methods and Assumptions:

Actuarial Valuations

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method.

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

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

6. Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation Date	December 31, 2013
Measurement Date	June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increases	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service
Cost of living adjustments (COLA)	Blend of 2% COLA and graded COLA (1.25%/0.15% in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p><b>Healthy retirees and beneficiaries:</b> RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active members:</b> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p><b>Disabled retirees:</b> Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

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

6. Pension Plan (Continued)

Discount Rate

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

Assumed Asset Allocation

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

Long-Term Expected Rate of Return

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

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2016

6. Pension Plan (Continued)

Long-Term Expected Rate of Return (Continued)

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability (asset)	\$ 58,239,601	\$ 24,131,137	\$ (4,613,338)

6. Pension Plan (Continued)

Pension plan fiduciary net position

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

Changes in Plan Provisions Effecting the Roll Forward

Since the December 31, 2013 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in Moro v. State of Oregon, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by Employers compare to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contribution effort has been adjusted for the estimated impact of the Moro Decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.75%, which will be effective January 1, 2016.

7. Other Post Employment Benefits

Post Employment Health Insurance

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

The District's program has two main components:

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

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

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



7. Other Post Employment Benefits (Continued)

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:

	2016	2015	2014
Annual required contribution	\$ 684,605	\$ 691,963	\$ 980,680
Interest on net OPEB obligation	107,229	105,525	99,448
Adjustment to annual required contribution	<u>(143,645)</u>	<u>(258,802)</u>	<u>(302,701)</u>
Annual OPEB cost (expense)	648,189	538,686	777,427
Contributions made	<u>507,164</u>	<u>496,089</u>	<u>625,514</u>
Increase in net OPEB obligation	141,025	42,597	151,913
Net OPEB obligation -- beginning of year	<u>2,680,708</u>	<u>2,638,111</u>	<u>2,486,198</u>
 Net OPEB obligation -- end of year	 <u>\$ 2,821,733</u>	 <u>\$ 2,680,708</u>	 <u>\$ 2,638,111</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, 2014	777,427	625,514	80%	2,638,111
June 30, 2015	538,686	496,089	92%	2,680,708
June 30, 2016	648,189	507,164	78%	2,821,733

Funded Status of and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date, for the periods ended June 30, 2015 and June 30, 2016; the District’s actuarial accrued liability (AAL) for benefits was \$5,792,399, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,792,399. The covered payroll (annual payroll of active employees covered by the plan) was \$33,538,329 and the ratio of the UAAL to the covered payroll was 17 percent. The Schedule of Funding Progress immediately following the notes to the basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

7. Other Post Employment Benefits (Continued)

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

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

In the July 1 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an inflation rate of 2.5%, discount rate of 4.0% and payroll growth rate of 3.0%. They also assume medical and prescription drug premium costs would increase at 7% for the current year, grading down to an annual rate of 5.6% after ten years. The demographic assumptions, such as mortality rates, disability incidence rates and retirement rates are the same as those used for Oregon PERS benefits.

Tax Sheltered Annuity

The District offers its employees a tax deferred annuity program established pursuant to Section 403(b) of the Internal Revenue Code (the Code). Contributions are made through salary reductions from participating employee up to the amounts specified in the Code. No contributions are required from the District. As of June 30, 2016, 235 employees were participating in the plan.

8. Other Post Employment Benefits

OPERS Retirement Health Insurance Account Plan Description

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

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

8. Other Post Employment Benefits (Continued)

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

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.59 percent of annual covered payroll for Tier One and Two employees, and 0.49 percent for OPSRP employees. The Oregon PERS Board of Trustees sets the employer contribution rate. It is based on the annual required contribution of the combined participant employers. This is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a closed period not to exceed 30 years. The District's contributions to RHIA equaled the required contributions each year and were:

Fiscal Year Ended	\$	RHIA Contributions
June 30, 2014	\$	173,582
June 30, 2015		180,028
June 30, 2016		169,609

9. Risk Management

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

10. Contingent Liabilities

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

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

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

11. Subsequent Event

On August 10, 2016, the District issued \$88,400,000 in General Obligations Bonds. Interest payable semi-annually on December 15 and June 15.

THIS PAGE INTENTIONALLY LEFT BLANK

**REQUIRED**  
**SUPPLEMENTARY INFORMATION**

McMINNVILLE SCHOOL DISTRICT NO. 40  
SCHEDULE OF FUNDING PROGRESS FOR  
OTHER POST EMPLOYMENT BENEFITS  
June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (UAAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
7/1/2008	\$ -	\$ 13,525,332	\$ 13,525,332	0%	\$ 29,629,265	45.65%
7/1/2010	\$ -	\$ 10,593,953	\$ 10,593,953	0%	\$ 28,603,522	37.04%
7/1/2012	\$ -	\$ 6,055,109	\$ 6,055,109	0%	\$ 30,566,801	19.81%
7/1/2014	\$ -	\$ 5,792,399	\$ 5,792,399	0%	\$ 33,538,329	17.27%

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 1,865,837	\$ 1,297,833	70%	\$ 1,119,642
June 30, 2011	1,808,416	1,043,606	58%	1,884,452
June 30, 2012	1,764,650	1,117,315	63%	2,531,787
June 30, 2013	701,036	746,625	107%	2,486,198
June 30, 2014	777,427	625,514	80%	2,638,111
June 30, 2015	538,686	496,086	92%	2,680,708
June 30, 2016	648,189	507,164	78%	2,821,733

McMINNVILLE SCHOOL DISTRICT NO. 40  
 REQUIRED SUPPLEMENTARY INFORMATION  
 OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 June 30, 2016

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

<u>Fiscal Year Ended</u>	<u>(a) District's Proportion of the net pension Liability (NPL)</u>	<u>(b) District's Proportionate Share of the Net Pension Liability (NPL)</u>	<u>(c) District's Covered Payroll</u>	<u>(b/c) NPL as a Percentage of covered Payroll</u>	<u>Plan Fiduciary net position as a percentage of the total pension liability</u>
June 30, 2014	0.4179%	\$ 21,418,478	30,469,297	70.30%	91.97%
June 30, 2015	0.4179%	-9,513,317	31,518,849	-30.18%	103.60%
June 30, 2016	0.4203%	24,131,137	32,826,426	73.51%	91.88%

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

SCHEDULE OF DISTRICT CONTRIBUTIONS

<u>Fiscal Year Ended</u>	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required Contribution</u>	<u>Contributon deficiency (excess)</u>	<u>District's Covered payroll</u>	<u>Contributions as a percent of covered payroll</u>
June 30, 2014	\$ 3,874,843	\$ 3,874,843	\$ -	31,518,849	12.29%
June 30, 2015	4,362,852	4,362,852	-	32,826,426	13.29%
June 30, 2016	3,824,327	3,824,327	-	34,416,163	11.11%

These schedules are presented to illustrate information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.



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, 2016

	Budget		Actual	Variance with Final budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Property Taxes	\$ 12,050,000	\$ 12,050,000	\$ 12,466,876	\$ 416,876
Tuition	205,000	205,000	201,472	(3,528)
Investment Earnings	90,000	90,000	120,084	30,084
Extracurricular Activities	140,000	140,000	152,084	12,084
Community Service Activities	90,000	90,000	113,340	23,340
Rentals	15,000	15,000	15,164	164
Fees Charged to Grants	160,000	160,000	117,042	(42,958)
Miscellaneous Local Sources	45,000	45,000	39,779	(5,221)
Total Local Revenues	12,795,000	12,795,000	13,225,841	430,841
Revenues from Intermediate Sources				
ESD Apportionment	2,130,000	2,130,000	2,126,367	(3,633)
County School Fund	30,000	30,000	25,092	(4,908)
Total Intermediate Sources	2,160,000	2,160,000	2,151,459	(8,541)
Revenues from State Sources				
State School Fund Support	45,805,424	45,805,424	46,558,671	753,247
Common School Fund	606,229	606,229	797,287	191,058
Total State Revenues	46,411,653	46,411,653	47,355,958	944,305
Revenues from Federal Sources				
Child Care and Development Fund	20,000	20,000	19,341	(659)
Child Care Food Program	-	-	5,364	5,364
Total Federal Revenues	20,000	20,000	24,705	4,705
Total Revenues	61,386,653	61,386,653	62,757,963	1,371,310
Expenditures				
Instruction *	41,459,519	41,459,519	41,041,492	418,027
Support Services *	20,568,852	20,568,852	19,823,883	744,969
Facilities Acquisition and Construction *	10,000	10,000	-	10,000
Contingencies *	500,000	-	-	0
Total Expenditures	62,538,371	62,038,371	60,865,375	1,172,996
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,151,718)	(651,718)	1,892,588	2,544,306
Other Financing Sources (Uses):				
Transfers out *	(850,000)	(1,350,000)	(1,350,000)	-
Total Other Financing Sources (Uses)	(850,000)	(1,350,000)	(1,350,000)	-
Net Change in Fund Balance	(2,001,718)	(2,001,718)	542,588	2,544,306
Fund Balance				
Beginning of Year	6,300,000	6,300,000	6,105,164	(194,836)
End of Year	\$ 4,298,282	\$ 4,298,282	6,647,752	\$ 2,349,470
* Legally adopted appropriation level				
Reconciliation to Governmental Ending Fund Balance:				
Asset Reserve Fund			2,886,198	
Textbook and Technology Replacement Fund			421,400	
Insurance Reserve Fund			690,886	
Total Governmental Funds			\$ 10,646,236	

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, 2016

	Budget		Actual	Variance with Final budget
	Adopted	Final		
Revenues				
Local Sources	\$ 330,500	\$ 330,500	\$ 259,754	\$ (70,746)
Intermediate Sources	142,000	142,000	181,575	39,575
State Sources	906,000	906,000	646,187	(259,813)
Federal Sources	5,439,000	5,439,000	4,252,798	(1,186,202)
Total Revenues	6,817,500	6,817,500	5,340,314	(1,477,186)
Expenditures				
Instruction *	4,106,116	4,106,116	3,531,935	574,181
Support Services *	2,493,753	2,493,753	1,834,296	659,457
Community Services *	283,631	283,631	66,461	217,170
Facilities Acquisition and Construction *	204,000	204,000	-	204,000
Total Expenditures	7,087,500	7,087,500	5,432,692	1,654,808
Excess (Deficiency) of Revenues Over (Under) Expenditures	(270,000)	(270,000)	(92,378)	177,622
Other Financing Sources (Uses):				
Transfers in	100,000	100,000	100,000	-
Total Other Financing Sources (Uses)	100,000	100,000	100,000	-
Net Change in Fund Balance	(170,000)	(170,000)	7,622	177,622
Fund Balances				
Beginning of Year	170,000	170,000	255,235	85,235
End of Year	\$ -	\$ -	\$ 262,857	\$ 262,857

