

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For the fiscal year ended June 30, 2018*



## **MCMINNVILLE SCHOOL DISTRICT #40**

*Achieving Excellence in Education*

800 NE Lafayette Avenue  
McMinnville, OR 97218  
503.565.4005 [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, 2018**

Prepared by the  
Business Office

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Maryalice Russell  
Superintendent

Susan Escure  
Director of Finance

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# **INTRODUCTORY SECTION**

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# McMinnville School District No. 40

800 NE Lafayette Avenue McMinnville, Oregon 97128 Phone: 503.565.4000 Fax: 503.565.4030

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December 14, 2018

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, 2018, 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, 2018. 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 children with special needs; and, providing transportation and nutrition services to students in accordance with district, state, and federal requirements.

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

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

The Board hires all management staff. The management staff includes a superintendent, five district-level directors, nine principals, five assistant principals, four district program coordinators, and four support services supervisors. The District employs 740 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 2017 was 6,764. 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 by six percent or an average of less than one percent annually.

<b>Grade Level</b>	<b>2007</b>	<b>2012</b>	<b>2017</b>
Elementary (Grades K-5)	2,972	2,940	3,047
Middle School (Grades 6-8)	1,493	1,556	1,541
High School (Grades 9-12)	1,902	1,969	2,176
<b>Total Enrollment</b>	<b>6,367</b>	<b>6,465</b>	<b>6,764</b>

According to a study prepared by Flo Analytics, the District enrollment is forecast to increase by two percent over the next five years, an average of 0.4 percent annually.

## **ECONOMIC CONDITION**

McMinnville School District #40 is located in northwestern Oregon in the northern end of the Willamette Valley, approximately 40 miles southwest of Portland and approximately 25 miles northwest of Salem. The two cities within the District are McMinnville, population 33,810 and Lafayette, population 4,105. McMinnville is home to the county seat and Linfield College, a private university. Four of the top five employers provide services related to education, government, and healthcare, providing a stable base for the District's economy. There are nearly 90 manufacturers, producing a variety of goods. Major industries within the area include steel rebar, medical and social services, retail, plastics and rubber products fabrication, fabricated metal products, leisure and hospitality, health food products, and agriculture.

As of June 2018, the Yamhill County unemployment rate was 3.5%, as compared to 4.1% for the state of Oregon and 4.0% at the national level. The fastest-growing private-sector industries over the past year included: manufacturing, construction, and health care.

The real market value of property located in the boundaries of the District increased by 27% from 2016-17 to 2017-18, while the assessed property values increased by 3.9%. Assessed value as a percentage of real market value was 59% compared to 73% 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 2017-18, the total real market value of property within the District boundaries is \$5.6 billion and the assessed value is \$3.3 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 economic outlook is for ongoing, but slowing growth in the coming years due to the economy reaching capacity and running into supply side constraints. Oregon's general fund revenues increased by 15% over the 2015-17 biennium and are expected to increase by 10.5% over the 2017-19 biennium. The State's biennial budget allocation to K-12 education was increased from \$7.4 billion to \$8.2 billion for 2017-19, an 11% increase. For the 2017-18 fiscal year, the District's resources were sufficient to maintain similar educational services and class size except for high school class size which was increased from 28 to 29 in order to balance the budget.

Additional school funding was available to the District beginning in 2017-2018 through two initiatives passed by Oregon voters November 2016. Measure 98 allows the Oregon Department of Revenue to disperse \$170 million per biennium to Districts who serve grades 9 through 12. This initiative funds high school success in three specific areas: dropout prevention, career and technical education and college readiness. Ballot Measure 99 authorizes funds from the state lottery to provide fifth- or sixth-grade students access to a week of Outdoor School. This is a voluntary program administered by the Oregon State University Extension Service.

## **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, 2018 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 2018-19 assumes a general fund year end reserve of \$4.25 million or 6% 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 48 years, ranging from 1 years old to 104 years old. In 2012, the District began work toward updating its long range facilities plan by completing a detailed professional assessment of each facility. 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 capital projects without raising the current overall bond tax rate. The bond measure was passed by a majority of District voters (62%) and the bonds were sold in August 2016.

The District is currently undertaking capital improvement projects at each of the District's ten school buildings and two support services buildings with funding from bond proceeds, state capital matching grants, seismic grants, and District construction excise tax and reserve funds at a total budget of \$116 million. The major project is sited at the high school and includes adding a career technical center and a demolition/rebuild of a central portion of the high school to add and update classrooms and athletic facilities. As of June 30, 2018, approximately 50% of the total resources restricted for the 2016 capital bond project have been spent.

## 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 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:

- ***21<sup>st</sup> Century Community Learning Centers*** – In September 2018, the District received a 5-year grant of \$2.5 million to provide afterschool and summer school programming for students in K-12<sup>th</sup> grade. The focus of the project is to provide academic interventions and enrichment, with a particular emphasis on STEAM (Science, Technology, Engineering, Art, and Mathematics) makerspaces. Makerspaces are project-based learning activities in which students develop and make things, either collaboratively or individually.
- ***CTE Revitalization Project*** - In November 2017, the District was awarded an 18 month ODE Career/Technical Education Revitalization grant of \$284,000 for a 6<sup>th</sup>-9<sup>th</sup> grade construction trades project that will feature afterschool, Saturday academies, and summer seminars focused on foundational skills related to the construction trades.

## AWARDS AND ACKNOWLEDGEMENTS

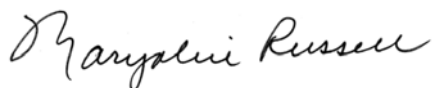
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to McMinnville School District for its *Comprehensive Annual Financial Report (CAFR)* for the year ended June 30, 2017. This was the ninth year the District has received the prestigious 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, 2017. This was the ninth year that the District received the award. Receiving the 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, 2017**

*Christopher P. Morvill*

Executive Director/CEO



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

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

**McMinnville School District No. 40**

**for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2017.**

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



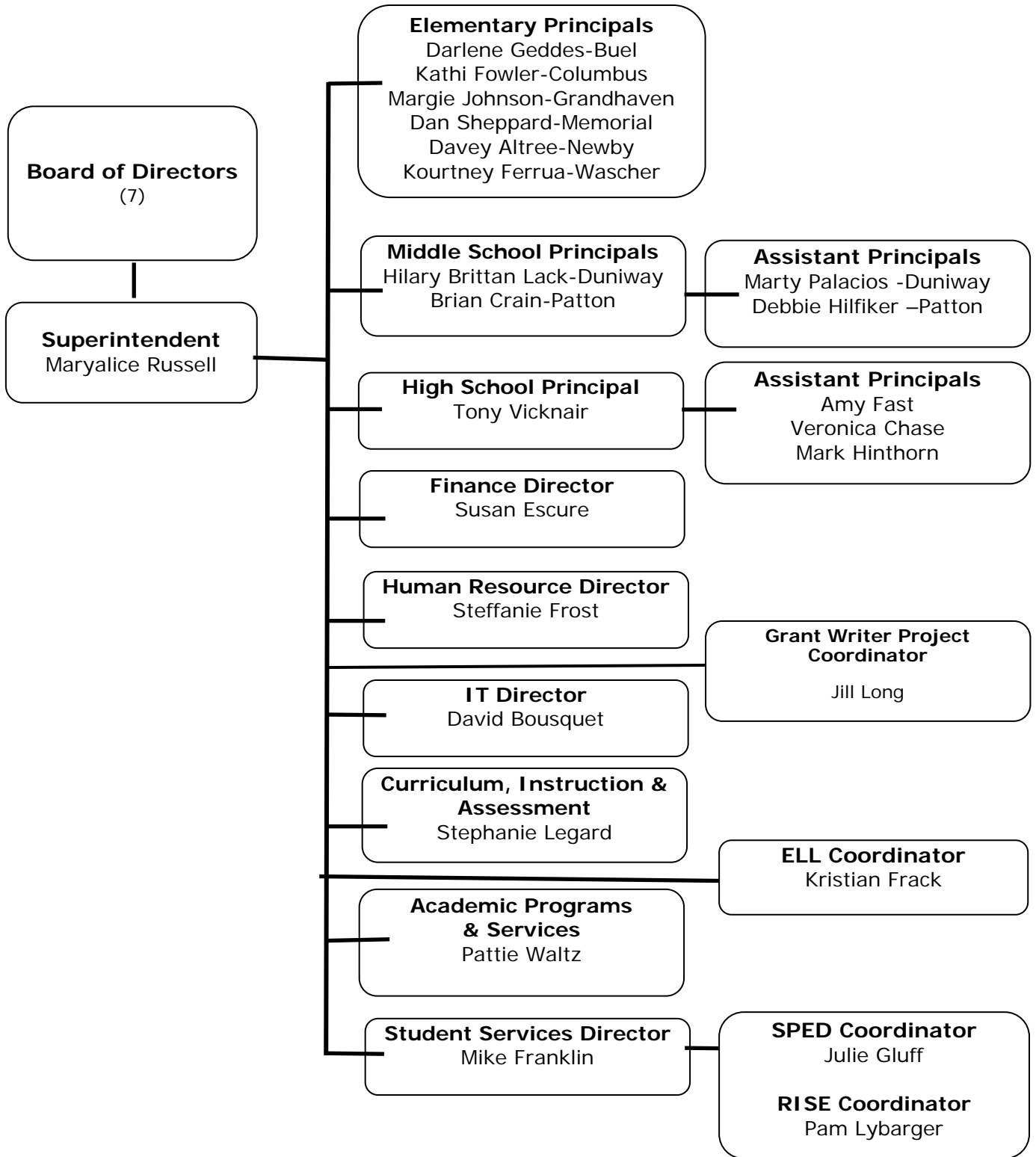
A handwritten signature in black ink that reads 'Charles E. Peterson, Jr.' The signature is written in a cursive style.

Charles E. Peterson, Jr., SFO, RSBA, MBA  
President

A handwritten signature in black ink that reads 'John D. Musso'. The signature is written in a cursive style.

John D. Musso, CAE  
Executive Director

**McMinnville School District #40  
Administrative Organizational Chart  
2017-18**





McMINNVILLE SCHOOL DISTRICT NO. 40  
YAMHILL COUNTY, OREGON

Administrative Office

800 Lafayette Avenue  
McMinnville, Oregon 97128

Maryalice Russell  
Susan Escure  
Amy Cavinaw

Superintendent  
Director of Finance  
Accounting Supervisor

BOARD OF DIRECTORS AS OF JUNE 30, 2018

	<u>Term Expires</u>
Ms. Barbara Carter, Board Chair 629 NW Jason Court McMinnville, Oregon 97128	June 30, 2019
Mr. Larry Vollmer, Vice Chair 1946 Fir Street McMinnville, Oregon 97128	June 30, 2019
Mr. Carson Benner 1240 SE Brooks St. McMinnville, Or 97128	June 30, 2021
Ms. Janis Braich 124 Anne Street McMinnville, Oregon 97128	June 30, 2019
Dr. Paul Haddeland 2103 NW Chrystal Dr. McMinnville, OR 97128	June 30, 2019
Dr. Scott Schieber 2370 NW Horizon Dr. McMinnville, OR 97128	June 30, 2019
Dr. Tim Roberts 1069 NW Baker St. McMinnville, Oregon 97128	June 30, 2021

# **FINANCIAL SECTION**

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# **INDEPENDENT AUDITORS' REPORT**

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

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McMinnville School District No. 40, McMinnville, Oregon (District), as of and for the year ended June 30, 2018, 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, 2018, 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 Changes in Total Other Postemployment Benefits and Related Ratios 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 December 14, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 14, 2018, on our consideration of the District's internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

*Wilcox Arredondo & Co.*

Certified Public Accountants  
Canby, Oregon  
December 14, 2018



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

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. 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 increased by \$2 million or 39% during the year ended June 30, 2018 to \$7 million. Of this amount, \$59.9 million was a net investment in capital assets, \$1 million was restricted for debt service, \$1.7 million was restricted for other purposes, and a negative net position of \$55.5 million was unrestricted. The negative net position is primarily due to reporting requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* which requires the District to record their proportionate share, \$51.7 million, of the net pension liability of the Oregon Public Employee's Retirement System (OPERS).
- The District's net investment in capital assets increased by \$6.9 million. In addition to capital construction projects funded by the issuance of general obligation bonds in August, 2016, the District received state grant funds and other resources which were used for capital improvements.
- Unrestricted net position decreased by \$4.1 million primarily due to changes in the net pension liability. The Oregon Public Employees Retirement System (OPERS) has provided the District with the audited pension balances necessary to reflect the District's net pension liability. The annual valuation of the net pension liability is affected by many factors including differences from changes in assumptions and differences between projected and actual investment earnings.
- The cost of all of the District's programs per the government-wide Statement of Activities was \$90 million, an increase of \$3 million from the previous year. The cost of wages and benefits increased by \$1.3 million and depreciation increased by \$1.6 million over the prior year.
- The District's governmental funds report combined ending fund balance is \$69.1 million, a decrease of \$30.3 million in comparison to the prior year. This decrease is primarily due to capital outlay for building construction and improvements. \$7.4 million (10.7%) of the combined ending fund balance is available for spending at the government's discretion (*unassigned fund balance*).
- The District's total long-term obligations decreased by \$14.8 million during fiscal year 2018. The net pension liability decreased by \$9.3 million and bonds payable (including bond premiums) decreased by \$5.6 million.