\* Legally adopted appropriation level

1. Other Postemployment Benefits

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

2. Employee Retirement Pension Benefits.

Changes in Plan Provisions

A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB information found at:  
[https://www.oregon.gov/pers/EMP/Pages/section/er\\_general\\_information/gasb-68.aspx](https://www.oregon.gov/pers/EMP/Pages/section/er_general_information/gasb-68.aspx)

Changes in Assumptions

A summary of key changes implemented since the December 31, 2013 valuation are described in the Oregon Public Retirement System's GASB 68 disclosure information which can be found at:  
[https://www.oregon.gov/pers/EMP/Pages/section/er\\_general\\_information/gasb-68.aspx](https://www.oregon.gov/pers/EMP/Pages/section/er_general_information/gasb-68.aspx)

Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2014 Experience Study for the System, which was published on September 23, 2015, and can be found at: [https://www.oregon.gov/pers/docs/2014\\_experience\\_study\\_9-23-15.pdf](https://www.oregon.gov/pers/docs/2014_experience_study_9-23-15.pdf)

3. General Fund

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

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

4. Budget

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

McMINNVILLE SCHOOL DISTRICT NO. 40  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2016

4. Budget (continued)

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, the General Fund and Asset Reserve Fund each had one amendment to the original budget. Appropriations lapse at the end of each fiscal year.

THIS PAGE INTENTIONALLY LEFT BLANK

# **SUPPLEMENTARY INFORMATION**

McMINNVILLE SCHOOL DISTRICT NO. 40  
 COMBINING BALANCE SHEET  
 MAJOR GOVERNMENTAL FUND - GENERAL FUND  
 June 30, 2016

	General	Asset Reserve	Textbooks and Technology Reserve	Insurance Reserve	Totals
<b>ASSETS</b>					
Cash and Investments	\$ 11,082,273	\$ 2,886,198	\$ 421,400	\$ 669,796	\$ 15,059,667
Receivables					
Grants	-	-	-	21,642	21,642
Undistributed Tax Collections	147,900	-	-	-	147,900
Property Taxes	1,200,914	-	-	-	1,200,914
Accounts	484,567	-	-	-	484,567
Due from Other Funds	496,518	-	-	-	496,518
<b>Total Assets</b>	<b>\$ 13,412,172</b>	<b>\$ 2,886,198</b>	<b>\$ 421,400</b>	<b>\$ 691,438</b>	<b>\$ 17,411,208</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 302,696	\$ -	\$ -	\$ 552	\$ 303,248
Accrued Payroll and Payroll Liabilities	5,308,044	-	-	-	5,308,044
Unearned Revenue	14,638	-	-	-	14,638
<b>Total Liabilities</b>	<b>5,625,378</b>	<b>-</b>	<b>-</b>	<b>552</b>	<b>5,625,930</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	1,139,042	-	-	-	1,139,042
<b>Total Deferred Inflows of Resources</b>	<b>1,139,042</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,139,042</b>
<b>FUND BALANCES</b>					
Fund Balances					
Committed to					
Asset Reserve	-	2,886,198	-	-	2,886,198
Textbook and Technology Replacement	-	-	421,400	-	421,400
Insurance Reserve	-	-	-	690,886	690,886
Unassigned	6,647,752	-	-	-	6,647,752
<b>Total Fund Balances</b>	<b>6,647,752</b>	<b>2,886,198</b>	<b>421,400</b>	<b>690,886</b>	<b>10,646,236</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 13,412,172</b>	<b>\$ 2,886,198</b>	<b>\$ 421,400</b>	<b>\$ 691,438</b>	<b>\$ 17,411,208</b>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 MAJOR GOVERNMENTAL FUND - GENERAL FUND  
 Year Ended June 30, 2016

	General	Asset Reserve	Textbooks and Technology Reserve	Insurance Reserve	Total
<b>Revenues</b>					
Property Taxes	\$ 12,466,876	\$ -	\$ -	\$ -	\$ 12,466,876
Intermediate Sources	2,151,459	-	-	-	2,151,459
State Sources	47,355,958	-	-	-	47,355,958
Federal Sources	24,705	-	-	21,642	46,347
Charges for Services	466,896	-	-	-	466,896
Rentals	15,164	37,440	-	-	52,604
Investment Earnings	120,084	15,818	1,453	4,902	142,257
Contributions and Donations	-	20,378	-	-	20,378
Fees Charged to Grants	117,042	-	-	-	117,042
Miscellaneous	39,779	-	25,069	54,043	118,891
<b>Total Revenues</b>	<b>62,757,963</b>	<b>73,636</b>	<b>26,522</b>	<b>80,587</b>	<b>62,938,708</b>
<b>Expenditures</b>					
Instruction	41,041,492	-	105,122	-	41,146,614
Support Services	19,823,883	41,814	-	161,103	20,026,800
Facilities Acquisition and Construction	-	456,030	-	-	456,030
<b>Total Expenditures</b>	<b>60,865,375</b>	<b>497,844</b>	<b>105,122</b>	<b>161,103</b>	<b>61,629,444</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>1,892,588</b>	<b>(424,208)</b>	<b>(78,600)</b>	<b>(80,516)</b>	<b>1,309,264</b>
<b>Other Financing Sources (Uses)</b>					
Transfer In	-	1,000,000	250,000	-	1,250,000
Transfers Out	(1,350,000)	-	-	-	(1,350,000)
<b>Total Other Sources (Uses)</b>	<b>(1,350,000)</b>	<b>1,000,000</b>	<b>250,000</b>	<b>-</b>	<b>(100,000)</b>
<b>Net Change in Fund Balance</b>	<b>542,588</b>	<b>575,792</b>	<b>171,400</b>	<b>(80,516)</b>	<b>1,209,264</b>
<b>Fund Balances</b>					
Beginning of Year	6,105,164	2,310,406	250,000	771,402	9,436,972
End of Year	\$ 6,647,752	\$ 2,886,198	\$ 421,400	\$ 690,886	\$ 10,646,236



McMINNVILLE SCHOOL DISTRICT NO. 40  
ASSET RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
<b>Revenues</b>				
Revenues from Local Sources				
Investment Earnings	\$ 10,000	\$ 10,000	\$ 15,818	\$ 5,818
Rentals	30,000	30,000	37,440	7,440
Contributions and Donations	-	-	20,378	20,378
Miscellaneous Local Sources	10,000	10,000	-	(10,000)
<b>Total Revenue</b>	<b>50,000</b>	<b>50,000</b>	<b>73,636</b>	<b>23,636</b>
<b>Expenditures</b>				
Support Services *	290,000	290,000	41,814	248,186
Facilities Acquisition and Construction *	1,260,000	2,187,500	456,030	1,731,470
Contingencies *	1,300,000	872,500	-	872,500
<b>Total Expenditures</b>	<b>2,850,000</b>	<b>3,350,000</b>	<b>497,844</b>	<b>2,852,156</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,800,000)	(3,300,000)	(424,208)	2,875,792
<b>Other Financing Sources</b>				
Transfer in	500,000	1,000,000	1,000,000	-
<b>Total Other Sources *</b>	<b>500,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(2,300,000)</b>	<b>(2,300,000)</b>	<b>575,792</b>	<b>2,875,792</b>
<b>Fund Balance</b>				
Beginning of Year	2,300,000	2,300,000	2,310,406	10,406
End of Year	\$ -	\$ -	\$ 2,886,198	\$ 2,886,198

\* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40  
 TEXTBOOKS AND TECHNOLOGY REPLACEMENT RESERVE  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ -	\$ -	\$ 1,453	\$ 1,453
Miscellaneous Local Sources	-	-	25,069	25,069
Total Revenue	-	-	26,522	26,522
Expenditures				
Instruction *	500,000	500,000	105,122	394,878
Total Expenditures	500,000	500,000	105,122	394,878
Excess (Deficiency) of Revenues Over (Under) Expenditures	(500,000)	(500,000)	(78,600)	421,400
Other Financing Sources				
Transfer in	250,000	250,000	250,000	-
Total Other Sources *	250,000	250,000	250,000	-
Net Change in Fund Balance	(250,000)	(250,000)	171,400	421,400
Fund Balance				
Beginning of Year	250,000	250,000	250,000	-
End of Year	\$ -	\$ -	\$ 421,400	\$ 421,400

\* 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, 2016

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
<b>Revenues</b>				
Revenues from Local Sources				
Federal Sources	\$ -	\$ -	\$ 21,642	\$ 21,642
Investment Earnings	5,000	5,000	4,902	(98)
Miscellaneous Local Sources	60,000	60,000	54,043	(5,957)
<b>Total Revenue</b>	<b>65,000</b>	<b>65,000</b>	<b>80,587</b>	<b>15,587</b>
<b>Expenditures</b>				
Instruction *	100,000	100,000	-	100,000
Support Services *	287,877	287,877	161,103	126,774
Contingencies *	442,123	442,123	-	442,123
<b>Total Expenditures</b>	<b>830,000</b>	<b>830,000</b>	<b>161,103</b>	<b>668,897</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(765,000)	(765,000)	(80,516)	684,484
<b>Fund Balance</b>				
Beginning of Year	765,000	765,000	771,402	6,402
End of Year	\$ -	\$ -	\$ 690,886	\$ 690,886

\* Legally adopted appropriation level

## **OTHER MAJOR GOVERNMENTAL FUNDS**

McMINNVILLE SCHOOL DISTRICT NO. 40  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Property Taxes	\$ 8,245,000	\$ 8,245,000	\$ 8,259,021	\$ 14,021
Investment Earnings	22,000	22,000	32,863	10,863
Total Revenue	<u>8,267,000</u>	<u>8,267,000</u>	<u>8,291,884</u>	<u>24,884</u>
Expenditures				
Debt Service *				
Redemption of Principal	6,080,000	6,080,000	6,080,000	-
Interest	2,158,982	2,158,982	2,158,981	1
Total Expenditures	<u>8,238,982</u>	<u>8,238,982</u>	<u>8,238,981</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	28,018	28,018	52,903	24,885
Fund Balance				
Beginning of Year	<u>520,000</u>	<u>520,000</u>	<u>749,900</u>	<u>229,900</u>
End of Year	<u>\$ 548,018</u>	<u>\$ 548,018</u>	<u>\$ 802,803</u>	<u>\$ 254,785</u>

\* Legally adopted appropriation level

## **NONMAJOR GOVERNMENTAL FUNDS**

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

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

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

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

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

McMINNVILLE SCHOOL DISTRICT NO. 40  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2016

	Special Revenue Funds				Total
	Nutrition Services	Student Body	Construction Excise Tax	PERS Debt Service	
ASSETS					
ASSETS					
Cash and Investments	\$ 595,509	\$ 519,024	\$ 1,795,682	\$ 568,608	\$ 3,478,823
Grants Receivable	204,661	-	-	-	204,661
Restricted Cash and Investments	-	-	-	7,216	7,216
Total Assets	<u>\$ 800,170</u>	<u>\$ 519,024</u>	<u>\$ 1,795,682</u>	<u>\$ 575,824</u>	<u>\$ 3,690,700</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 1,443	\$ -	\$ 591	\$ -	\$ 2,034
Total Liabilities	<u>1,443</u>	<u>-</u>	<u>591</u>	<u>-</u>	<u>2,034</u>
FUND BALANCES					
Restricted for					
Capital Improvements	-	-	1,795,091	-	1,795,091
Student Body Activities	-	519,024	-	-	519,024
Nutrition Services	798,727	-	-	-	798,727
Committed To					
PERS Debt Service	-	-	-	575,824	575,824
Total Fund Balances	<u>798,727</u>	<u>519,024</u>	<u>1,795,091</u>	<u>575,824</u>	<u>3,688,666</u>
Total Liabilities and Fund Balances	<u>\$ 800,170</u>	<u>\$ 519,024</u>	<u>\$ 1,795,682</u>	<u>\$ 575,824</u>	<u>\$ 3,690,700</u>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2016

	Special Revenue Funds				Total
	Nutrition Services	Student Body	Construction Excise Tax	PERS Debt Service	
Revenues					
Local Sources	\$ 103,607	\$ 1,087,031	\$ 389,657	\$ 2,438,323	\$ 4,018,618
State Sources	60,181	-	-	-	60,181
Federal Sources	3,274,774	-	-	-	3,274,774
<b>Total Revenues</b>	<b>3,438,562</b>	<b>1,087,031</b>	<b>389,657</b>	<b>2,438,323</b>	<b>7,353,573</b>
Expenditures					
Instruction	-	1,078,844	-	-	1,078,844
Enterprise and Community Services	3,174,947	-	-	-	3,174,947
Facilities Acquisition and Construction	-	-	5,421	-	5,421
Debt Service					
Principal	-	-	-	731,360	731,360
Interest	-	-	-	1,701,179	1,701,179
<b>Total Expenditures</b>	<b>3,174,947</b>	<b>1,078,844</b>	<b>5,421</b>	<b>2,432,539</b>	<b>6,691,751</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	263,615	8,187	384,236	5,784	661,822
Fund Balances					
Beginning of Year	535,112	510,837	1,410,855	570,040	3,026,844
End of Year	\$ 798,727	\$ 519,024	\$ 1,795,091	\$ 575,824	\$ 3,688,666



THIS PAGE INTENTIONALLY LEFT BLANK

# **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, 2016

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
<b>Revenues</b>				
Revenues from Local Sources				
Sales	\$ 100,000	\$ 100,000	\$ 100,158	\$ 158
Investment Earnings	2,000	2,000	2,499	499
Miscellaneous Local Sources	5,000	5,000	950	(4,050)
<b>Total Local Sources</b>	<b>107,000</b>	<b>107,000</b>	<b>103,607</b>	<b>(3,393)</b>
Revenue from State Sources				
State School Fund	28,000	28,000	29,503	1,503
State Restricted Grants	31,000	31,000	30,678	(322)
<b>Total State Sources</b>	<b>59,000</b>	<b>59,000</b>	<b>60,181</b>	<b>1,181</b>
Revenues from Federal Sources				
National School Lunch Program	3,335,668	3,335,668	2,998,952	(336,716)
U.S.D.A. Donated Commodities	185,500	185,500	210,999	25,499
Federal Restricted Grants	55,000	55,000	64,823	9,823
<b>Total Federal Sources</b>	<b>3,576,168</b>	<b>3,576,168</b>	<b>3,274,774</b>	<b>(301,394)</b>
<b>Total Revenues</b>	<b>3,742,168</b>	<b>3,742,168</b>	<b>3,438,562</b>	<b>(303,606)</b>
<b>Expenditures</b>				
Enterprise and Community Services *	3,842,168	3,842,168	3,174,947	667,221
Contingency	400,000	400,000	-	400,000
<b>Total Expenditures</b>	<b>4,242,168</b>	<b>4,242,168</b>	<b>3,174,947</b>	<b>1,067,221</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	(500,000)	(500,000)	263,615	763,615
Fund Balance				
Beginning of Year	500,000	500,000	535,112	35,112
End of Year	\$ -	\$ -	\$ 798,727	\$ 798,727

\* 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, 2016

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Extracurricular Activities	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,087,031</u>	<u>\$ 87,031</u>
Expenditures				
Instruction *	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,078,844</u>	<u>421,156</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(500,000)	(500,000)	8,187	508,187
Fund Balance				
Beginning of Year	<u>500,000</u>	<u>500,000</u>	<u>510,837</u>	<u>10,837</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 519,024</u>	<u>\$ 519,024</u>

\* 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, 2016

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
<b>Revenues</b>				
Revenues from Local Sources				
Excise tax	\$ 300,000	\$ 300,000	\$ 378,871	\$ 78,871
Investment Earnings	5,000	5,000	10,786	5,786
<b>Total Revenues</b>	<b>305,000</b>	<b>305,000</b>	<b>389,657</b>	<b>84,657</b>
<b>Expenditures</b>				
Facilities Acquisition and Construction*	510,000	765,750	5,421	760,329
Contingencies *	1,195,000	939,250	-	939,250
<b>Total Expenditures</b>	<b>1,705,000</b>	<b>1,705,000</b>	<b>5,421</b>	<b>1,699,579</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,400,000)	(1,400,000)	384,236	1,784,236
<b>Fund Balance</b>				
Beginning of the Year	1,400,000	1,400,000	1,410,855	10,855
End of Year	\$ -	\$ -	\$ 1,795,091	\$ 1,795,091

\* 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, 2016

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ 8,000	\$ 8,000	\$ 11,064	\$ 3,064
Services Provided to Other Funds	<u>2,385,000</u>	<u>2,385,000</u>	<u>2,427,259</u>	<u>42,259</u>
Total Revenues	<u>2,393,000</u>	<u>2,393,000</u>	<u>2,438,323</u>	<u>45,323</u>
Expenditures				
Debt Service *				
Redemption of Principal	731,361	731,361	731,360	1
Interest	<u>1,701,179</u>	<u>1,701,179</u>	<u>1,701,179</u>	<u>-</u>
Total Debt Service	<u>2,432,540</u>	<u>2,432,540</u>	<u>2,432,539</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(39,540)	(39,540)	5,784	45,324
Fund Balance				
Beginning of Year	<u>540,000</u>	<u>540,000</u>	<u>570,040</u>	<u>30,040</u>
End of Year	<u>\$ 500,460</u>	<u>\$ 500,460</u>	<u>\$ 575,824</u>	<u>\$ 75,364</u>

\* Legally adopted appropriation level

THIS PAGE INTENTIONALLY LEFT BLANK

# **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, 2016

	Budget		Actual	Variance Favorable (Unfavorable)
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Earnings on Investments	\$ 500	\$ 500	\$ 650	\$ 150
Contributions	<u>10,000</u>	<u>10,000</u>	<u>17,815</u>	<u>7,815</u>
Total Revenues	<u>10,500</u>	<u>10,500</u>	<u>18,465</u>	<u>7,965</u>
Expenditures				
Community Services *	50,000	50,000	6,705	43,295
Operating Contingencies *	<u>73,500</u>	<u>73,500</u>	<u>-</u>	<u>73,500</u>
Total Expenditures	<u>123,500</u>	<u>123,500</u>	<u>6,705</u>	<u>116,795</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(113,000)	(113,000)	11,760	124,760
Fund Balances				
Beginning of Year	<u>113,000</u>	<u>113,000</u>	<u>115,653</u>	<u>2,653</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,413</u>	<u>\$ 127,413</u>

\* Legally adopted appropriation level

# **OTHER FINANCIAL SCHEDULES**

McMINNVILLE SCHOOL DISTRICT NO. 40  
 SCHEDULE OF PROPERTY TAX TRANSACTIONS  
 Year Ended June 30, 2016

<u>Tax Roll Year</u>	<u>Uncollected July 1, 2015 and Tax Levy</u>	<u>Less Discounts</u>	<u>Net Adjustments</u>	<u>Collections</u>	<u>Uncollected June 30,2016</u>
2015-2016	21,389,909	\$ 542,822	\$ (171,923)	\$ 19,911,013	\$ 764,151
2014-2015	831,224	-	(17,853)	391,073	422,298
2013-2014	463,991	-	(3,253)	158,103	302,635
2012-2013	315,623	-	(2,962)	109,430	203,231
2011-2012	133,263	-	(2,725)	36,076	94,462
2010-2011	85,312	-	(2,570)	5,082	77,660
Prior	152,214	-	(10,582)	7,598	134,034
	<u>\$ 23,371,536</u>	<u>\$ 542,822</u>	<u>\$ (211,868)</u>	20,618,375	<u>\$ 1,998,471</u>

Interest	126,292
Offsets and other adjustments	(4,797)
Undistributed tax collections, June 30, 2016	103,542
Undistributed tax collections, June 30, 2015	<u>(117,515)</u>

Revenue Turned Over to District \$ 20,725,897

	<u>General Fund</u>	<u>Debt Sevice Fund</u>	<u>Total Revenue</u>
Current Year's Taxes	\$ 12,016,671	\$ 7,951,601	\$ 19,968,272
Prior Year's Taxes	450,205	307,420	757,625
Revenue Turned Over to District	<u>\$ 12,466,876</u>	<u>\$ 8,259,021</u>	<u>\$ 20,725,897</u>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 SUPPLEMENTAL INFORMATION AS REQUIRED  
 BY THE OREGON DEPARTMENT OF EDUCATION  
 Year Ended June 30, 2016