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018

## 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.

**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.

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018

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

The District maintains eight 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, Debt Service Fund and Capital Projects Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided as Supplemental Information.

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

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

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

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 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 54 through 57 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.

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018

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

**Statement of Net Position**

	Governmental Activities		Increase (Decrease)
	June 30, 2018	June 30, 2017	
Current and other assets	\$ 81,176,298	\$ 112,276,408	\$ (31,100,110)
Capital assets	139,894,600	107,131,112	32,763,488
<b>Total Assets</b>	<b>221,070,898</b>	<b>219,407,520</b>	<b>1,663,378</b>
Deferred Outflows of Resources	22,830,769	36,585,878	(13,755,109)
Long-term obligations	223,796,640	238,562,261	(14,765,621)
Other liabilities	10,594,778	11,360,720	(765,942)
<b>Total Liabilities</b>	<b>234,391,418</b>	<b>249,922,981</b>	<b>(15,531,563)</b>
Deferred Inflows of Resources	2,438,560	988,391	1,450,169
<b>Net Position</b>			
Net investment in capital assets	59,894,436	52,959,303	6,935,133
Restricted	2,669,614	3,521,235	(851,621)
Unrestricted	(55,492,361)	(51,398,512)	(4,093,849)
<b>Total Net Position</b>	<b>\$ 7,071,689</b>	<b>\$ 5,082,026</b>	<b>\$ 1,989,663</b>

**Net position.** The largest portion of the District's net position reflects an investment of \$59.9 million in capital assets (land, buildings and equipment and construction in progress), 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 \$2.7 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 \$55.5 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 \$81.2 million at year end. Cash and investments (\$75 million) made up 93% of this total. Total cash and other assets decreased by \$31.1 million from the prior year. This was primarily due to the expenditure of bond proceeds from the 2016 capital bond program. As of June 30, 2018, 46% of the bond proceeds remain to be spent on capital projects.

**Capital assets.** At year end, the District's investment in capital assets amounted to \$139.9 million (net of accumulated depreciation). This includes land, buildings and improvements, and equipment as shown in the following table:

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018

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

**Capital Assets  
(Net of Depreciation)**

	Governmental Activities		Increase (Decrease)
	June 30, 2018	June 30, 2017	
Land	\$ 4,879,642	\$ 4,708,033	\$ 171,609
Construction in Progress	11,110,289	15,201,107	(4,090,818)
Buildings and Improvements	120,930,387	84,859,871	36,070,516
Equipment	2,974,282	2,362,101	612,181
Total capital assets, net of accumulated depreciation	\$ 139,894,600	\$ 107,131,112	\$ 32,763,488

During fiscal year, net capital assets increased by \$32.8 million. Major capital asset additions and improvements during the year included the following:

- Building construction and improvements funded by the 2016 capital bond program were completed in the amount of \$36.8 million. Construction projects were completed at all school buildings for major repairs, renovations, and improvements. This included the construction of the new high school Career Technical Center.
- A new turf athletic field, including restrooms and lighting was installed with District reserve and construction excise tax funds in the amount of \$3.1 million.

Depreciation expense was \$4.2 million in total for the year. Additional information on the District's capital assets can be found in Note 4 of this report.

**Deferred inflows and outflows of resources.** Deferred outflows of resources decreased by \$13.8 million and deferred inflows of resources increased by \$1.5 million due to changes in assumptions and investment earning differences related to the valuation of the net pension liability.

**Liabilities.** Accrued liabilities, representing 4.5% of the District's total liabilities, consists of payables on accounts, salaries and benefits, interest charges, and unearned revenues.

**Long-term debt.** Outstanding long-term obligations represent 95.5% of the District's total liabilities. At the end of the current fiscal year, the District's long-term obligations totaled \$223.8 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, 2018	June 30, 2017	
General obligation bonds	\$ 124,450,000	\$ 127,960,000	\$ (3,510,000)
Pension obligation bonds	23,767,490	24,669,739	(902,249)
Unamortized premium	16,711,893	17,896,152	(1,184,259)
Net Pension Liability	51,742,648	61,102,578	(9,359,930)
OPEB obligation	7,124,609	6,933,792	190,817
Total long-term debt	\$ 223,796,640	\$ 238,562,261	\$ (14,765,621)

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018

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

The District's total long-term debt decreased by \$14.8 million during the current fiscal year due principal payments of bonds payable and a decrease in the actuarial valuation of the net pension liability.

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 \$321 million, which is significantly in excess of the District's outstanding general obligation debt of \$124 million. Additional information on the District's long-term debt can be found in Note 4 of this report.

**Governmental Activities.** During the fiscal year, the District's net position increased by \$2 million. The key elements of the change in the District's net position for the year ended June 30, 2018 are as follows:

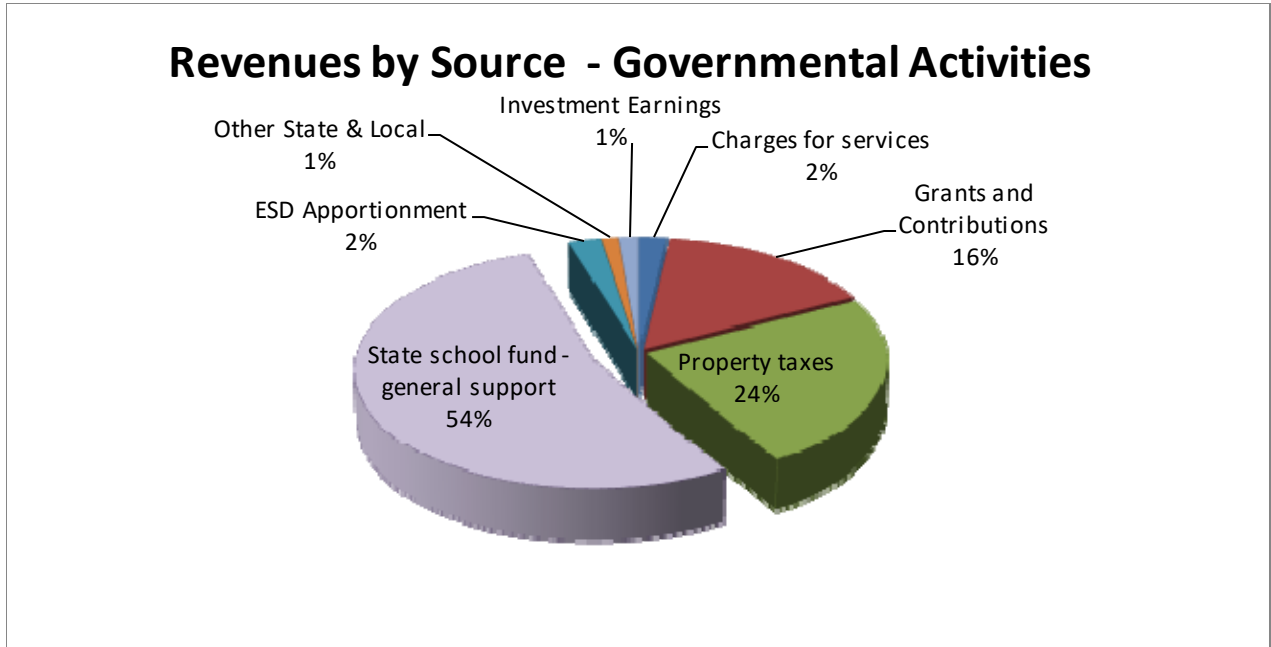
<b>Changes in Net Position For the Year Ended</b>			
<u>Governmental Activities</u>			
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Increase (Decrease)</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 1,746,245	\$ 1,735,960	\$ 10,285
Operating grants and contributions	9,450,956	9,166,772	284,184
Capital grants and contributions	4,938,157	4,823,252	114,905
General Revenues:			
Property taxes	21,850,303	21,529,589	320,714
State school fund	49,507,845	45,323,080	4,184,765
ESD apportionment	2,100,157	2,172,679	(72,522)
Other state and local sources	1,111,728	1,259,595	(147,867)
Earnings on investments	1,300,355	816,711	483,644
Total revenues	<u>92,005,746</u>	<u>86,827,638</u>	<u>5,178,108</u>
Expenses:			
Instruction	54,532,271	52,558,011	1,974,260
Support services	24,451,519	23,638,564	812,955
Community services	3,537,084	3,522,195	14,889
Facilities services	1,028,581	581,682	446,899
Interest on long-term debt	6,466,628	6,669,502	(202,874)
Total expenses	<u>90,016,083</u>	<u>86,969,954</u>	<u>3,046,129</u>
Change in net position	1,989,663	(142,316)	2,131,979
Net position - July 1	<u>5,082,026</u>	<u>5,224,342</u>	<u>(142,316)</u>
Net position - June 30	<u>\$ 7,071,689</u>	<u>\$ 5,082,026</u>	<u>\$ 1,989,663</u>



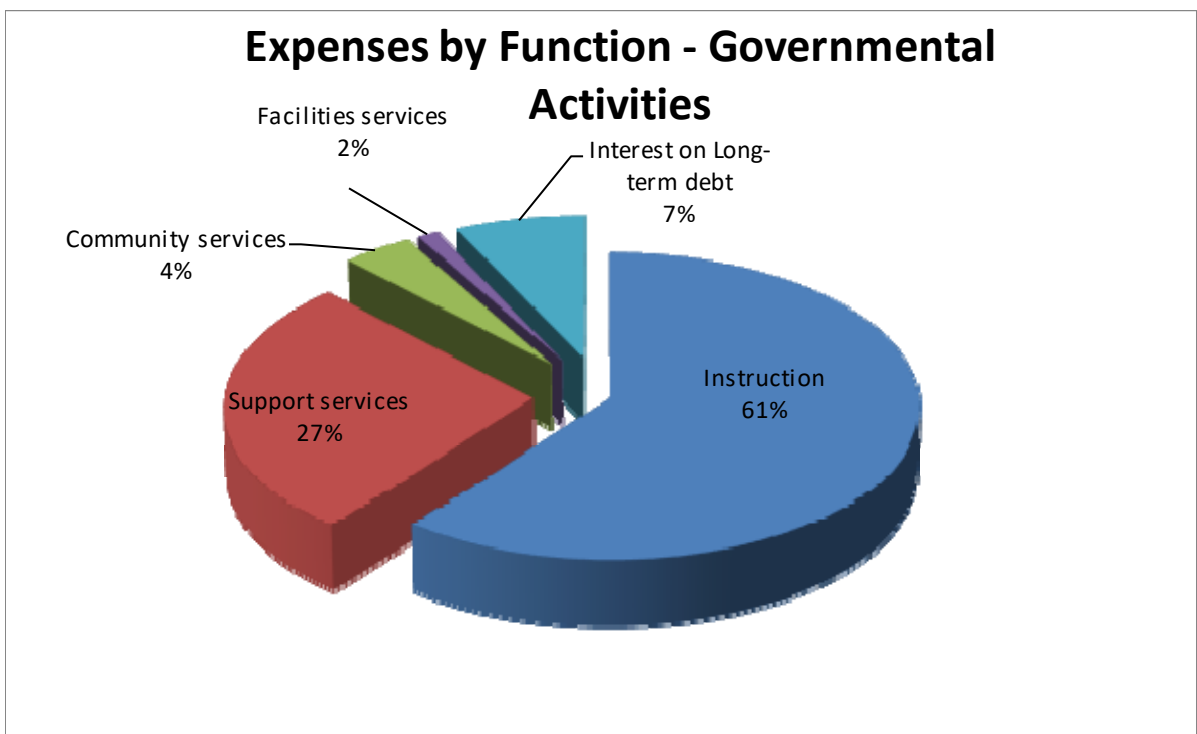
McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018

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

**Revenues.** Total revenues increased by \$5.2 million (6.0% increase). Program revenues increased only slightly by \$409,000. General revenues increased by \$4.8 million as a result of increased state school funding.



**Expenses.** Total expenses increased by \$3 million (3.5%). This increase is related in part to growth in wages and benefits and in part to increased depreciation expense from the large investment made in building construction and improvements.



McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018

## 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, 2018, the District's governmental funds reported combined ending fund balances of \$69 million, a decrease of \$30.3 million. 10.65% of this amount (\$7.4 million) is *unassigned fund balance*, which is available for spending at the government's discretion. 84.5% of this amount is *restricted* for particular purposes (\$58.4 million) and 4.8% is *committed* by the District for specific purposes (\$3.3 million). The large decrease in fund balance is due to capital outlay for building construction and improvements funded by the 2016 capital bond program and district reserve funds. 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, 2018, the total general fund balance was \$10.1 million, \$402,000 more than the prior year. The unassigned fund balance is \$7.4 million which represents 10.79% of total General Fund revenues. The unassigned balance increased by \$1.2 million. State school funding for the 2017-2019 biennium was split 50/50 over the two years. Normally it is split 49/51 to allow for a cost of living increase in the second year. Funds were purposely reserved for the second year of the biennium to offset rollup costs. The committed fund balances include \$2.1 million for asset reserve, \$176,000 for textbook/technology replacement reserve and \$506,000 for insurance reserve. Committed funds decreased by \$825,000 during the 2018 fiscal year due to capital outlay for building improvements.

**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 \$276,000. Grant revenue is normally recognized as grant expenditures are expended.

**Debt Service Fund.** The Debt Service Fund has a total *restricted* fund balance of \$647,000. All of which is reserved for the payment of debt service. The fund balance decreased by \$308,000. Surplus funds from prior years were used towards debt service payments.

**Capital Projects Fund.** The Capital Projects Fund has a total *restricted* fund balance of \$56.1 million. These funds represent the remaining bond proceeds and investment earnings restricted for the 2016 capital bond program. The fund balance decreased by \$29.8 million representing capital outlay for construction and building improvements.

### General Fund Budgetary Highlights

**Original budget compared to final budget.** During the year there were no changes to the original budget appropriations. The General Fund budgetary schedule can be found on page 52 of this report.

**Final budget compared to actual results.** Actual revenues were in line with budget projects. Expenditures were \$2.8 million less than budget equally distributed between instruction and support services. Because the state allocated school funding equally over the biennium, the District planned to restrict spending to allow sufficient ending fund balance to be used in 2018-19 when revenues will be flat.

McMINNVILLE SCHOOL DISTRICT NO. 40  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018

**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 2017-19 biennium, the State legislature appropriated \$8.2 billion to K-12 education compared to \$7.4 billion in the prior biennium, a 10.8% increase over two years. Local property tax revenues, which are also included in the state funding formula, are expected to increase by 3.5% annually.

The state funding allocation to each district is based on average daily student membership and additional weights for students with special needs and poverty. Enrollment and weighted average daily membership decreased slightly by .50%. Enrollment is not expected to change significantly over the few years.

General fund revenues are projected to be flat for 2018-19 due to the equal division of the state school funding appropriation over the biennium. The budget plan for the 2018-19 fiscal year is focused on maintaining current level of service. Appropriated expenditures in the general fund are \$71.3 million for 2018-19 compared to \$69.6 million in 2017-18, a 2.4% increase.

Board policy mandates that the District budget with the goal to maintain a minimum target of five percent ending fund balance. The budget for 2018-19 includes planned reserves of \$4.25 million or 6.3% 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, 800 N.E. Lafayette St. McMinnville, OR 97128.

# **BASIC FINANCIAL STATEMENTS**

McMINNVILLE SCHOOL DISTRICT NO. 40  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	Governmental Activities
Assets	
Cash and investments	\$ 75,297,163
Accounts receivables	
Property taxes	2,100,154
Interest receivable	134,708
Accounts and grants receivable	3,621,987
Restricted cash and investments	22,286
Capital assets not depreciated	15,989,931
Capital assets, net of depreciation	<u>123,904,669</u>
Total Assets	<u>221,070,898</u>
Deferred Outflows of Resources	
Pension plan	17,721,716
Deferred charge on refunding	<u>5,109,053</u>
Total Deferred Outflows of Resources	<u>22,830,769</u>
Liabilities	
Accounts payable	2,839,091
Accrued payroll and payroll liabilities	7,302,356
Accrued interest payable	219,657
Unearned revenue	233,674
Net Pension Liability	51,742,648
Long-term debt	
Due within one year	4,891,769
Due in more than one year	
Bonds Payable	160,037,614
Other postemployment benefits payable	<u>7,124,609</u>
Total Liabilities	<u>234,391,418</u>
Deferred Inflows of Resources	
Pension Plan	<u>2,438,560</u>
Total Deferred Inflows of Resources	<u>2,438,560</u>
Net Position	
Net investment in capital assets	59,894,436
Restricted for:	
Other grant activities	275,783
Debt service	1,009,331
Associated student body	435,908
Nutrition services	948,592
Unrestricted	<u>(55,492,361)</u>
Total Net Position	<u>\$ 7,071,689</u>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Functions/Programs				
Governmental activities:				
Instructional services	\$ 54,532,271	\$ 1,449,981	\$ 3,401,801	\$ -
Supporting services				
Student transportation	2,249,261		1,503,427	-
Other support services	22,202,258	178,343	1,095,071	-
Community services	3,537,084	117,921	3,450,657	-
Facilities services	1,028,581			4,938,157
Interest on long-term debt	6,466,628		-	-
Total Governmental Activities	<u>\$ 90,016,083</u>	<u>\$ 1,746,245</u>	<u>\$ 9,450,956</u>	<u>\$ 4,938,157</u>

General Revenues	
Property taxes levied for general purposes	13,406,908
Property taxes levied for debt service	8,443,395
Construction excise tax	349,844
State school fund - general support	49,507,845
Common school fund	703,994
County common school fund	23,790
ESD apportionment	2,100,157
Earnings on investments	1,300,355
Gain on sale of capital assets	34,100
Total general revenues	<u>75,870,388</u>
Change in Net Position	1,989,663
Net Position	
Beginning of year	<u>5,082,026</u>
End of year	<u>\$ 7,071,689</u>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General Fund	Grants Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>						
Cash and Investments	\$ 14,427,086	\$ -	\$ 505,616	\$ 58,573,261	\$ 1,791,200	\$ 75,297,163
Receivables						
Property Taxes	1,275,444	-	824,710	-	-	2,100,154
Interest Receivable	-	-	-	134,708	-	134,708
Accounts and Grants Receivable	383,475	965,713	-	2,105,638	167,161	3,621,987
Due from Other Funds	2,553,331	-	-	-	-	2,553,331
Restricted Cash and Investments	-	-	-	-	22,286	22,286
<b>Total Assets</b>	<b>\$ 18,639,336</b>	<b>\$ 965,713</b>	<b>\$ 1,330,326</b>	<b>\$ 60,813,607</b>	<b>\$ 1,980,647</b>	<b>\$ 83,729,629</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 161,241	\$ 6,265	\$ -	\$ 2,657,995	\$ 13,590	\$ 2,839,091
Accrued Payroll and Related Charges	7,302,356	-	-	-	-	7,302,356
Due to Other Funds	-	449,991	-	2,103,340	-	2,553,331
Unearned Revenue	-	233,674	-	-	-	233,674
<b>Total Liabilities</b>	<b>7,463,597</b>	<b>689,930</b>	<b>-</b>	<b>4,761,335</b>	<b>13,590</b>	<b>12,928,452</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue - Property Taxes	1,054,824	-	683,491	-	-	1,738,315
<b>Total Deferred Inflows of Resources</b>	<b>1,054,824</b>	<b>-</b>	<b>683,491</b>	<b>-</b>	<b>-</b>	<b>1,738,315</b>
<b>FUND BALANCES</b>						
Restricted for						
Grant Activities	-	275,783	-	-	-	275,783
Debt service	-	-	646,835	-	-	646,835
Capital Improvements	-	-	-	56,052,272	404	56,052,676
Associated Student Body	-	-	-	-	435,908	435,908
Nutrition Services	-	-	-	-	948,592	948,592
Committed to						
Asset Reserve	2,081,865	-	-	-	-	2,081,865
Textbook and Technology Replacement	176,541	-	-	-	-	176,541
Insurance Reserve	506,522	-	-	-	-	506,522
Debt Service	-	-	-	-	582,153	582,153
Unassigned	7,355,987	-	-	-	-	7,355,987
<b>Total Fund Balances</b>	<b>10,120,915</b>	<b>275,783</b>	<b>646,835</b>	<b>56,052,272</b>	<b>1,967,057</b>	<b>69,062,862</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 18,639,336</b>	<b>\$ 965,713</b>	<b>\$ 1,330,326</b>	<b>\$ 60,813,607</b>	<b>\$ 1,980,647</b>	<b>\$ 83,729,629</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, 2018

Total fund balances - governmental funds		\$ 69,062,862
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	\$ 186,038,488	
Accumulated depreciation	<u>(46,143,888)</u>	139,894,600
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.		
		1,738,315
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		
		(51,742,648)
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	17,721,716	
Deferred inflows or resources related to pensions	<u>(2,438,560)</u>	15,283,156
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:		
Accrued interest payable	(219,657)	
Bonds payable	(148,217,490)	
Bond premium	(16,711,893)	
Deferred charges on refunding	5,109,053	
Net OPEB obligations	<u>(7,124,609)</u>	<u>(167,164,596)</u>
Total Net Position		<u>\$ 7,071,689</u>

See notes to the basic financial statements.