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

	Objects 325 & 326
Function 2540	\$ 893,755
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	\$ 22,208
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, 2016

	General Fund 100	Special Revenue Fund 200	Debt Service Fund 300	Trust Fund 700	Total
<b>Local Sources</b>					
1111 Current year taxes	\$ 12,016,671	\$ -	7,951,601	-	19,968,272
1112 Prior year taxes	450,205	-	307,420	-	757,625
1130 Construction Excise Tax	-	378,871	-	-	378,871
1300 Tuition	201,472	-	-	-	201,472
1500 Earnings on Investments	120,084	-	43,927	650	200,119
1600 Food Service	-	100,158	-	-	100,158
1700 Extra-Curricular Activities	152,084	1,121,577	-	-	1,273,661
1800 Community Service Activities	113,340	-	-	-	113,340
1910 Rentals	15,164	37,440	-	-	52,604
1920 Contributions and Donations	-	172,847	-	17,815	190,662
1970 Services Provided Other Funds	117,042	-	2,427,259	-	2,427,259
1980 Fees Charged to Grants	-	-	-	-	117,042
1990 Miscellaneous	39,779	152,801	-	-	192,580
<b>Total Local Sources</b>	<b>13,225,841</b>	<b>1,999,152</b>	<b>10,730,207</b>	<b>18,465</b>	<b>25,973,665</b>
<b>Intermediate Sources</b>					
2101 County School Fund	25,092	-	-	-	25,092
2102 ESD Apportionment	2,126,367	-	-	-	2,126,367
2199 Other Intermediate Sources	-	181,575	-	-	181,575
2200 Restricted Revenue	-	-	-	-	-
<b>Total Intermediate Sources</b>	<b>2,151,459</b>	<b>181,575</b>	<b>-</b>	<b>-</b>	<b>2,333,034</b>
<b>State Sources</b>					
3101 State School Fund	46,558,671	-	-	-	46,558,671
3102 State School Fund Match	-	29,503	-	-	29,503
3103 Common School Fund	797,287	-	-	-	797,287
3299 Other Restricted Grants-In-Aid	-	676,865	-	-	676,865
<b>Total State Sources</b>	<b>47,355,958</b>	<b>706,368</b>	<b>-</b>	<b>-</b>	<b>48,062,326</b>
<b>Federal Sources</b>					
4300 Restricted Direct from Federal	-	669,784	-	-	669,784
4500 Restricted Through State	24,705	6,628,268	-	-	6,652,973
4700 Restricted Through Intermediate	-	40,163	-	-	40,163
4900 Commodities	-	210,999	-	-	210,999
<b>Total Federal Sources</b>	<b>24,705</b>	<b>7,549,214</b>	<b>-</b>	<b>-</b>	<b>7,573,919</b>
<b>Other Sources</b>					
5200 Interfund Transfers In	-	1,350,000	-	-	1,350,000
<b>Total Other Sources</b>	<b>-</b>	<b>1,350,000</b>	<b>-</b>	<b>-</b>	<b>1,350,000</b>
<b>TOTAL REVENUES</b>	<b>\$ 62,757,963</b>	<b>\$ 11,786,309</b>	<b>\$ 10,730,207</b>	<b>\$ 18,465</b>	<b>\$ 85,292,944</b>

McMINNVILLE SCHOOL DISTRICT NO. 40  
GENERAL FUND (100) EXPENDITURE SUMMARY (BUDGETARY BASIS)  
Year Ended June 30, 2016

	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Transfers Object 700	Total
Instruction								
1111 Elementary Programs	\$ 9,194,424	\$ 5,235,781	\$ 95,607	\$ 712,322	\$ -	\$ 62	\$ -	\$ 15,238,196
1121 Middle/Junior High Programs	4,111,856	2,350,268	33,342	290,858	-	1,175	-	6,787,499
1122 Middle/Junior High School Extracurricular	104,772	25,668	10,720	12,572	-	-	-	153,732
1131 High School Programs	5,226,168	3,001,210	174,225	358,731	8,248	962	-	8,769,544
1132 High School Extra-curricular	284,051	79,543	65,803	80,503	-	8,851	-	518,751
1140 Pre-kindergarten Programs	32,102	25,737	-	867	-	-	-	58,706
1210 Programs for the Talented and Gifted	128,791	83,193	-	7,678	-	-	-	219,662
1220 Restrictive programs for students with disabilities	1,342,483	980,492	897	9,335	-	-	-	2,333,207
1250 Less restrictive programs for students with disabilities	1,529,212	1,101,360	1,009	3,787	-	-	-	2,635,368
1280 Alternative Education	710,318	430,972	75	9,593	-	-	-	1,150,958
1291 English Second Language Programs	1,659,993	1,110,387	3,607	21,818	-	-	-	2,795,805
1292 Teen Parent Programs	137,229	104,076	-	12,837	-	-	-	254,142
1299 Other Programs	33,655	4,888	-	-	-	-	-	38,543
1400 Summer School Programs	66,015	20,040	-	1,324	-	-	-	87,379
Total Instruction	24,561,069	14,553,615	385,285	1,522,225	8,248	11,050	-	41,041,492
Support Services								
2110 Attendance and Social Work Services	400,980	284,783	3,953	206,280	-	-	-	895,996
2120 Guidance Services	1,015,229	619,745	100	3,496	-	-	-	1,638,570
2130 Health Services	133,387	91,881	2,067	-	-	140	-	233,603
2140 Psychological Services	253,725	153,631	28,238	13,319	-	-	-	448,913
2150 Speech Pathology and Audiology Services	399,071	231,583	37,015	4,122	-	1,120	-	672,911
2190 Service Direction: Student Support Services	278,849	149,872	7,987	4,850	-	644	-	442,202
2210 Improvement of Instruction Services	525,869	292,329	25,910	75,997	-	60	-	920,165
2220 Educational Media Services	636,407	402,801	665	49,219	-	-	-	1,089,092
2230 Assessment and Testing	-	-	1,824	6,842	-	-	-	8,666
2240 Instructional Staff Development	58,991	27,269	127,672	12,447	-	-	-	226,379
2310 Board of Education Services	-	-	111,176	14,873	-	123,339	-	249,388
2320 Executive Administration Services	223,373	135,118	7,004	6,594	-	373,114	-	730,189
2410 Office of the Principal Services	2,114,484	1,212,787	19,342	40,205	-	1,420	-	3,388,238
2510 Direction of Business Support Services	126,140	61,433	3,882	2,512	-	35	-	194,002
2520 Fiscal Services	303,279	164,410	7,205	5,722	-	13,880	-	494,496
2540 Operation and Maintenance of Plant Services	1,633,491	1,154,213	1,551,472	256,649	-	225,924	-	4,821,749
2550 Student Transportation Services	-	-	2,062,805	-	-	-	-	2,062,805
2570 Internal Services	-	-	46,949	-	-	-	-	68,074
2610 Direction of Central Support Services	212,982	116,865	60,901	6,434	-	16,205	-	413,387
2630 Information Services	48,786	20,995	41,467	11,702	-	75	-	123,025
2660 Technology Services	397,850	238,756	114,600	101,471	-	-	-	852,677
2700 Supplemental Retirement Program	124,050	82,381	-	-	-	-	-	206,431
Total Support Services	8,886,943	5,440,852	4,262,234	849,987	-	383,867	-	19,823,883
Other Functions								
5200 Transfers of Funds	-	-	-	-	-	-	1,350,000	1,350,000
Total Other Functions	-	-	-	-	-	-	1,350,000	1,350,000
TOTAL EXPENDITURES	\$ 33,448,012	\$ 19,994,467	\$ 4,647,519	\$ 2,372,212	\$ 8,248	\$ 394,917	\$ 1,350,000	\$ 62,215,375

McMINNVILLE SCHOOL DISTRICT NO. 40  
SPECIAL REVENUE FUNDS (200) EXPENDITURE SUMMARY (BUDGETARY BASIS)  
Year Ended June 30, 2016

	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	\$ 1,564	\$ 241	\$ -	\$ 346,853	\$ -	\$ -	\$ -	\$ 348,658
1111 Elementary Programs	-	-	-	71,428	-	-	-	71,428
1113 Elementary Extracurricular	-	-	-	230,181	-	-	-	233,132
1121 Middle/Junior High Programs	2,313	638	-	175,639	-	-	-	175,639
1122 Middle/Junior High School Extracurricular	-	-	-	137,594	-	-	-	182,281
1131 High School Programs	-	-	15,820	836,909	-	-	-	838,824
1132 High School Extra-curricular	1,562	353	-	26,614	-	-	-	74,033
1140 Pre-kindergarten Programs	25,983	21,436	-	-	-	-	-	497,376
1220 Restrictive programs for students with disabilities	182,364	136,576	175,844	2,592	-	-	-	264,152
1250 Less restrictive programs for students with disabilities	155,845	101,147	-	7,160	-	13,000	-	409,320
1271 Remediation	297,110	75,009	79	24,122	-	52,019	-	1,451,613
1272 Title I	821,464	573,041	-	1,191	-	-	-	1,191
1280 Alternative Education	-	-	-	7,312	-	-	-	45,762
1291 English Second Language Programs	21,316	17,134	-	6,324	-	-	-	122,492
1400 Summer School Programs	91,288	24,880	-	-	-	-	-	-
Total Instruction	1,624,414	955,717	191,743	1,879,008	-	65,019	-	4,715,901
Support Services	6,890	1,961	629	26,295	-	913	-	36,688
2110 Attendance and Social Work Services	2,950	706	-	-	-	-	-	3,656
2120 Guidance Services	75,769	52,201	126,267	1,811	-	-	-	256,048
2140 Psychological Services	27,178	23,857	80,772	3,083	-	-	-	134,890
2150 Speech Pathology and Audiology Services	-	-	104,877	616	-	-	-	105,493
2160 Other Student Treatment	-	-	-	-	-	22,197	-	22,197
2190 Service Direction: Student Support Services	491,919	168,043	669	13,838	-	23,370	-	697,839
2210 Improvement of Instruction Services	618	165	-	-	-	-	-	783
2220 Educational Media Services	146,854	33,344	183,313	55,432	-	7,758	-	426,701
2240 Instructional Staff Development	56,963	27,878	-	-	-	-	-	83,841
2490 Other Support Services-School Administration	-	-	42,125	-	22,208	-	-	67,364
2540 Operation and Maintenance of Plant Services	31,746	10,523	16,046	28,468	37,418	30	-	124,231
2546 Security Services	-	-	26,577	-	-	-	-	26,577
2550 Student Transportation Services	1,129	92	1,696	252	-	-	-	3,169
2610 Direction of Central Support Services	12,844	18,622	11,638	637	-	-	-	43,741
2640 Staff Services	-	-	-	3,994	-	-	-	3,994
2660 Technology Services	-	-	-	-	-	-	-	-
Total Support Services	853,860	337,392	594,609	137,457	59,626	54,268	-	2,037,212
Enterprise and Community Services	909,150	615,937	63,726	1,558,183	20,700	7,251	-	3,174,947
3100 Food Services	24,290	3,982	4,650	33,539	-	-	-	66,461
3300 Community Services	933,440	619,919	68,376	1,591,722	20,700	7,251	-	3,241,408
Total Enterprise and Community Services	-	-	-	-	-	-	-	-
Facilities Acquisition and Construction	-	-	101,284	-	-	11,111	-	112,395
4120 Site Acquisition and Development Services	-	-	5,421	-	343,636	-	-	349,057
4150 Building Acquisition, Construction, and Improvement	-	-	106,705	-	343,636	11,111	-	461,452
Total Facilities Acquisition and Construction	-	-	106,705	-	343,636	11,111	-	461,452
TOTAL EXPENDITURES	\$ 3,411,714	\$ 1,913,028	\$ 961,433	\$ 3,608,187	\$ 423,962	\$ 137,649	\$ -	\$ 10,455,973

McMINNVILLE SCHOOL DISTRICT NO. 40  
 DEBT SERVICE FUND (300) EXPENDITURE SUMMARY (BUDGETARY BASIS)  
 Year Ended June 30, 2016

Other Functions	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Total
5100 Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,671,520	\$ 10,671,520
Total Other Functions	-	-	-	-	-	10,671,520	10,671,520
TOTAL EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,671,520	\$ 10,671,520



McMINNVILLE SCHOOL DISTRICT NO. 40  
 FIDUCIARY FUND (700) EXPENDITURE SUMMARY (BUDGETARY BASIS)  
 Year Ended June 30, 2016

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	-	-	6,705	-	-	-	6,705
Total Other Functions	-	-	6,705	-	-	-	6,705
TOTAL EXPENDITURES	\$ -	\$ -	\$ 6,705	\$ -	\$ -	\$ -	\$ 6,705

# **STATISTICAL SECTION**

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

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	86
Revenue Capacity These schedules contain information to help the reader assess the McMinnville School District's most significant local revenue sources, state school fund and property taxes.	90
Debt Capacity These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the ability to issue additional debt in the future.	94
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District's financial activities take place.	98
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs	102

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

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

	2015-16	2014-15	2013-14 *	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 44,269,882	\$ 40,288,915	\$ 36,979,216	\$ 34,552,035	\$ 31,098,952	\$ 29,772,254	\$ 29,369,762	\$ 27,508,292	\$ 23,743,237	\$ 19,870,935
Restricted	4,934,389	3,461,939	2,778,236	2,578,592	2,410,179	574,562	506,505	477,674	461,167	403,670
Unrestricted	(40,035,653)	(16,701,864)	(36,954,932)	(3,544,713)	(1,998,526)	1,436,885	2,004,510	2,121,883	3,581,371	3,081,933
Total primary government net position	\$ 9,168,618	\$ 27,048,990	\$ 2,802,520	\$ 33,585,914	\$ 31,510,605	\$ 31,783,701	\$ 31,880,777	\$ 30,107,849	\$ 27,785,775	\$ 23,356,538

\* Data as restated for GASB 68

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

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
<b>Expenses</b>										
Instructional programs	\$ 63,619,441	\$ 30,991,109	\$ 41,484,570	\$ 39,110,966	\$ 39,655,528	\$ 39,732,278	\$ 37,396,228	\$ 38,755,656	\$ 35,925,114	\$ 33,196,685
Support services										
Student transportation	2,089,382	2,045,590	1,993,979	2,198,634	2,190,121	2,182,331	2,018,216	1,902,104	1,925,252	1,730,873
Other support services	25,646,971	14,149,942	18,637,893	18,620,524	16,952,859	16,726,376	15,871,037	14,161,438	13,790,023	13,489,944
Community services	3,838,040	2,548,372	2,639,518	2,499,644	2,521,615	2,527,026	2,470,481	2,496,624	2,326,043	2,060,785
Facilities services	117,817	92,820	20,128	15,993	472,056	-	-	-	-	1,327,849
Interest on long-term debt	3,800,386	4,030,059	4,243,817	3,092,214	4,828,778	4,965,950	5,070,271	5,183,486	5,193,645	2,569,833
<b>Total expenses</b>	<b>99,112,037</b>	<b>53,857,892</b>	<b>69,019,905</b>	<b>65,537,975</b>	<b>66,620,957</b>	<b>66,133,961</b>	<b>62,826,233</b>	<b>62,499,308</b>	<b>59,160,077</b>	<b>54,375,989</b>
<b>Program Revenues</b>										
Charges for services										
Instructional programs	1,530,476	1,440,986	1,404,134	1,250,940	1,419,803	623,646	252,215	218,980	237,606	255,707
Other support services	122,901	120,027	77,982	143,440	185,630	38,989	-	-	-	-
Community services	101,108	96,296	393,159	388,648	447,170	493,052	557,467	572,397	699,614	685,136
Operating grants and contributions	10,090,709	10,840,699	9,745,187	10,300,449	8,849,537	10,611,941	10,008,494	7,418,410	7,119,778	6,309,348
Capital grants and contributions	-	-	-	-	-	-	-	962,044	-	-
<b>Total program revenues</b>	<b>11,845,194</b>	<b>12,498,008</b>	<b>11,620,462</b>	<b>12,083,477</b>	<b>10,902,140</b>	<b>11,767,628</b>	<b>10,818,176</b>	<b>9,171,831</b>	<b>8,056,998</b>	<b>7,250,191</b>
<b>Net (Expense) Revenue</b>	<b>(87,266,843)</b>	<b>(41,359,884)</b>	<b>(57,399,443)</b>	<b>(53,454,498)</b>	<b>(55,718,817)</b>	<b>(54,366,333)</b>	<b>(52,008,057)</b>	<b>(53,327,477)</b>	<b>(51,103,079)</b>	<b>(47,125,778)</b>
<b>General Revenues</b>										
Property taxes	20,756,714	19,971,205	18,912,202	18,757,989	18,292,024	17,850,725	17,108,697	16,336,344	15,329,263	11,347,556
State school fund - general support	45,102,671	42,186,575	39,074,365	33,941,098	34,490,713	32,795,909	34,642,566	34,481,538	34,342,573	33,812,319
ESD apportionment	2,126,367	2,189,842	1,934,088	1,875,412	1,264,323	1,200,859	-	-	-	-
Other state and local sources	1,201,250	1,119,603	946,812	823,229	739,183	2,025,891	1,638,031	3,671,455	2,210,951	789,580
Earnings on investments	199,469	139,129	128,987	132,079	131,244	123,825	158,813	1,143,609	3,589,191	1,000,422
Other	-	-	-	-	53,251	272,048	232,878	16,605	60,338	12,109
<b>Total general revenues</b>	<b>69,386,471</b>	<b>65,606,354</b>	<b>60,996,454</b>	<b>55,529,807</b>	<b>54,970,738</b>	<b>54,269,257</b>	<b>53,780,985</b>	<b>55,649,551</b>	<b>55,532,316</b>	<b>46,961,986</b>
<b>Change in Net Position</b>	<b>(17,880,372)</b>	<b>(24,246,470)</b>	<b>(3,597,011)</b>	<b>(2,075,309)</b>	<b>(748,079)</b>	<b>(97,076)</b>	<b>1,772,928</b>	<b>2,322,074</b>	<b>4,429,237</b>	<b>(163,792)</b>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 Last Ten Years

(modified accrual basis of accounting)

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,166	\$ 46,278
Unreserved	-	-	-	-	-	-	6,598,452	5,089,333	4,887,570	5,749,050
Committed to										
Asset Reserve	2,886,198	2,310,406	2,046,414	1,969,466	1,879,503	1,851,530	-	-	-	-
Textbook and Technology Replacement	421,400	250,000	-	-	-	-	-	-	-	-
Insurance Reserve	690,886	771,402	746,204	774,738	778,827	735,348	-	-	-	-
Unassigned	6,647,752	6,105,164	4,755,843	3,437,015	4,455,113	5,218,825	-	-	-	-
Total general fund	<u>\$ 10,646,236</u>	<u>\$ 9,436,972</u>	<u>\$ 7,548,461</u>	<u>\$ 6,181,219</u>	<u>\$ 7,113,443</u>	<u>\$ 7,805,703</u>	<u>\$ 6,598,452</u>	<u>\$ 5,089,333</u>	<u>\$ 4,935,736</u>	<u>\$ 5,795,328</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,726	\$ 23,332
Unreserved, reported in:										
Debt Service Funds	-	-	-	-	-	-	1,103,640	603,894	532,710	808,404
Capital Projects Funds	-	-	-	-	-	-	382,182	1,599,060	29,348,894	62,538,908
Special Revenue Funds	-	-	-	-	-	-	3,064,869	4,018,490	4,188,829	2,218,730
Restricted for										
Grant Activities	262,857	255,235	259,795	219,474	224,579	114,008	-	-	-	-
Debt Service	802,803	749,900	568,295	704,145	694,337	574,562	-	-	-	-
Capital Improvements	1,795,091	1,410,855	969,003	660,824	490,316	732,000	-	-	-	-
Associated Student Body	519,024	510,837	490,899	507,463	498,324	-	-	-	-	-
Nutrition Services	798,727	535,112	490,244	486,686	502,623	422,037	-	-	-	-
Committed to										
PERS Bond Debt Service	575,824	570,040	566,867	563,578	719,687	1,170,126	-	-	-	-
Total all other governmental funds	<u>\$ 4,754,326</u>	<u>\$ 4,031,979</u>	<u>\$ 3,345,103</u>	<u>\$ 3,142,170</u>	<u>\$ 3,129,866</u>	<u>\$ 3,012,733</u>	<u>\$ 4,550,691</u>	<u>\$ 6,221,444</u>	<u>\$ 34,095,159</u>	<u>\$ 65,589,374</u>