McMINNVILLE SCHOOL DISTRICT NO. 40  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2018

	General Fund	Grants Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>Revenues</b>						
<b>Local Sources</b>						
Property Taxes	\$ 13,417,493	\$ -	\$ 8,463,399	\$ -	\$ -	\$ 21,880,892
Construction Excise Tax	-	-	-	-	349,844	349,844
Charges for Services	341,300	50,099	-	-	1,218,640	1,610,039
Rentals	73,738	-	-	-	-	73,738
Investment Earnings	367,905	-	78,509	807,246	46,695	1,300,355
Contributions and Donations	-	189,690	-	-	-	189,690
Fees Charged to Grants	61,461	-	-	-	-	61,461
Services to Other Funds	-	-	-	-	2,673,807	2,673,807
Miscellaneous	66,293	111,489	-	2,962	15,013	195,757
<b>Intergovernmental</b>						
Intermediate Sources	2,123,947	53,157	-	-	-	2,177,104
State Sources	51,715,266	1,100,317	-	4,926,901	75,714	57,818,198
Federal Sources	3,340	3,243,054	-	-	3,315,649	6,562,043
<b>Total Revenues</b>	<b>68,170,743</b>	<b>4,747,806</b>	<b>8,541,908</b>	<b>5,737,109</b>	<b>7,695,362</b>	<b>94,892,928</b>
<b>Expenditures</b>						
<b>Current</b>						
Instruction	44,357,351	3,596,749	-	-	1,097,133	49,051,233
Support Services	22,098,329	1,235,472	-	-	-	23,333,801
Enterprise and Community Services	-	59,293	-	-	3,313,919	3,373,212
Facilities Acquisition and Construction	62,096	-	-	953,755	6,706	1,022,557
<b>Debt Service</b>						
Principal	-	-	3,510,000	-	902,249	4,412,249
Interest	-	-	5,340,375	-	1,784,849	7,125,224
<b>Capital Outlay</b>						
Support Services	33,859	-	-	-	-	33,859
Enterprise and Community Services	-	-	-	-	384,342	384,342
Facilities Acquisition and Construction	1,151,355	-	-	34,601,035	744,600	36,496,990
<b>Total Expenditures</b>	<b>67,702,990</b>	<b>4,891,514</b>	<b>8,850,375</b>	<b>35,554,790</b>	<b>8,233,798</b>	<b>125,233,467</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>467,753</b>	<b>(143,708)</b>	<b>(308,467)</b>	<b>(29,817,681)</b>	<b>(538,436)</b>	<b>(30,340,539)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	100,000	-	-	-	100,000
Transfers (out)	(100,000)	-	-	-	-	(100,000)
Sale of capital assets	34,100	-	-	-	-	34,100
<b>Total Other Financing Sources (Uses)</b>	<b>(65,900)</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,100</b>
<b>Net Change in Fund Balance</b>	<b>401,853</b>	<b>(43,708)</b>	<b>(308,467)</b>	<b>(29,817,681)</b>	<b>(538,436)</b>	<b>(30,306,439)</b>
<b>Fund Balances</b>						
Beginning of Year	9,719,062	319,491	955,302	85,869,953	2,505,493	99,369,301
End of year	\$ 10,120,915	\$ 275,783	\$ 646,835	\$ 56,052,272	\$ 1,967,057	\$ 69,062,862

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, 2018

Net Change in Fund Balances - total governmental funds \$ (30,306,439)

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	\$ 36,915,191	
Less current year depreciation	<u>(4,151,703)</u>	32,763,488

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	<u>4,412,249</u>	4,412,249
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Governmental funds report the effect of issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences:

Amortization of deferred charge on refunding bonds	(528,523)	
Amortization of premium	<u>1,184,259</u>	655,736

Long-term pension assets/liabilities not payable in the current year are not reported as governmental fund liabilities. Actuarial changes create deferred outflows and inflows of resources. These consist of:

OPERS net pension liability	9,359,930	
OPERS deferred outflow of resources	(13,226,586)	
OPERS deferred inflow of resources	<u>(1,450,169)</u>	(5,316,825)

In the statement of activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as interest expense when due. 2,860

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. (30,589)

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. (190,817)

Change in Net Position \$ 1,989,663

McMINNVILLE SCHOOL DISTRICT NO. 40  
 STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2018

	Private Purpose Trust Fund
Assets	
Cash and Investments	\$ 162,265
Total Assets	<u>162,265</u>
Net Position	
Held in trust for:	
Scholarships	<u>162,265</u>
Total Net Position	<u><u>\$ 162,265</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, 2018

	Private Purpose Trust Fund
Additions:	
Investment Earnings	\$ 2,393
Contributions	40,205
Total Additions	<u>42,598</u>
Deductions:	
Scholarships	<u>4,900</u>
Total Deductions	<u>4,900</u>
Change in Net Position	37,698
Net Position	
Beginning of year	<u>124,567</u>
Total Net Position	<u><u>\$ 162,265</u></u>

See notes to the basic financial statements.

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.

The Asset Reserve Fund, Textbooks and Technology Replacement Reserve Fund and the Insurance Reserve Fund are classified for purposes of presentation in the Fund Financial Statements as General Funds. Transfers from the General Fund are the primary sources of inflows for these three budgetary funds. These funds are separate special revenue 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.

Capital Projects Fund – This fund accounts for activities related to the acquisition, construction, and equipping of facilities. The principle revenue sources are proceeds from the sale of bonds, state capital grants, and interest earnings.

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.

1. Summary of Significant Accounting Policies (Continued)

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.

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. Short-term investments are stated at cost, which approximates fair value.

The District's investments consist of U.S. Government Treasury securities, U.S. Government Agency securities and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The District's investments are reported a fair value based upon quoted market rates. Changes in fair value of investments are recorded as investment earnings. The LGIP is stated at costs which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares.

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

1. Summary of Significant Accounting Policies (Continued)

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.

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 unearned 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, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at their acquisition 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 one year. 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). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

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. Bond issuance costs are expensed in the period incurred. Savings realized from advance refunding of debt are recorded as deferred outflows of resources and amortized over the remaining life of the related defeased debt.

In the fund financial statements bond premiums and discounts are recognized when incurred and are 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, 2018.

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. In addition, the District has unspent bond proceeds in the form of cash and investments to fund bond expenditures in subsequent years.

*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, 2018

2. Cash and Investments (Continued)

Cash and investments on June 30, 2018 consist of the following:

Petty Cash	\$ 1,054
Cash with fiscal agent	22,286
Deposits with banks	2,652,854
Investments	<u>72,805,520</u>
	<u>\$ 75,481,714</u>

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

Statement of Net Position	
Cash and Investments	\$ 75,297,163
Restricted Cash and Investments	22,286
Statement of Net Position - Fiduciary Funds	
Cash and Investments - Private Purpose Trust	<u>162,265</u>
	<u>\$ 75,481,714</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 \$2,652,854 on June 30, 2018. The bank statement records reflect a balance of \$4,499,092 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.

Investment Type	Fair Value	Weighted Average Maturity in Years	% of Investment Portfolio
US Agency Securities	\$ 25,464,635	0.80	35%
US Treasury Securities	16,064,525	0.29	22%
Local Government Investment Pool	31,276,360	0.08	43%
	<u>\$ 72,805,520</u>	<u>0.38</u>	<u>100%</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally acceptable accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs. Investments in U.S. Treasury securities and U.S. Agency securities are valued using quoted market prices (Level 1 inputs).

The "weighted average maturity in years" calculation assumes that all investments are held until maturity.

*Interest rate risk – investments.* Interest rate risks is the risk that changes in interest rates will adversely affect the fair value of an investment. The District minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet the cash requirements for ongoing operations and capital construction projects, thereby avoiding the need to sell securities in the open market, and investing primarily in the Local Government Investment Pool (LGIP). Funds may be invested in the LGIP to the extent permitted by ORS 294.810. Excess amounts are invested in adherence with the portfolio maturity constraints.

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. The investment of capital bond proceeds are timed to meet construction payments, for a term not to exceed three years.

*Concentration of 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, 2018 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).

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2018

2. Cash and Investments (Continued)

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy for capital bond proceeds (Policy DFAA) limits investments as follows:

<u>Investment Type</u>	<u>Maximum % of Holdings</u>
U.S. Treasury securities	100%
U.S. Agency securities	33% per issuer
LGIP or Bank Deposits	Minimum of 10% of bond proceeds

As of June 30, 2018, more than 5% of the District's total investments are in securities by the following issuers:

<u>Issuer</u>	<u>% of Total Investments</u>
Federal National Mortgage Association	17.82%
U.S. Treasury	34.98%

As of June 30, 2018 and for the year then ended, the District was in compliance with the State of Oregon statutes regarding investments as discussed under Note 1 and the District's investment policies.

3. Receivables

Receivables are comprised of the following as of June 30, 2018:

Property taxes receivable	
General fund	\$ 1,275,444
Debt service fund	824,710
Total property taxes receivable	<u>2,100,154</u>
Grants receivable	
General fund	351,997
Grants fund	937,491
Capital projects fund	2,096,854
Other governmental funds	165,783
Total grants receivable	<u>3,552,125</u>
Interest and other receivables	
General fund	31,478
Grants fund	28,222
Capital projects fund	143,492
Other governmental funds	1,378
Total interest and other receivables	<u>204,570</u>
Total receivables	<u>\$ 5,856,849</u>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2018

4. Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Construction in Progress	\$ 15,201,107	\$ 9,044,513	\$ (13,135,331)	\$ 11,110,289
Land	4,708,033	171,609	-	4,879,642
<b>Total Capital Assets not being depreciated</b>	<b>19,909,140</b>	<b>9,216,122</b>	<b>(13,135,331)</b>	<b>15,989,931</b>
Capital assets being depreciated:				
Buildings and improvements	123,547,763	39,708,804	-	163,256,567
Equipment	5,666,394	1,125,596	-	6,791,990
<b>Total capital assets being depreciated</b>	<b>129,214,157</b>	<b>40,834,400</b>	<b>-</b>	<b>170,048,557</b>
Less accumulated depreciation for:				
Buildings and improvements	(38,687,892)	(3,638,288)	-	(42,326,180)
Equipment	(3,304,293)	(513,415)	-	(3,817,708)
<b>Total accumulated depreciation</b>	<b>(41,992,185)</b>	<b>(4,151,703)</b>	<b>-</b>	<b>(46,143,888)</b>
<b>Total capital assets being depreciated, net</b>	<b>87,221,972</b>	<b>36,682,697</b>	<b>-</b>	<b>123,904,669</b>
<b>Total capital assets, net</b>	<b>\$ 107,131,112</b>	<b>\$ 45,898,819</b>	<b>\$ (13,135,331)</b>	<b>\$ 139,894,600</b>

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

Program	
Instructional programs	\$ 3,663,400
Supporting services	390,849
Community services	97,454
<b>Total depreciation expense</b>	<b>\$ 4,151,703</b>

Construction Commitments - The District has active construction projects as of June 30, 2018. As of the end of the fiscal year, the District is committed under various accepted bid agreements and contracts for approximately \$47,477,124 for goods, services and construction of facilities.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2018

5. 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.

On August 10, 2016, the District issued \$88,400,000 in General Obligation Bonds to finance capital construction and improvements. Interest rates range from 3.0% to 5.0%, payable semiannually in June and December, beginning December 15, 2018. The bonds mature on June 15, 2038 with principal payments due annually on June 15<sup>th</sup>. The bonds were issued at a premium of \$13,381,978, which is being amortized over the life of the bonds.

On February 27, 2013, the District issued \$42,075,000 in General Obligation Bonds to refund bonds issued June 26, 2007 and obtain a savings in total debt service requirement. Interest rates range from 2.0% to 5.0%, payable semiannually in June and December. The bonds mature on June 15, 2028 with principal payments due annually on June 15<sup>th</sup>.

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, 2018 is as follows:

Issue Date	Issue Amount	Outstanding July 1, 2017	Additions	Reductions	Outstanding June 30, 2018	Due Within One Year	Interest Rates
General Obligation Bonds:							
02/27/13	\$ 42,075,000	\$ 41,125,000	\$ -	\$ 2,280,000	\$ 38,845,000	\$ 2,455,000	3.0% - 5.0%
08/10/16	88,400,000	86,835,000	-	1,230,000	85,605,000	1,440,000	3.0% - 5.0%
		127,960,000	-	3,510,000	124,450,000	3,895,000	
Limited Tax Pension Obligation Bonds:							
10/31/02	16,044,243	11,879,739	-	332,249	11,547,490	336,769	4.82 - 5.55 %
02/19/04	13,715,000	11,670,000	-	570,000	11,100,000	660,000	4.40 - 5.53%
08/11/11	1,120,000	1,120,000	-	-	1,120,000	-	4.12%
		24,669,739	-	902,249	23,767,490	996,769	
Total G.O. and Pension Bonds		152,629,739	-	4,412,249	148,217,490	4,891,769	
Unamortized premium		17,896,152	-	1,184,259	16,711,893		
Net Pension Liability		61,102,578	-	9,359,930	51,742,648		
Net OPEB Obligation		6,933,792	190,817	-	7,124,609		
Total long-term debt		<u>\$ 238,562,261</u>	<u>\$ 190,817</u>	<u>\$ 14,956,438</u>	<u>\$ 223,796,640</u>		



McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2018

5. Long-Term Debt (Continued)

Future Maturities are as follows:

Fiscal Year	Principal	Interest
2018-2019	\$ 4,891,769	\$ 7,097,310
2019-2020	5,495,721	6,969,675
2020-2021	6,895,000	6,107,710
2021-2022	7,635,000	5,788,214
2022-2023	8,485,000	5,402,022
2023-2028	54,565,000	19,941,274
2028-2033	25,250,000	10,191,400
2033-2038	35,000,000	4,264,800
Total	<u>\$ 148,217,490</u>	<u>\$ 65,762,405</u>

Payments on the general obligation bonds are made by the Debt Service Fund from property taxes and earnings on investments. Payments on pension bonds are made by the PERS Debt Service Fund from revenue charges to other funds. Payments relating to the Net Pension Liability and OPEB Obligation are paid by the General Fund and the Grants Fund as part of personnel costs.

6. Interfund Receivables/Payables & Transfers

The composition of due to/due from balances as of June 30, 2018 is as follows:

	Due from other funds	Due to other funds
Major Government Funds		
General Fund	\$ 2,553,331	\$ -
Grants Fund	-	449,991
Capital Projects Fund	-	2,103,340
	<u>\$ 2,553,331</u>	<u>\$ 2,553,331</u>

The District maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is reported as either Cash and Investments or Due to/from Other Funds. Interfund receivables and payables (Due to / Due from Other Funds) arise during normal processing of receipts and disbursements for all funds through a single checking account and do not represent interfund loans. There was \$2,553,331 due from the Grants Fund and Capital Projects Fund to cover grant expenditures pending reimbursement.

The interfund transfers during the year ended June 30, 2018 are as follows:

	Transfer in	Transfer out
Major Government Funds		
General Fund	\$ -	\$ 100,000
Grants Fund	100,000	-
	<u>\$ 100,000</u>	<u>\$ 100,000</u>

A transfer of \$100,000 from General Fund to Grants Fund is made to support the elementary after school program. Additionally, within the General Fund, transfers were made to budgetary reserve funds for school textbooks, technology and to maintain the District's capital assets.

7. 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.

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.

7. Pension Plan (Continued)

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,
- 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 2018 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.

7. Pension Plan (Continued)

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.

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 2018 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, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. 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, 2018 was 18.33% of eligible payroll for Tier 1/Tier 2 members and 13.00% of eligible payroll for OPSRP members. Employer contributions for the year ended June 30, 2018 were \$5,758,934, excluding amounts to fund employer specific liabilities. \$2,610,126 was charged for the year ended June 30, 2018 as PERS benefit expenditures to be used for bond payments as they become due. In addition, \$1,670,120 in employee contributions were paid by the district for the year ended June 30, 2018.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2018

7. Pension Plan (Continued)

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

At June 30, 2018, the District reported a liability of \$51,742,648 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. 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, 2017 the District's proportion was .38% which was .03% less than its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized a pension expense of \$10.57 million. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,502,296	
Changes in assumptions	9,431,762	
Net difference between projected and actual earnings on investments	533,071	
Changes in proportionate share	5,478	\$ 2,117,933
Differences between employer contributions and employer's proportionate share of system contributions`	67,618	320,627
District contributions subsequent to the measurement date	<u>5,181,491</u>	<u>-</u>
Total	<u>\$ 17,721,716</u>	<u>\$ 2,438,560</u>

District contributions subsequent to the measurement date of \$5,181,491 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, 2018. 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, 2019	\$ 1,867,653
June 30, 2020	6,047,960
June 30, 2021	3,897,551
June 30, 2022	(1,669,968)
June 30, 2023	(41,531)

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2018

7. Pension Plan (Continued)

Actuarial Methods and Assumptions:

Actuarial Valuations

The employer contribution rates effective July 1, 2017 through June 30, 2019, 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.

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study Report	2014, published September 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.50 percent
Investment rate of return	7.50 percent
Discount rate	7.50 percent
Projected salary increases	3.50 percent
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 BB, 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 (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality Sex-distinct table.</p>

7. Pension Plan (Continued)

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.

Discount Rate

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

Assumed Asset Allocation

Asset Class/Strategy	OIC Target
Cash	0.0
Debt Securities	20.0
Public Equity	37.5
Private Equity	17.5
Real Estate	12.5
Alternative Equity	12.5
Opportunity Portfolio	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 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at:

[http://www.oregon.gov/pers/docs/financial\\_reports/2017\\_cafr.pdf](http://www.oregon.gov/pers/docs/financial_reports/2017_cafr.pdf)

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2018

7. Pension Plan (Continued)

Long-Term Expected Rate of Return (Continued)

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

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 7.50 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 one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability (asset)	\$ 88,178,920	\$ 51,742,648	\$ 21,275,177



7. 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

There are no changes in actuarial methods, allocation, and assumption since the December 31, 2015 actuarial valuation.

8. Other Post Employment Benefits

Post Employment Health Insurance

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

The District sponsors an early retirement program with two main components, as follows:

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. Administrative and confidential employees hired prior to July 1, 2006 are eligible for District-paid medical insurance until they are eligible for Medicare, limited to a maximum of 72 months. This explicit benefit is required to be valued under GASB 75. At June 30, 2018 there were 9 active participants who are potentially eligible for this benefit in the future.

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. There is an implicit subsidy with respect to retired employees because the medical premium rates charged for coverage typically are less than actual expected retiree claim costs. This is due to medical premium rates being determined by blending both active employee and retiree experience. This additional cost is called the "implicit subsidy", and is required to be valued under GASB 75. There are 749 active and 84 retired members in the plan.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2018

8. Other Post Employment Benefits (Continued)

Funding Policy – There is no obligation on the part of the District to fund these benefits in advance. The benefit from this program is paid by retired employees on a self-pay basis and the required contributions is based on projected pay-as-you go financing requirements.

Total OPEB Liability – The District’s total OPEB liability of \$7,124,609 was measured as of July 1, 2016 and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and Other Inputs* - The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2016
Measurement date	June 30, 2018
Actuarial cost method	Entry Age Normal, level percent of salary.
Actuarial assumptions:	
Discount rate	3.0% per year, based on all years discounted at municipal bond rate.
Inflation rate	2.50% per year
Salary increases	3.50% per year
Healthcare cost trend rates	6.50% for 2016-17, decreasing 1.0% to an ultimate rate of 5.0% for 2031 and later years
Mortality rates	Based on the RP 2000, generational combined active/healthy annuitant, set back 24 months, and were calculated by adjusting the rates by 60% for male participants and 55% for female participants.
Turnover rates	As developed for the valuation of benefits under Oregon PERS and vary by years of service.
Disability rates	As developed for the valuation of benefits under Oregon PERS and vary by employee age.
Retirement rates	Calculated based on age and years of service. 100% of future retirees eligible for District-paid medical benefits are assumed to elect medical coverage. 85% of future retirees not eligible for District-paid medical benefits and currently enrolled in a medical plan are assumed to elect medical coverage.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2018

8. Other Post Employment Benefits (Continued)

Changes in the Total OPEB Liability:

Balance at June 30, 2017	\$ 6,933,792
Service cost	368,286
Interest	207,760
Benefit payments	<u>(385,229)</u>
Balance at June 30, 2018	<u>\$ 7,124,609</u>

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* - The following presents the total OPEB liability of the District, as well as what that the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.0 percent) or one percentage point higher (4.0 percent) than the current rate:

	1% Decrease (2.0%)	Current Discount Rate (3.0%)	1% Increase (4.0%)
Total OPEB Liability	\$ 7,676,653	\$ 7,124,609	\$ 6,613,539

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate* - The following presents the total OPEB liability of the District, as well as what that the District's total OPEB liability would be if it were calculated using a healthcare trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 5.50% Graded Down to 4.00%	Current Trend Rate 6.50% Graded Down to 5.00%	1% Increase 7.50% Graded Down to 6.00%
Total OPEB Liability	\$ 6,198,307	\$ 7,124,609	\$ 8,232,384

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, 2018, 228 employees were participating in the plan.

10. Risk Management

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

11. Contingent Liabilities

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

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

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

12. Property Tax Abatements

The District's property tax revenues were reduced by \$52,854 under historic property and housing for low income rental agreements by other municipalities within the District's boundaries

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**REQUIRED**  
**SUPPLEMENTARY INFORMATION**

McMINNVILLE SCHOOL DISTRICT NO. 40  
 SCHEDULE OF CHANGES IN TOTAL OTHER  
 POST EMPLOYMENT BENEFITS AND RELATED RATIOS  
 June 30, 2018

	June 30, 2018	June 30, 2017
Total OPEB Liability - Beginning	\$ 6,933,792	\$ 6,766,009
Service Cost	368,286	368,286
Interest	207,760	202,460
Changes in Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions or Other Input	-	-
Benefit Payments	<u>(385,229)</u>	<u>(402,963)</u>
Net Change in Total OPEB Liability	<u>190,817</u>	<u>167,783</u>
Total Liability - End of Year	<u>\$ 7,124,609</u>	<u>\$ 6,933,792</u>
Covered Payroll	\$ 37,904,098	\$ 37,036,888
Total OPEB Liability as Percentage of Covered Payroll	18.29%	18.27%

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

McMINNVILLE SCHOOL DISTRICT NO. 40  
 REQUIRED SUPPLEMENTARY INFORMATION  
 OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 June 30, 2018

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

Fiscal Year Ended	(a) District's Proportion of the net pension Liability (NPL)	(b) District's Proportionate Share of the Net Pension Liability (NPL)	(c) District's Covered Payroll	(b/c) NPL as a Percentage of covered Payroll	Plan Fiduciary net position as a percentage of the total pension liability
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%
June 30, 2017	0.4070%	61,102,578	34,416,163	177.54%	80.53%
June 30, 2018	0.3838%	51,742,648	36,123,163	143.24%	83.12%

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

SCHEDULE OF DISTRICT CONTRIBUTIONS

Fiscal Year Ended	Statutorily required contribution	Contributions in relation to the statutorily required Contribution	Contributon deficiency (excess)	District's Covered payroll	Contributions as a percent of covered payroll
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%
June 30, 2017	3,913,232	3,913,232	-	36,123,163	10.83%
June 30, 2018	5,758,934	5,758,934	-	37,313,847	15.43%