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

MCMINNVILLE SCHOOL DISTRICT NO. 40  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
<b>Revenues</b>										
Property Taxes	\$ 20,725,897	\$ 19,853,832	\$ 18,885,540	\$ 18,585,198	\$ 18,294,839	\$ 17,810,749	\$ 16,817,229	\$ 16,054,711	\$ 15,094,606	\$ 11,423,803
Earnings on Investments	199,469	139,129	128,986	132,079	131,243	123,825	158,813	1,159,086	3,589,191	1,000,422
Other Revenue From Local Sources	3,341,203	3,261,526	3,017,593	2,721,176	2,214,090	3,129,710	2,848,557	2,376,144	1,838,639	1,568,664
Charges for Services	1,688,631	1,623,549	1,803,474	1,815,582	2,029,211	983,804	809,682	817,383	937,222	940,843
Intermediate Sources	2,333,034	2,373,720	2,107,064	1,895,508	1,290,982	1,261,691	254,349	246,748	69,265	64,501
State sources	48,062,326	45,259,744	41,689,946	37,158,203	37,087,147	35,177,714	36,553,481	38,152,294	37,927,838	35,572,205
Federal Sources	7,573,919	8,132,034	7,439,483	7,581,145	6,672,979	8,662,900	8,019,066	6,890,863	5,098,664	4,871,470
<b>Total Revenues</b>	<b>83,924,479</b>	<b>80,643,534</b>	<b>75,072,086</b>	<b>69,888,891</b>	<b>67,720,491</b>	<b>67,150,393</b>	<b>65,461,177</b>	<b>65,697,229</b>	<b>64,555,425</b>	<b>55,441,909</b>
<b>Expenditures</b>										
Instruction	45,749,145	42,796,254	39,915,996	37,401,381	37,511,136	36,901,689	34,900,224	36,603,283	34,359,421	31,463,462
Support Services	21,801,470	21,591,515	20,829,700	21,054,314	18,945,273	18,862,222	17,811,098	16,253,386	15,620,227	15,075,368
Enterprise and Community Services	3,220,708	2,967,976	2,563,536	2,421,521	2,416,555	2,455,359	2,440,894	2,401,551	2,294,868	2,021,733
Facilities Acquisition and Construction	117,816	92,820	20,128	15,993	602,012	303,685	1,937,380	29,971,912	36,123,248	2,447,006
Debt Service:										
Principal	6,811,360	6,183,956	5,582,120	5,396,877	5,452,976	3,891,484	3,363,729	2,832,628	2,485,268	2,353,090
Interest	3,860,160	4,088,757	4,301,834	4,265,880	4,929,097	5,066,661	5,169,486	5,281,695	5,291,153	2,456,819
Bond Issuance Costs	-	-	-	233,036	17,872	-	-	-	-	-
Capital Outlay	432,209	346,869	288,597	255,347	-	-	-	-	738,329	1,057,084
<b>Total Expenditures</b>	<b>81,992,868</b>	<b>78,068,147</b>	<b>73,501,911</b>	<b>71,044,349</b>	<b>69,874,921</b>	<b>67,481,100</b>	<b>65,622,811</b>	<b>93,344,455</b>	<b>96,912,514</b>	<b>56,874,562</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>1,931,611</b>	<b>2,575,387</b>	<b>1,570,175</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>
Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	64,052,966
Bonds Issued and Premiums	-	-	-	49,348,383	1,104,320	-	-	-	-	-
Refunding Bonds Issued and Premiums	-	-	-	(49,112,845)	-	-	-	-	-	-
Payments of Escrow for Refunding	-	-	-	-	-	-	-	-	-	-
<b>Total Other Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235,538</b>	<b>1,104,320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,052,966</b>
<b>Net Change in Fund Balance</b>	<b>1,931,611</b>	<b>2,575,387</b>	<b>1,570,175</b>	<b>(919,920)</b>	<b>(1,050,110)</b>	<b>(330,707)</b>	<b>(161,634)</b>	<b>(27,647,226)</b>	<b>(32,357,089)</b>	<b>62,620,313</b>
<b>Fund Balance</b>										
Beginning of Year	13,468,951	10,893,564	9,323,389	10,243,309	11,293,419	11,149,143	11,310,777	39,030,895	71,384,702	8,776,409
Increase (decrease) in Reserve for Inventory	-	-	-	-	-	-	-	(72,892)	3,282	(12,020)
<b>End of year</b>	<b>\$ 15,400,562</b>	<b>\$ 13,468,951</b>	<b>\$ 10,893,564</b>	<b>\$ 9,323,389</b>	<b>\$ 10,243,309</b>	<b>\$ 10,818,436</b>	<b>\$ 11,149,143</b>	<b>\$ 11,310,777</b>	<b>\$ 39,030,895</b>	<b>\$ 71,384,702</b>
Debt service as a percentage of noncapital expenditures	13.10%	13.23%	13.50%	13.65%	14.99%	13.34%	13.40%	12.80%	12.95%	9.01%

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

Fiscal Year Ended June 30,	Assessed Value				Assessed Value	Total Direct Rate (a)	Estimated Actual Value of Taxable Property (b)	Assessed Value as a % of Estimated Actual Value of Taxable Property
	Real Property	Personal Property	Manufactured Structures	Utilities				
2007	\$ 1,932,922,844	\$ 61,359,305	\$ 33,176,205	\$ 66,175,906	\$ 2,093,634,260	5.53	\$ 3,496,194,951	59.88%
2008	2,072,480,787	64,958,793	36,049,145	71,448,818	2,244,937,543	7.00	3,877,384,914	57.90%
2009	2,241,043,031	71,596,323	38,247,928	75,532,147	2,426,419,429	6.91	4,101,380,879	59.16%
2010	2,337,138,142	75,381,461	41,282,812	86,109,012	2,539,911,427	6.94	4,045,707,073	62.78%
2011	2,428,004,168	76,957,802	40,924,662	88,259,688	2,634,146,320	6.92	3,961,011,054	66.50%
2012	2,488,542,770	73,129,486	36,518,687	88,806,674	2,686,997,617	6.98	3,547,429,517	75.74%
2013	2,562,434,123	74,971,254	34,549,906	86,811,210	2,758,766,493	6.98	3,488,131,424	79.09%
2014	2,624,439,230	73,919,360	34,671,070	92,937,829	2,825,967,489	6.87	3,518,402,639	80.32%
2015	2,712,588,271	77,963,094	32,588,494	89,481,076	2,912,620,935	6.94	3,658,832,392	79.61%
2016	2,896,448,939	81,438,355	35,516,279	102,508,575	3,115,912,148	6.87	4,026,645,831	77.38%

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

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

Source: Yamhill County Assessor's Office.

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

Fiscal Year Ended June 30,	McMinnville School District No. 40		Overlapping Rates (a)										
	Operating	Debt Service	Total District	Yamhill County	City of McMinnville	City of Lafayette	Willamette ESD	Chemeketa Community College	McMinnville RFPD	Carlton Fire	Sheridan Fire	Amity RFPD	Other Taxing Districts (b)
2007	4.15	1.38	5.53	2.58	5.93	3.49	0.30	0.94	1.14	0.53	1.12	0.84	0.16
2008	4.15	2.85	7.00	2.58	5.87	3.49	0.30	0.70	1.14	1.05	1.47	0.84	0.16
2009	4.15	2.76	6.91	2.58	5.85	3.49	0.30	0.71	1.14	1.54	1.47	0.84	0.16
2010	4.15	2.79	6.94	2.58	5.84	3.49	0.30	0.71	1.14	1.48	1.47	1.77	0.16
2011	4.15	2.77	6.92	2.58	5.74	3.49	0.30	0.79	1.14	1.48	1.47	1.81	0.16
2012	4.15	2.83	6.98	2.58	5.70	3.49	0.30	0.88	1.14	1.50	1.47	1.85	0.16
2013	4.15	2.83	6.98	2.58	5.72	3.49	0.30	0.86	0.96	1.46	1.47	1.76	0.16
2014	4.15	2.72	6.87	2.58	5.72	3.49	0.30	0.86	0.96	1.46	1.47	1.76	0.16
2015	4.15	2.79	6.94	2.58	5.70	3.49	0.30	0.89	0.96	1.46	1.47	1.79	0.16
2016	4.15	2.72	6.87	2.58	6.18	3.49	0.30	0.92	0.96	1.45	1.47	1.79	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	Business/Service	2016			2007		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Value
Cascade Steel Rolling Mills	Steel Mill	57,227,461	1	1.84%	43,570,147	1	2.08%
Mpt of McMinnville-Capella LLC	Medical Care/Hospital	52,546,586	2	1.69%	\$ 36,632,390	2	1.75%
Affordable Mid Coast Housing LLC	Hotels, Motels & Resort:	43,898,574	3	1.41%			
Riverbend Landfill Co	Waste Management	36,279,493	4	1.16%			
Evergreen Vintage Aircraft	Aircraft Museum	21,952,556	5	0.70%			
Comcast Corporation	Telecommunications	18,803,000	6	0.60%			
HCP SH ELP1 Properties LLC (a)	Retirement Living	18,009,199	7	0.58%	15,032,056	4	0.72%
Lowes HIW Inc.	Retail	16,644,992	8	0.53%	12,757,008	5	0.61%
Michelbook Estates, Inc	Golf Course	11,885,636	9	0.38%			
REEF McMinnville Plaza LLC	Shopping Center	11,849,903	10	0.38%	8,788,840	9	0.42%
Northwest Natural Gas Co	Natural Gas Utility	-			11,900,500	7	0.57%
Verizon Northwest Inc.	Telecommunications				17,566,900	3	0.84%
Air Liquide Industrial LP	Oxygen				11,414,506	6	0.55%
Homette Corporation	Manufactured Homes				8,802,495	8	0.42%
Leslie A. Toth	Retail				6,175,347	10	0.29%
Subtotal - ten of the District's largest taxpayers		289,097,400		9.28%	172,640,189		8.24%
All other District taxpayers in Yamhill County		2,826,814,748		90.72%	1,921,534,071		91.76%
Total District taxpayers		\$ 3,115,912,148		100.00%	\$ 2,094,174,260		100.00%

Source: Yamhill County Assessor's Office

(a) Formerly Hillside Manor Assisted Living Center

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	Years	Amount	Percentage of Adjusted Levy	
2007	\$ 11,635,043	\$ (515,949)	\$ 11,119,094	\$ 10,774,902	92.61%	\$ 335,782		\$ 11,110,684	99.92%	
2008	15,749,949	(445,372)	15,304,577	14,699,146	93.33%	591,104		15,290,250	99.91%	
2009	16,772,551	(514,123)	16,258,428	15,488,579	92.34%	753,286		16,241,865	99.90%	
2010	17,625,301	(510,025)	17,115,276	16,233,698	92.10%	801,220		17,034,918	99.53%	
2011	18,226,860	(577,122)	17,649,738	16,842,355	92.40%	729,723		17,572,078	99.56%	
2012	18,736,255	(572,103)	18,164,152	17,355,602	92.63%	714,088		18,069,690	99.48%	
2013	19,244,450	(633,459)	18,610,991	17,757,708	92.27%	650,052		18,407,760	98.91%	
2014	19,410,313	(569,567)	18,840,746	18,048,287	92.98%	489,824		18,538,111	98.39%	
2015	20,410,647	(588,949)	19,821,698	19,008,327	93.13%	391,073		19,399,400	97.87%	
2016	21,389,909	(714,745)	20,675,164	19,911,013	93.09%	-		19,911,013	96.30%	

Source: Yamhill County Department of Assessment and Taxation.

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

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

Fiscal Year Ended June 30,	General Obligation Bonds (1)	Less Amounts Available in Debt Service Fund (2)	Total	Taxable Assessed Value (3)	Percentage of Taxable Assessed Value	Estimated Actual Value of Property (3)	Percentage of Estimated Actual Value of Property	District Population (4) (Estimated)	Per Capita (4)
2007	\$ 81,332,966	\$ 403,670	\$ 80,929,296	\$ 2,093,634,260	3.865%	\$ 3,496,194,951	2.315%	39,715	\$ 2,038
2008	79,023,681	461,167	78,562,514	2,244,937,543	3.500%	3,877,384,914	2.026%	40,438	1,943
2009	76,218,161	477,674	75,740,487	2,426,419,429	3.121%	4,101,380,879	1.847%	41,067	1,844
2010	73,050,401	506,505	72,543,896	2,539,911,427	2.856%	4,045,707,073	1.793%	41,457	1,750
2011	69,417,641	574,562	68,843,079	2,634,146,320	2.613%	3,961,011,054	1.738%	42,130	1,634
2012	65,287,163	694,337	64,592,826	2,686,997,617	2.404%	3,547,429,517	1.821%	42,232	1,529
2013	67,221,391	704,145	66,517,246	2,758,766,493	2.411%	3,488,131,424	1.907%	42,500	1,565
2014	61,635,405	568,295	61,067,110	2,825,967,489	2.161%	3,518,402,639	1.736%	42,704	1,430
2015	55,524,419	749,900	54,774,519	2,912,620,935	1.881%	3,658,832,392	1.497%	43,113	1,270
2016	48,868,433	802,803	48,065,630	3,115,912,148	1.543%	4,026,645,831	1.194%	43,704	1,100

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

- (1) This is the general bonded debt net of original issuance discounts and premiums
- (2) This is the amount restricted for debt service principal payments
- (3) See Assessed and Real Market Value of properties for property value data.
- (4) See Demographic and Economic Statistics for population and personal income data. These ratios are calculated using income and population from prior calendar year

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

Fiscal Year Ended June 30,	General Obligation Bonds (1)	Pension Obligation Bonds	Total Outstanding Debt	Percentage of Personal Income (2)	Debt Per Capita (2)
2007	\$ 81,332,966	\$ 29,362,766	\$ 110,695,732	9.01%	\$ 2,787
2008	79,023,681	29,182,498	108,206,179	8.29%	2,676
2009	76,218,161	28,959,870	105,178,031	7.74%	2,561
2010	73,050,401	28,666,141	101,716,542	7.67%	2,454
2011	69,417,641	28,309,657	97,727,298	7.08%	2,320
2012	65,287,163	27,931,681	93,218,844	6.48%	2,207
2013	67,221,391	27,434,804	94,656,195	6.49%	2,227
2014	61,635,405	26,862,684	88,498,089	5.91%	2,072
2015	55,524,419	26,213,728	81,738,147	5.16%	1,896
2016	48,868,433	25,482,368	74,350,801	4.37%	1,701

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

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

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

MCMINNVILLE SCHOOL DISTRICT NO. 40  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 June 30, 2016

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to District</u>	<u>Amount Applicable to District</u>
Direct			
McMinnville School District No. 40	\$ 74,350,801	100.00%	\$ 74,350,801
Overlapping			
Chemeketa Community College	86,615,000	9.26%	8,016,651
City of McMinnville	28,745,566	99.96%	28,734,959
Yamhill County	2,501,176	37.28%	932,448
Willamette ESD	10,750,000	8.42%	905,010
City of Lafayette	46,642	100.00%	46,642
New Carlton Fire District	990,000	2.95%	29,245
Amity RFPD	60,000	8.99%	5,392
Subtotal, overlapping debt			<u>38,670,347</u>
Total direct and overlapping debt			<u>\$ 113,021,148</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 2016

Real Market Value	\$ 4,026,645,831
Debt limit (7.95% of real market value)	320,118,344
Debt applicable to limit	<u>(43,170,000)</u>
Legal debt margin	<u>\$ 276,948,344</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
2016	\$ 320,118,344	\$ 43,170,000	\$ 276,948,344	13.49%
2015	290,877,175	49,250,000	241,627,175	16.93%
2014	279,713,010	54,785,000	224,928,010	19.59%
2013	277,306,448	59,795,000	217,511,448	21.56%
2012	282,020,647	63,805,000	218,215,647	22.62%
2011	314,900,379	67,760,000	247,140,379	21.52%
2010	321,633,712	71,295,000	250,338,712	22.17%
2009	326,059,780	74,365,000	251,694,780	22.81%
2008	308,252,101	76,975,000	231,277,101	24.97%
2007	224,416,617	79,280,000	145,136,617	35.33%

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		
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	6.50%	
2009	41,457	31,991	1,326,250,887	11.60%	
2010	42,130	32,768	1,380,515,840	10.40%	
2011	42,232	34,055	1,438,210,760	9.20%	
2012	42,500	34,330	1,459,025,000	8.50%	
2013	42,704	35,049	1,496,732,496	7.60%	
2014	43,113	36,765	1,585,049,445	6.50%	
2015	43,704	38,920	1,700,959,680	5.30%	

Sources:

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

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

Employer	2015			2006		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Private Employers:						
Manufacturing: beverage, food, wood products metal, machinery, plastics, other	6,735	1	19.46%	6,340	1	19.68%
Health care	4,458	2	12.88%	3,471	2	10.77%
Retail	3,461	3	10.00%	3,214	3	9.98%
Natural Resources: Agriculture	3,318	4	9.59%	3,100	4	9.62%
Leisure & Hospitality	3,307	5	9.55%	2,558	5	7.94%
Professional and business services	1,769	6	5.11%	1,938	6	6.02%
Construction	1,527	7	4.41%	2,006	7	6.23%
Education services	1,446	8	4.18%	1,344	8	4.17%
Other services	1,347	9	3.89%	1,045	10	3.24%
Financial activities	1,104	10	3.19%	1,109	9	3.44%
Transportation, warehousing & utilities	679	11	1.96%	639	12	1.98%
Wholesale	676	12	1.95%	699	11	2.17%
Information	196	13	0.57%	270	13	0.84%
Subtotal Private	30,023		86.74%	27,733		86.08%
Government						
Federal	476		1.38%	477		1.48%
State	528		1.53%	389		1.21%
Local Government						
Education & health services	2,145		6.20%	2,083		6.47%
Public Administration	1,074		3.10%	1,344		4.17%
Other	366		1.06%	193		0.60%
Subtotal Government	4,589		13.26%	4,486		13.92%
Total Employment	34,612		100.00%	32,219		100.00%

Source: Oregon Employment Department Workforce and Economic Research Division at [www.qualityinfo.org](http://www.qualityinfo.org).

Note: Information provided for Yamhill County



McMINNVILLE SCHOOL DISTRICT NO. 40  
 STUDENT ENROLLMENT STATISTICS  
 LAST TEN YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Weighted Average Daily Membership (1)</u>	<u>Average Daily Membership (2)</u>	<u>Full-time Equivalent Teaching Staff (3)</u>	<u>Ratio of Students to Teaching Staff</u>
2007	7,483	5,988	354	17
2008	7,562	6,090	360	17
2009	7,712	6,205	372	17
2010	7,732	6,237	335	19
2011	7,565	6,126	342	18
2012	7,536	6,130	331	19
2013	7,558	6,142	321	19
2014	7,695	6,269	327	19
2015	7,796	6,303	349	18
2016	8,243	6,642	367	18

(1) Weighted Average Daily Membership is the enrollment figure used to allocate revenues appropriated by the State to school districts. It is the average daily membership increased for a variety of weighting factors such as students with disabilities, english language learners and poverty.

(2) Average daily membership during the school year. Kindergarten was counted as .50 until 2015-16 , the first year of full day kindergarten.

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

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

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

<u>Fiscal Year Ended June 30,</u>	<u>Licensed</u>	<u>Classified</u>	<u>Administrative</u>	<u>Confidential</u>	<u>Total</u>
2007	395	290	23	14	722
2008	405	297	23	14	739
2009	410	298	24	14	746
2010	375	297	23	14	709
2011	384	313	22	14	733
2012	368	309	22	14	713
2013	363	299	23	14	699
2014	360	294	23	14	691
2015	394	299	23	14	730
2016	404	319	25	14	762

Source: McMinnville School District No. 40 personnel records.

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

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

Fiscal Year	(1) Average Daily Membership	(2) General Fund Expenditures and other financing uses		General Fund Expenditure Per Student	Nutrition Services				Student Transportation		
		\$	\$		Breakfast	Lunch	Dinner (3)	Total Meals	Percent Eligible Free or Reduced (4)	Total Bus Routes	Total Miles
2016	6,642	\$ 62,215,375	\$ 9,367	427,859	736,361	80,016	1,244,236	100.0%	27	516,654	2,280
2015	6,533	57,662,742	8,826	338,964	669,075	80,845	1,088,884	100.0%	27	546,937	2,215
2014	6,523	53,894,508	8,262	225,762	507,543		733,305	58.3%	27	651,252	2,523
2013	6,396	50,759,176	7,936	194,712	513,108		707,820	58.2%	27	657,333	2,332
2012	6,385	50,331,836	7,883	188,411	531,753		720,164	57.9%	27	651,871	2,212
2011	6,345	50,995,677	8,037	189,143	555,826		744,969	55.6%	27	705,512	2,283
2010	6,467	48,201,963	7,454	199,476	579,521		778,997	54.4%	27	686,080	2,275
2009	6,441	48,456,037	7,523	196,364	559,093		755,457	51.3%	27	653,019	2,208
2008	6,320	48,794,539	7,721	196,933	547,822		744,755	49.6%	27	646,725	2,158
2007	6,239	44,910,030	7,198	185,537	528,637		714,174	47.2%	27	608,191	2,104

- (1) Average daily membership with kindergarten = 1.0
- (2) General fund budgetary basis schedule
- (3) District began serving dinner meals to students in after school programs in 2015
- (4) District participated in the Community Eligibility Provision in 2015 which qualified all students for a free meal.