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, 2018

	Budget		Actual	Variance with Final budget
	Adopted	Final		
<b>Revenues</b>				
<b>Revenues from Local Sources</b>				
Property Taxes	\$ 13,300,000	\$ 13,300,000	\$ 13,417,493	\$ 117,493
Tuition	172,000	172,000	30,847	(141,153)
Investment Earnings	230,000	230,000	319,310	89,310
Extracurricular Activities	158,000	158,000	164,356	6,356
Community Service Activities	148,400	148,400	146,097	(2,303)
Rentals	15,000	15,000	8,500	(6,500)
Fees Charged to Grants	90,000	90,000	61,461	(28,539)
Miscellaneous Local Sources	45,000	45,000	20,642	(24,358)
<b>Total Local Revenues</b>	<b>14,158,400</b>	<b>14,158,400</b>	<b>14,168,706</b>	<b>10,306</b>
<b>Revenues from Intermediate Sources</b>				
ESD Apportionment	2,245,000	2,245,000	2,100,157	(144,843)
County School Fund	30,000	30,000	23,790	(6,210)
<b>Total Intermediate Sources</b>	<b>2,275,000</b>	<b>2,275,000</b>	<b>2,123,947</b>	<b>(151,053)</b>
<b>Revenues from State Sources</b>				
State School Fund Support	50,601,821	50,601,821	51,011,272	409,451
Common School Fund	818,179	818,179	703,994	(114,185)
<b>Total State Revenues</b>	<b>51,420,000</b>	<b>51,420,000</b>	<b>51,715,266</b>	<b>295,266</b>
<b>Revenues from Federal Sources</b>				
Child Care and Development Fund	25,000	25,000	3,340	(21,660)
<b>Total Federal Revenues</b>	<b>25,000</b>	<b>25,000</b>	<b>3,340</b>	<b>(21,660)</b>
<b>Total Revenues</b>	<b>67,878,400</b>	<b>67,878,400</b>	<b>68,011,259</b>	<b>132,859</b>
<b>Expenditures</b>				
Instruction *	45,305,920	45,305,920	44,101,226	1,204,694
Support Services *	22,962,480	22,962,480	21,833,596	1,128,884
Facilities Acquisition and Construction *	10,000	10,000	-	10,000
Contingencies *	500,000	500,000	-	500,000
<b>Total Expenditures</b>	<b>68,778,400</b>	<b>68,778,400</b>	<b>65,934,822</b>	<b>2,843,578</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(900,000)</b>	<b>(900,000)</b>	<b>2,076,437</b>	<b>2,976,437</b>
<b>Other Financing Sources (Uses):</b>				
Transfers out *	(850,000)	(850,000)	(850,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(850,000)</b>	<b>(850,000)</b>	<b>(850,000)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(1,750,000)</b>	<b>(1,750,000)</b>	<b>1,226,437</b>	<b>2,976,437</b>
<b>Fund Balance</b>				
Beginning of Year	6,000,000	6,000,000	6,129,550	129,550
End of Year	<u>\$ 4,250,000</u>	<u>\$ 4,250,000</u>	7,355,987	<u>\$ 3,105,987</u>
* Legally adopted appropriation level				
<b>Reconciliation to Governmental Ending Fund Balance:</b>				
Asset Reserve Fund			2,081,865	
Textbook and Technology Replacement Fund			176,541	
Insurance Reserve Fund			506,522	
<b>Total Governmental Funds</b>			<u>\$ 10,120,915</u>	

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, 2018

	Budget		Actual	Variance with Final budget
	Adopted	Final		
Revenues				
Local Sources	\$ 235,000	\$ 235,000	\$ 351,278	\$ 116,278
Intermediate Sources	50,000	50,000	53,157	3,157
State Sources	978,500	978,500	1,100,317	121,817
Federal Sources	<u>3,926,000</u>	<u>3,926,000</u>	<u>3,243,054</u>	<u>(682,946)</u>
Total Revenues	<u>5,189,500</u>	<u>5,189,500</u>	<u>4,747,806</u>	<u>(441,694)</u>
Expenditures				
Instruction *	3,726,053	3,726,053	3,596,749	129,304
Support Services *	1,479,761	1,479,761	1,235,472	244,289
Community Services *	210,686	210,686	59,293	151,393
Facilities Acquisition and Construction *	<u>177,000</u>	<u>177,000</u>	<u>-</u>	<u>177,000</u>
Total Expenditures	<u>5,593,500</u>	<u>5,593,500</u>	<u>4,891,514</u>	<u>701,986</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(404,000)	(404,000)	(143,708)	260,292
Other Financing Sources (Uses):				
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net Change in Fund Balance	(304,000)	(304,000)	(43,708)	260,292
Fund Balances				
Beginning of Year	<u>304,000</u>	<u>304,000</u>	<u>319,491</u>	<u>15,491</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275,783</u>	<u>\$ 275,783</u>

\* Legally adopted appropriation level

1. Other Postemployment Benefits

The schedule of changes in total other postemployment benefits and related ratios 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/gasb-68.aspx>

Changes in Assumptions

A summary of key changes implemented since the December 31, 2015 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/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, 2018

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. Appropriations lapse at the end of each fiscal year.

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# **SUPPLEMENTARY INFORMATION**

McMINNVILLE SCHOOL DISTRICT NO. 40  
 COMBINING BALANCE SHEET  
 MAJOR GOVERNMENTAL FUND - GENERAL FUND  
 June 30, 2018

	General	Asset Reserve	Textbooks and Technology Reserve	Insurance Reserve	Totals
<b>ASSETS</b>					
Cash and Investments	\$ 11,668,925	\$ 2,074,180	\$ 176,541	\$ 507,440	\$ 14,427,086
Receivables					
Property Taxes	1,275,444	-	-	-	1,275,444
Accounts and grants receivable	375,790	7,685	-	-	383,475
Due from Other Funds	2,553,331	-	-	-	2,553,331
<b>Total Assets</b>	<b>\$ 15,873,490</b>	<b>\$ 2,081,865</b>	<b>\$ 176,541</b>	<b>\$ 507,440</b>	<b>\$ 18,639,336</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 160,323	\$ -	\$ -	\$ 918	\$ 161,241
Accrued Payroll and Payroll Liabilities	7,302,356	-	-	-	7,302,356
<b>Total Liabilities</b>	<b>7,462,679</b>	<b>-</b>	<b>-</b>	<b>918</b>	<b>7,463,597</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	1,054,824	-	-	-	1,054,824
<b>Total Deferred Inflows of Resources</b>	<b>1,054,824</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,054,824</b>
<b>FUND BALANCES</b>					
Fund Balances					
Committed to					
Asset Reserve	-	2,081,865	-	-	2,081,865
Textbook and Technology Replacement	-	-	176,541	-	176,541
Insurance Reserve	-	-	-	506,522	506,522
Unassigned	7,355,987	-	-	-	7,355,987
<b>Total Fund Balances</b>	<b>7,355,987</b>	<b>2,081,865</b>	<b>176,541</b>	<b>506,522</b>	<b>10,120,915</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 15,873,490</b>	<b>\$ 2,081,865</b>	<b>\$ 176,541</b>	<b>\$ 507,440</b>	<b>\$ 18,639,336</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, 2018

	General	Asset Reserve	Textbooks and Technology Reserve	Insurance Reserve	Total
<b>Revenues</b>					
<b>Local Sources</b>					
Property Taxes	\$ 13,417,493	\$ -	\$ -	\$ -	\$ 13,417,493
Charges for Services	341,300	-	-	-	341,300
Rentals	8,500	65,238	-	-	73,738
Investment Earnings	319,310	35,490	2,924	10,181	367,905
Fees Charged to Grants	61,461	-	-	-	61,461
Miscellaneous	20,642	-	-	45,651	66,293
<b>Intergovernmental</b>					
Intermediate Sources	2,123,947	-	-	-	2,123,947
State Sources	51,715,266	-	-	-	51,715,266
Federal Sources	3,340	-	-	-	3,340
<b>Total Revenues</b>	<b>68,011,259</b>	<b>100,728</b>	<b>2,924</b>	<b>55,832</b>	<b>68,170,743</b>
<b>Expenditures</b>					
Instruction	44,101,226	-	255,683	442	44,357,351
Support Services	21,833,596	159,567	-	139,025	22,132,188
Facilities Acquisition and Construction	-	1,213,451	-	-	1,213,451
<b>Total Expenditures</b>	<b>65,934,822</b>	<b>1,373,018</b>	<b>255,683</b>	<b>139,467</b>	<b>67,702,990</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>2,076,437</b>	<b>(1,272,290)</b>	<b>(252,759)</b>	<b>(83,635)</b>	<b>467,753</b>
<b>Other Financing Sources (Uses)</b>					
Sale of Assets	-	34,100	-	-	34,100
Transfer In	-	500,000	250,000	-	750,000
Transfers Out	(850,000)	-	-	-	(850,000)
<b>Total Other Sources (Uses)</b>	<b>(850,000)</b>	<b>534,100</b>	<b>250,000</b>	<b>-</b>	<b>(65,900)</b>
<b>Net Change in Fund Balance</b>	<b>1,226,437</b>	<b>(738,190)</b>	<b>(2,759)</b>	<b>(83,635)</b>	<b>401,853</b>
<b>Fund Balances</b>					
Beginning of Year	6,129,550	2,820,055	179,300	590,157	9,719,062
End of Year	<u>\$ 7,355,987</u>	<u>\$ 2,081,865</u>	<u>\$ 176,541</u>	<u>\$ 506,522</u>	<u>\$ 10,120,915</u>



McMINNVILLE SCHOOL DISTRICT NO. 40  
ASSET RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
<b>Revenues</b>				
Local Sources				
Investment Earnings	\$ 25,000	\$ 25,000	\$ 35,490	\$ 10,490
Rentals	40,000	40,000	65,238	25,238
Miscellaneous Local Sources	10,000	10,000	-	(10,000)
<b>Total Revenue</b>	<b>75,000</b>	<b>75,000</b>	<b>100,728</b>	<b>25,728</b>
<b>Expenditures</b>				
Support Services *	300,000	300,000	159,567	140,433
Facilities Acquisition and Construction *	3,245,000	3,245,000	1,213,451	2,031,549
Contingencies *	600,000	600,000	-	600,000
<b>Total Expenditures</b>	<b>4,145,000</b>	<b>4,145,000</b>	<b>1,373,018</b>	<b>2,771,982</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,070,000)	(4,070,000)	(1,272,290)	2,797,710
<b>Other Financing Sources</b>				
Sale of Assets	-	-	34,100	(34,100)
Transfer in	500,000	500,000	500,000	-
<b>Total Other Sources *</b>	<b>500,000</b>	<b>500,000</b>	<b>534,100</b>	<b>(34,100)</b>
<b>Net Change in Fund Balance</b>	<b>(3,570,000)</b>	<b>(3,570,000)</b>	<b>(738,190)</b>	<b>2,763,610</b>
<b>Fund Balance</b>				
Beginning of Year	3,570,000	3,570,000	2,820,055	(749,945)
End of Year	\$ -	\$ -	\$ 2,081,865	\$ 2,013,665

\* 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, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Local Sources				
Investment Earnings	\$ 3,000	\$ 3,000	\$ 2,924	\$ (76)
Total Revenue	<u>3,000</u>	<u>3,000</u>	<u>2,924</u>	<u>(76)</u>
Expenditures				
Instruction *	<u>653,000</u>	<u>653,000</u>	<u>255,683</u>	<u>397,317</u>
Total Expenditures	<u>653,000</u>	<u>653,000</u>	<u>255,683</u>	<u>397,317</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(650,000)	(650,000)	(252,759)	397,241
Other Financing Sources				
Transfer in	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total Other Sources *	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Net Change in Fund Balance	(400,000)	(400,000)	(2,759)	397,241
Fund Balance				
Beginning of Year	<u>400,000</u>	<u>400,000</u>	<u>179,300</u>	<u>(220,700)</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,541</u>	<u>\$ 176,541</u>

\* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40  
INSURANCE RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Local Sources				
Investment Earnings	\$ 5,000	\$ 5,000	\$ 10,181	\$ 5,181
Miscellaneous Local Sources	60,000	60,000	45,651	(14,349)
Total Revenue	65,000	65,000	55,832	(9,168)
Expenditures				
Instruction *	50,000	50,000	442	49,558
Support Services *	258,696	258,696	139,025	119,671
Total Expenditures	308,696	308,696	139,467	169,229
Excess (Deficiency) of Revenues Over (Under) Expenditures	(243,696)	(243,696)	(83,635)	160,061
Fund Balance				
Beginning of Year	600,000	600,000	590,157	(9,843)
End of Year	\$ 356,304	\$ 356,304	\$ 506,522	\$ 150,218

\* Legally adopted appropriation level

## **OTHER MAJOR GOVERNMENTAL FUNDS**

The District's Other Major Governmental Funds are as follows:

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

Capital Projects Fund – This fund accounts for activities related to the acquisition, construction, and equipping of facilities. The principle revenue sources are proceeds from the sale of bonds, state capital grants, and interest earnings.