Source: McMinnville School District Records.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 CAPITAL ASSET INFORMATION  
 AS OF JUNE 30, 2016

<u>Building</u>	<u>Year of Original Building Construction</u>	<u>Square Footage (1)</u>	<u>Capacity (1)</u>	<u>Enrollment 10/1/2015</u>	<u>Percent of Capacity</u>	<u>Average Age of Buildings (in years)</u>
<b>Elementary Schools</b>						
Buel	2008	80,837	600	509	85%	8
Columbus	1994	68,740	600	484	81%	22
Grandhaven	1999	69,958	600	555	93%	17
Memorial	1947	67,292	600	594	99%	69
Newby	1960	58,527	532	524	98%	56
Wascher	1979	61,259	517	438	85%	37
<b>Total</b>		<u>406,613</u>	<u>3,449</u>	<u>3,104</u>	<u>90%</u>	<u>35</u>
<b>Middle Schools</b>						
Duniway	1993	119,412	961	752	78%	23
Patton	1976	132,820	971	732	75%	40
<b>Total</b>		<u>252,232</u>	<u>1,932</u>	<u>1,484</u>	<u>77%</u>	<u>32</u>
<b>High Schools</b>						
McMinnville High Sch	1955	268,935	2,231			61
Adams Campus	1914	34,052	336	-		102
<b>Total</b>		<u>302,987</u>	<u>2,567</u>	<u>2,185</u>	<u>85%</u>	<u>82</u>
<b>Other Buildings</b>						
Cook	1924	43,464	303			92
District Office	1965	9,081				51
Evans Street	1995	6,418				21
Maintenance	1948	12,395				68
Grounds	1970	2,760				46
Stadium	1980	12,480				36
<b>Total</b>		<u>86,598</u>	<u>303</u>			
<b>GRAND TOTAL</b>		<u><u>1,048,430</u></u>	<u><u>8,251</u></u>	<u><u>6,773</u></u>	<u><u>82%</u></u>	

Notes:

Many buildings have undergone remodels since original construction

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

THIS PAGE INTENTIONALLY LEFT BLANK

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

THIS PAGE INTENTIONALLY LEFT BLANK



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, 2016, and have issued our report thereon dated November 30, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

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

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

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

OAR 162-10-0230 Internal Control

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





OAR 162-10-0230 Internal Control (Continued)

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

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

We noted certain matters that we reported to the District in a separate letter issued letter to management.

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

*Wilcox Arredondo & Co.*

Certified Public Accountants  
Canby, Oregon  
November 30, 2016

# **GRANT COMPLIANCE SECTION**

THIS PAGE INTENTIONALLY LEFT BLANK



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McMinnville School District No. 40 (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2016.

**Internal Control over Financial Reporting**

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

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

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



## Compliance and Other Matters

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

## Purpose of this Report

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

*Wilcox Arredondo & Co.*

Certified Public Accountants  
Canby, Oregon  
November 30, 2016



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 UNIFORM GUIDANCE

**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 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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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, 2016.



## 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 Uniform Guidance, 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Wilcox Arredondo & Co.*

Certified Public Accountants  
Canby, Oregon  
November 30, 2016

McMINNVILLE SCHOOL DISTRICT NO. 40  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2016

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	07/01/14-09/30/15	84.010	32626	\$ 1,624,724	\$ 163,042
	07/01/15-09/30/16	84.010	36017	1,535,365	1,450,614
	<b>Total</b>			<b>3,160,089</b>	<b>1,613,656</b>
IDEA: Special Education Grants to State	07/01/14-09/30/16	84.027	33326	933,467	377,467
	07/01/15-09/30/17	84.027	36914	927,933	763,164
SPR&I (System Performance Review and Improvement)	08/01/15-06/30/16	84.027	37928	4,828	2,425
	08/19/15-08/30/15	84.027	38743	121	86
	04/27/16-04/27/16	84.027	40038	476	476
IDEA Enhancement	10/01/15-09/30/16	84.027	38369	7,957	3,255
Passed Through Willamette Education Service District IDEA Extended Assessment	07/01/15-09/30/16	84.027	N/A	1,713	1,713
	<b>Total</b>			<b>1,876,495</b>	<b>1,148,586</b>
Passed through Oregon State Department of Education IDEA Part B, Section 619	07/01/14-09/30/16	84.173	33496	9,998	3,723
	07/01/15-09/30/17	84.173	37213	11,016	4,577
	<b>Total</b>			<b>21,014</b>	<b>8,300</b>
	<b>Total IDEA: Special Education Cluster</b>			<b>1,897,509</b>	<b>1,156,886</b>
McKinney Homeless Children	07/01/15-09/30/16	84.196	36481	27,538	26,868
	<b>Total</b>			<b>27,538</b>	<b>26,868</b>
21st Century Community Learning Centers	07/01/14-09/30/16	84.287	32276	473,743	49,185
	07/01/15-09/30/17	84.287	36388	412,978	333,141
	<b>Total</b>			<b>886,721</b>	<b>382,326</b>
Title III English Language Acquisition	07/01/14-09/30/15	84.365	32339	122,354	17,863
	07/01/15-09/30/16	84.365	36338	117,704	88,051
				<b>240,058</b>	<b>105,914</b>
Title II-B Math and Science Partnerships (MSP)	09/01/14-09/30/15	84.366	34378	325,000	37,925
				<b>325,000</b>	<b>37,925</b>
Title II-A Improving Teacher Quality	07/01/14-09/30/15	84.367	32950	189,252	40,836
	07/01/15-09/30/16	84.367	36214	186,600	180,153
	<b>Total</b>			<b>375,852</b>	<b>220,989</b>
Passed Through Willamette Education Service District Title I-C Migrant Education	07/01/15-09/30/16	84.011	N/A	38,450	38,450
Direct Federal Grants Teacher Incentive Fund	10/01/10-09/30/15	84.374A	S374A100002	6,739,797	669,784
<b>Total U.S. Department of Education</b>				<b>13,691,014</b>	<b>4,252,798</b>



McMINNVILLE SCHOOL DISTRICT NO. 40  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2016

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 Agriculture - Special Revenue Fund</b>					
Passed through Oregon State Department of Education School Breakfast Program	07/01/15-06/30/16	10.553	N/A	740,246	740,246
National School Lunch Program	07/01/15-06/30/16	10.555	N/A	1,923,126	1,923,126
Commodities - NSLP	07/01/15-06/30/16	10.555	N/A	210,573	210,573
<b>Total</b>				<b>2,133,699</b>	<b>2,133,699</b>
Commodities - SFSP	07/01/15-06/30/16	10.559	N/A	426	426
Summer Food Service Program	07/01/15-06/30/16	10.559	N/A	70,928	70,928
<b>Total</b>				<b>71,354</b>	<b>71,354</b>
<b>Total Child Nutrition Cluster</b>				<b>2,945,299</b>	<b>2,945,299</b>
Child Care Food Program	07/01/15-06/30/16	10.558	N/A	264,653	264,653
Child Care Food Program	07/01/15-06/30/16	10.558	N/A	4,340	4,340
Child Care Food Program-Cash in Lieu Commodities	07/01/15-06/30/16	10.558	N/A	1,024	1,024
<b>Total</b>				<b>270,017</b>	<b>270,017</b>
USDA Food Distribution Program	07/01/15-06/30/16	10.560	N/A	5,470	5,470
Fresh Fruit and Vegetable Program	07/01/15-09/30/15	10.582	36622	4,011	4,011
Fresh Fruit and Vegetable Program	07/01/15-09/30/15	10.582	36623	3,821	3,821
Fresh Fruit and Vegetable Program	10/01/15-06/30/16	10.582	38608	19,802	19,802
Fresh Fruit and Vegetable Program	10/01/15-06/30/16	10.582	38609	20,377	20,377
Fresh Fruit and Vegetable Program	05/12/16-06/30/16	10.582	39918	5,752	5,752
Fresh Fruit and Vegetable Program	05/12/16-06/30/16	10.582	39919	5,589	5,589
<b>Total</b>				<b>59,352</b>	<b>59,352</b>
<b>Total U.S. Department of Agriculture</b>				<b>3,280,138</b>	<b>3,280,138</b>
<b>U.S. Department of Health and Human Services</b>					
Passed through Oregon Department of Education Child Care and Development Fund	07/01/13-06/30/17	93.575	9792	104,000	19,341
<b>Total U.S. Department of Health and Human Services</b>				<b>104,000</b>	<b>19,341</b>
<b>Federal Emergency Management Agency</b>					
Passed through Oregon Office of Emergency Management Public Assistance Grant	12/06/15-08/17/17	97.036	028776714	21,642	21,642
<b>Total U.S. Department of Health and Human Services</b>				<b>21,642</b>	<b>21,642</b>
<b>Total Federal Awards</b>				<b>\$ 17,096,794</b>	<b>\$ 7,573,919</b>

NOTES RELATIVE TO SCHEDULE OF FEDERAL AWARDS

NOTE 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of McMinnville School District (District) programs of the federal government for the year ended June, 30 2016. The information in this Schedule is presented in accordance with the requirements of title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

NOTE 2 - Summary of Significant Accounting Policies.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in [Identify the applicable cost principles (the Uniform Guidance and/or OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments)] wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance due to the fact that the District has a negotiated indirect cost rate with Oregon Department of Education, and thus is not allowed to use the de minimis rate.

NOTE 4 - Subrecipients

The District had no subrecipients.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2016

**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 2 CFR section 200.516(a)? Yes \_\_\_ No

**Identification of major programs:**

<u>CFDA NUMBER</u>	<u>NAME OF PROGRAM OR CLUSTER</u>
84.010	Title 1A
84.374A	Teacher Incentive Fund

Dollar threshold used to distinguish between type A and B programs \$ 750,000

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

McMINNVILLE SCHOOL DISTRICT NO. 40  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
Year Ended June 30, 2016

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

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

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