McMINNVILLE SCHOOL DISTRICT NO. 40  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Local Sources				
Property Taxes	\$ 8,439,000	\$ 8,439,000	\$ 8,463,399	\$ 24,399
Investment Earnings	50,000	50,000	78,509	28,509
Total Revenue	<u>8,489,000</u>	<u>8,489,000</u>	<u>8,541,908</u>	<u>52,908</u>
Expenditures				
Debt Service *				
Redemption of Principal	3,510,000	3,510,000	3,510,000	-
Interest	5,340,375	5,340,375	5,340,375	-
Total Expenditures	<u>8,850,375</u>	<u>8,850,375</u>	<u>8,850,375</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(361,375)	(361,375)	(308,467)	52,908
Fund Balance				
Beginning of Year	<u>843,000</u>	<u>843,000</u>	<u>955,302</u>	<u>112,302</u>
End of Year	<u>\$ 481,625</u>	<u>\$ 481,625</u>	<u>\$ 646,835</u>	<u>\$ 165,210</u>

\* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
<b>Revenues</b>				
Local Sources				
Investment Earnings	\$ 500,000	\$ 500,000	\$ 807,246	\$ 307,246
Miscellaneous	-	-	2,962	2,962
Intergovernmental				
State Sources	4,495,333	4,495,333	4,926,901	431,568
<b>Total Revenue</b>	<b>4,995,333</b>	<b>4,995,333</b>	<b>5,737,109</b>	<b>741,776</b>
<b>Expenditures</b>				
Facilities Acquisition and Construction *				
	48,863,615	48,863,615	35,554,790	13,308,825
Contingencies *	3,000,000	3,000,000	-	3,000,000
<b>Total Expenditures</b>	<b>51,863,615</b>	<b>51,863,615</b>	<b>35,554,790</b>	<b>16,308,825</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(46,868,282)</b>	<b>(46,868,282)</b>	<b>(29,817,681)</b>	<b>17,050,601</b>
<b>Fund Balance</b>				
Beginning of Year	86,868,282	86,868,282	85,869,953	(998,329)
End of Year	\$ 40,000,000	\$ 40,000,000	\$ 56,052,272	\$ 16,052,272

\* Legally adopted appropriation level

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## **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, 2018

	Special Revenue Funds				Total
	Nutrition Services	Student Body	Construction Excise Tax	PERS Debt Service	
<b>ASSETS</b>					
<b>ASSETS</b>					
Cash and Investments	\$ 793,053	\$ 435,908	\$ 2,372	\$ 559,867	\$ 1,791,200
Accounts and Grants Receivable	167,161	-	-	-	167,161
Restricted Cash and Investments	-	-	-	22,286	22,286
<b>Total Assets</b>	<b>\$ 960,214</b>	<b>\$ 435,908</b>	<b>\$ 2,372</b>	<b>\$ 582,153</b>	<b>\$ 1,980,647</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 11,622	\$ -	\$ 1,968	\$ -	\$ 13,590
Due to Other Funds	-	-	-	-	-
<b>Total Liabilities</b>	<b>11,622</b>	<b>-</b>	<b>1,968</b>	<b>-</b>	<b>13,590</b>
<b>FUND BALANCES</b>					
Restricted for					
Capital Improvements	-	-	404	-	404
Student Body Activities	-	435,908	-	-	435,908
Nutrition Services	948,592	-	-	-	948,592
Committed To					
PERS Debt Service	-	-	-	582,153	582,153
<b>Total Fund Balances</b>	<b>948,592</b>	<b>435,908</b>	<b>404</b>	<b>582,153</b>	<b>1,967,057</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 960,214</b>	<b>\$ 435,908</b>	<b>\$ 2,372</b>	<b>\$ 582,153</b>	<b>\$ 1,980,647</b>

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McMINNVILLE SCHOOL DISTRICT NO. 40  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2018

	Special Revenue Funds				Total
	Nutrition Services	Student Body	Construction Excise Tax	PERS Debt Service	
Revenues					
Local Sources	\$ 129,852	\$ 1,115,732	\$ 352,379	\$ 2,706,036	\$ 4,303,999
State Sources	75,714	-	-	-	75,714
Federal Sources	3,315,649	-	-	-	3,315,649
Total Revenues	<u>3,521,215</u>	<u>1,115,732</u>	<u>352,379</u>	<u>2,706,036</u>	<u>7,695,362</u>
Expenditures					
Instruction	-	1,097,133	-	-	1,097,133
Enterprise and Community Services	3,698,261	-	-	-	3,698,261
Facilities Acquisition and Construction	-	-	751,306	-	751,306
Debt Service					
Principal	-	-	-	902,249	902,249
Interest	-	-	-	1,784,849	1,784,849
Total Expenditures	<u>3,698,261</u>	<u>1,097,133</u>	<u>751,306</u>	<u>2,687,098</u>	<u>8,233,798</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(177,046)	18,599	(398,927)	18,938	(538,436)
Fund Balances					
Beginning of Year	<u>1,125,638</u>	<u>417,309</u>	<u>399,331</u>	<u>563,215</u>	<u>2,505,493</u>
End of Year	<u>\$ 948,592</u>	<u>\$ 435,908</u>	<u>\$ 404</u>	<u>\$ 582,153</u>	<u>\$ 1,967,057</u>

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# **BUDGET REPORTS**

McMINNVILLE SCHOOL DISTRICT NO. 40  
SCHOOL NUTRITION PROGRAM FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
<b>Revenues</b>				
Revenues from Local Sources				
Sales	\$ 96,000	\$ 96,000	\$ 102,908	\$ 6,908
Investment Earnings	6,500	6,500	11,931	5,431
Miscellaneous Local Sources	17,000	17,000	15,013	(1,987)
<b>Total Local Sources</b>	<b>119,500</b>	<b>119,500</b>	<b>129,852</b>	<b>10,352</b>
Revenue from State Sources				
State School Fund	32,000	32,000	32,041	41
State Restricted Grants	35,000	35,000	43,673	8,673
<b>Total State Sources</b>	<b>67,000</b>	<b>67,000</b>	<b>75,714</b>	<b>8,714</b>
Revenues from Federal Sources				
National School Lunch Program	3,604,000	3,604,000	2,992,282	(611,718)
U.S.D.A. Donated Commodities	251,000	251,000	262,488	11,488
Federal Restricted Grants	60,000	60,000	60,879	879
<b>Total Federal Sources</b>	<b>3,915,000</b>	<b>3,915,000</b>	<b>3,315,649</b>	<b>(599,351)</b>
<b>Total Revenues</b>	<b>4,101,500</b>	<b>4,101,500</b>	<b>3,521,215</b>	<b>(580,285)</b>
<b>Expenditures</b>				
Enterprise and Community Services *	4,401,500	4,401,500	3,698,261	703,239
Contingency	400,000	400,000	-	400,000
<b>Total Expenditures</b>	<b>4,801,500</b>	<b>4,801,500</b>	<b>3,698,261</b>	<b>1,103,239</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	(700,000)	(700,000)	(177,046)	522,954
Fund Balance				
Beginning of Year	700,000	700,000	1,125,638	425,638
End of Year	\$ -	\$ -	\$ 948,592	\$ 948,592

\* 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, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Local Sources				
Extracurricular Activities	\$ 1,250,000	\$ 1,250,000	\$ 1,115,732	\$ (134,268)
Expenditures				
Instruction *	1,650,000	1,650,000	1,097,133	552,867
Excess (Deficiency) of Revenues Over (Under) Expenditures	(400,000)	(400,000)	18,599	418,599
Fund Balance				
Beginning of Year	400,000	400,000	417,309	17,309
End of Year	\$ -	\$ -	\$ 435,908	\$ 435,908

\* 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, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Local Sources				
Excise Tax	\$ 320,000	\$ 320,000	\$ 349,844	\$ 29,844
Investment Earnings	5,000	5,000	2,535	(2,465)
Total Revenues	<u>325,000</u>	<u>325,000</u>	<u>352,379</u>	<u>27,379</u>
Expenditures				
Facilities Acquisition and Construction*	<u>2,025,000</u>	<u>2,025,000</u>	<u>751,306</u>	<u>1,273,694</u>
Total Expenditures	<u>2,025,000</u>	<u>2,025,000</u>	<u>751,306</u>	<u>1,273,694</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,700,000)	(1,700,000)	(398,927)	1,301,073
Fund Balance				
Beginning of the Year	<u>1,700,000</u>	<u>1,700,000</u>	<u>399,331</u>	<u>(1,300,669)</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 404</u>	<u>\$ 404</u>

\* 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, 2018

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Local Sources				
Investment Earnings	\$ 15,000	\$ 15,000	\$ 32,229	\$ 17,229
Services Provided to Other Funds	2,550,000	2,550,000	2,673,807	123,807
Total Revenues	2,565,000	2,565,000	2,706,036	141,036
Expenditures				
Debt Service *				
Redemption of Principal	902,250	902,250	902,249	1
Interest	1,784,850	1,784,850	1,784,849	1
Total Debt Service	2,687,100	2,687,100	2,687,098	2
Excess (Deficiency) of Revenues Over (Under) Expenditures	(122,100)	(122,100)	18,938	141,038
Fund Balance				
Beginning of Year	540,000	540,000	563,215	23,215
End of Year	\$ 417,900	\$ 417,900	\$ 582,153	\$ 164,253

\* Legally adopted appropriation level



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# **FIDUCIARY FUNDS**

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

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

McMINNVILLE SCHOOL DISTRICT NO. 40  
PRIVATE PURPOSE TRUST FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
Year Ended June 30, 2018

	Budget		Actual	Variance Favorable (Unfavorable)
	Adopted	Final		
<b>Revenues</b>				
Local Sources				
Earnings on Investments	\$ 1,000	\$ 1,000	\$ 2,393	\$ 1,393
Contributions	10,000	10,000	40,205	30,205
<b>Total Revenues</b>	<b>11,000</b>	<b>11,000</b>	<b>42,598</b>	<b>31,598</b>
<b>Expenditures</b>				
Community Services *	50,000	50,000	4,900	45,100
Operating Contingencies *	86,000	86,000	-	86,000
<b>Total Expenditures</b>	<b>136,000</b>	<b>136,000</b>	<b>4,900</b>	<b>131,100</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(125,000)</b>	<b>(125,000)</b>	<b>37,698</b>	<b>162,698</b>
<b>Fund Balances</b>				
Beginning of Year	125,000	125,000	124,567	(433)
End of Year	\$ -	\$ -	\$ 162,265	\$ 162,265

\* Legally adopted appropriation level

# **OTHER FINANCIAL SCHEDULES**

McMINNVILLE SCHOOL DISTRICT NO. 40  
 SCHEDULE OF PROPERTY TAX TRANSACTIONS  
 Year Ended June 30, 2018

Tax Roll Year	Uncollected July 1, 2017 and Tax Levy	Less Discounts	Net Adjustments	Collections	Uncollected June 30, 2018
2017-2018	\$ 22,517,639	\$ 580,849	\$ (90,454)	\$ 21,209,134	\$ 637,202
2016-2017	709,539	-	(11,297)	293,862	404,380
2015-2016	377,335	-	(3,343)	144,731	229,261
2014-2015	242,603	-	(2,474)	94,739	145,390
2013-2014	162,312	-	(2,307)	52,533	107,472
2012-2013	99,856	-	(2,265)	4,323	93,268
Prior	276,073	-	(8,270)	9,381	258,422
	<u>\$ 24,385,357</u>	<u>\$ 580,849</u>	<u>\$ (120,410)</u>	21,808,703	<u>\$ 1,875,395</u>

Interest	119,301
Offsets and other adjustments	(112,850)
Undistributed tax collections, June 30, 2018	137,080
Undistributed tax collections, June 30, 2017	<u>(98,815)</u>

Revenue Turned Over to District \$ 21,853,419

	General Fund	Debt Sevice Fund	Total Revenue
Current Year's Taxes	\$ 12,986,324	\$ 8,176,228	\$ 21,162,552
Prior Year's Taxes	330,643	221,009	551,652
Interest on Uncollected Taxes	<u>83,667</u>	<u>55,548</u>	<u>139,215</u>
Revenue Turned Over to District	<u>\$ 13,400,634</u>	<u>\$ 8,452,785</u>	<u>\$ 21,853,419</u>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 SUPPLEMENTAL INFORMATION AS REQUIRED  
 BY THE OREGON DEPARTMENT OF EDUCATION  
 Year Ended June 30, 2018

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

	Objects 325 & 326
Function 2540	\$ 931,899
Function 2550	\$ -

B. Replacement Equipment - **General Fund:**  
 Include all General Fund expenditures in object 542, except for the following exclusions:

Exclude these functions:

\$	12,692
----	--------

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

McMINNVILLE SCHOOL DISTRICT NO. 40  
 REVENUE SUMMARY - ALL FUNDS  
 Year Ended June 30, 2018

	General Fund 100	Special Revenue Fund 200	Debt Service Fund 300	Capital Projects Fund 400	Trust Fund 700	Total
<b>Local Sources</b>						
1111 Current year taxes	\$ 12,986,324	-	8,176,228	-	-	21,162,552
1112 Prior year taxes	330,643	-	221,009	-	-	551,652
1113 County Tax Sales Back Tax	16,859	-	10,614	-	-	27,473
1130 Construction Excise Tax	-	349,844	-	-	-	349,844
1190 Penalties/Interest Taxes	83,667	-	55,548	-	-	139,215
1300 Tuition	30,847	-	-	-	-	30,847
1500 Earnings on Investments	319,310	-	110,738	807,246	2,393	1,302,748
1600 Food Service	-	102,909	-	-	-	102,909
1700 Extra-Curricular Activities	164,356	1,165,831	-	-	-	1,330,187
1800 Community Service Activities	146,097	-	-	-	-	146,097
1910 Rentals	8,500	65,238	-	-	-	73,738
1920 Contributions and Donations	-	189,690	-	-	40,205	229,895
1970 Services Provided Other Funds	-	-	2,673,807	-	-	2,673,807
1980 Fees Charged to Grants	61,461	-	-	-	-	61,461
1990 Miscellaneous	20,642	172,153	-	2,962	-	195,757
<b>Total Local Sources</b>	<b>14,168,706</b>	<b>2,108,726</b>	<b>11,247,944</b>	<b>810,208</b>	<b>42,598</b>	<b>28,378,182</b>
<b>Intermediate Sources</b>						
2101 County School Fund	23,790	-	-	-	-	23,790
2102 ESD Apportionment	2,100,157	-	-	-	-	2,100,157
2199 Other Intermediate Sources	-	53,156	-	-	-	53,156
<b>Total Intermediate Sources</b>	<b>2,123,947</b>	<b>53,156</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,177,103</b>
<b>State Sources</b>						
3101 State School Fund	51,011,272	-	-	-	-	51,011,272
3102 State School Fund Match	-	32,041	-	-	-	32,041
3103 Common School Fund	703,994	-	-	-	-	703,994
3299 Other Restricted Grants-In-Aid	-	1,143,990	-	4,926,901	-	6,070,891
<b>Total State Sources</b>	<b>51,715,266</b>	<b>1,176,031</b>	<b>-</b>	<b>4,926,901</b>	<b>-</b>	<b>57,818,198</b>
<b>Federal Sources</b>						
4500 Restricted Through State	3,340	6,245,665	-	-	-	6,249,005
4700 Restricted Through Intermediate	-	50,550	-	-	-	50,550
4900 Commodities	-	262,488	-	-	-	262,488
<b>Total Federal Sources</b>	<b>3,340</b>	<b>6,558,703</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,562,043</b>
<b>Other Sources</b>						
5200 Interfund Transfers In	-	850,000	-	-	-	850,000
5300 Sale of Fixed Assets	-	34,100	-	-	-	34,100
<b>Total Other Sources</b>	<b>-</b>	<b>884,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>884,100</b>
<b>TOTAL REVENUES</b>	<b>\$ 68,011,259</b>	<b>\$ 10,780,716</b>	<b>\$ 11,247,944</b>	<b>\$ 5,737,109</b>	<b>\$ 42,598</b>	<b>\$ 95,819,626</b>

McMINNILLE SCHOOL DISTRICT NO. 40  
GENERAL FUND (100) EXPENDITURE SUMMARY (BUDGETARY BASIS)  
Year Ended June 30, 2018

Instruction	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Transfers Object 700	Total
1111 Elementary Programs	\$ 9,356,015	\$ 6,015,555	\$ 93,971	\$ 286,257	\$ -	\$ -	\$ -	\$ 15,751,798
1121 Middle/Junior High Programs	4,560,033	2,786,485	40,645	142,909	-	305	-	7,530,377
1122 Middle/Junior High School Extracurricular	105,824	26,381	10,779	24,187	-	-	-	167,171
1131 High School Programs	5,548,936	3,371,475	146,200	248,623	-	118	-	9,315,352
1132 High School Extracurricular	301,625	95,654	54,554	83,871	-	9,444	-	545,148
1140 Pre-kindergarten Programs	48,783	50,442	-	1,104	-	-	-	100,329
1210 Programs for the Talented and Gifted	152,053	105,671	-	2,931	-	-	-	260,655
1220 Restrictive programs for students with disabilities	1,439,831	1,069,001	11,873	11,873	-	-	-	2,520,705
1250 Less restrictive programs for students with disabilities	1,687,926	1,281,335	-	3,438	-	-	-	2,972,699
1280 Alternative Education	864,370	605,084	-	6,874	-	-	-	1,476,328
1291 English Second Language Programs	1,816,918	1,271,760	4,041	41,836	-	-	-	3,134,555
1292 Teen Parent Programs	141,795	88,953	-	6,040	-	-	-	236,788
1299 Other Programs	38,246	4,898	-	-	-	-	-	43,144
1400 Summer School Programs	34,222	11,952	-	-	-	-	-	46,175
Total Instruction	26,096,577	16,784,646	350,190	859,943	-	9,867	-	44,101,224
Support Services								
2110 Attendance and Social Work Services	839,844	577,763	15,741	209,417	-	-	-	1,642,765
2120 Guidance Services	1,023,085	672,205	400	3,182	-	-	-	1,698,872
2130 Health Services	143,865	103,873	7,787	176	-	139	-	255,840
2140 Psychological Services	305,552	188,766	14,973	150	-	-	-	509,441
2150 Speech Pathology and Audiology Services	296,144	184,921	162,492	3,697	-	1,644	-	648,898
2190 Service Director: Student Support Services	257,397	133,331	6,654	9,488	-	500	-	407,370
2210 Improvement of Instruction Services	581,764	324,757	16,196	146,997	-	389	-	1,070,103
2220 Educational Media Services	761,915	518,132	-	41,084	-	50	-	1,321,180
2230 Assessment and Testing	-	-	4,453	12,700	-	-	-	17,153
2240 Instructional Staff Development	96,177	51,220	158,536	8,593	-	-	-	314,526
2310 Board of Education Services	-	-	112,006	21,128	-	131,586	-	264,720
2320 Executive Administration Services	258,125	179,808	3,251	7,485	-	1,134	-	449,803
2410 Office of the Principal Services	2,267,936	1,444,718	20,411	64,310	-	85	-	3,797,460
2510 Direction of Business Support Services	93,632	56,949	247	1,192	-	-	-	152,020
2520 Fiscal Services	329,398	187,373	9,129	7,338	-	-	-	545,653
2540 Operation and Maintenance of Plant Services	1,648,143	1,259,078	1,603,465	284,732	12,692	241,519	-	5,049,629
2550 Student Transportation Services	23,346	15,640	2,183,402	114	-	-	-	2,222,502
2570 Internal Services	-	-	33,775	22,707	-	39	-	56,521
2610 Direction of Central Support Services	204,417	122,077	64,034	13,333	-	13,972	-	417,833
2630 Information Services	56,697	30,043	32,326	11,051	-	-	-	130,117
2660 Technology Services	333,797	197,629	111,522	86,999	-	-	-	729,947
2700 Supplemental Retirement Program	76,900	54,343	-	-	-	-	-	131,243
Total Support Services	9,598,134	6,302,625	4,560,800	955,873	12,692	403,472	-	21,833,596
Other Functions								
5200 Transfers of Funds	-	-	-	-	-	-	850,000	850,000
Total Other Functions	-	-	-	-	-	-	850,000	850,000
TOTAL EXPENDITURES	\$ 35,694,711	\$ 23,087,271	\$ 4,910,990	\$ 1,815,816	\$ 12,692	\$ 413,339	\$ 850,000	\$ 66,784,820



McMINNVILLE SCHOOL DISTRICT NO. 40  
SPECIAL REVENUE FUNDS (200) EXPENDITURE SUMMARY (BUDGETARY BASIS)  
Year Ended June 30, 2018

Instruction	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Transfers Object 700	Total
	\$ 68,075	\$ 47,795	\$ 21,075	\$ 315,226	\$ -	\$ 2,072	\$ -	\$ 454,243
1111 Elementary Programs	-	-	-	1,903	-	-	-	1,903
1113 Elementary Extracurricular	446	101	-	62,308	-	-	-	62,855
1121 Middle/Junior High Programs	3,756	1,283	-	201,422	-	-	-	206,461
1122 Middle/Junior High School Extracurricular	284,166	135,335	52,624	388,183	-	550	-	840,858
1131 High School Programs	447	-	-	902,960	-	-	-	903,407
1132 High School Extra-curricular	28,095	23,706	-	17,587	-	-	-	69,388
1140 Pre-kindergarten Programs	84,732	68,713	31,021	-	-	-	-	184,466
1220 Restrictive programs for students with disabilities	126,828	90,830	-	5,993	-	-	-	223,651
1250 Less restrictive programs for students with disabilities	254,673	78,988	-	8,509	-	7,304	-	349,474
1271 Remediation	828,654	627,203	-	4,910	-	29,558	-	1,490,325
1272 Title I	-	-	-	400	-	-	-	400
1280 Alternative Education	47,634	29,162	1,109	5,225	-	-	-	83,130
1291 English Second Language Programs	47,778	15,240	347	16,082	-	-	-	79,447
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction	1,755,284	1,118,356	106,176	1,930,708	-	39,484	-	4,950,008
Support Services								
2110 Attendance and Social Work Services	129,685	94,973	954	22,091	-	985	-	248,688
2120 Guidance Services	41,285	21,467	-	-	-	-	-	62,752
2130 Health Services	-	-	-	451	-	-	-	451
2140 Psychological Services	175,743	114,776	-	-	-	-	-	290,519
2150 Speech Pathology and Audiology Services	28,540	26,966	17,655	-	-	-	-	73,161
2160 Other Student Treatment	-	-	585	-	-	-	-	585
2190 Service Director: Student Support Services	-	-	-	-	-	13,589	-	13,589
2210 Improvement of Instruction Services	10,694	1,679	-	426	-	3,132	-	15,931
2220 Educational Media Services	99,727	22,687	132,388	16,866	-	4,270	-	16,866
2240 Instructional Staff Development	-	-	1,073	54,921	-	-	-	313,993
2410 Office of Principal Services	56,155	31,179	50,877	10,673	-	-	-	11,746
2490 Other Support Services-School Administration	-	-	115,315	28,807	21,167	-	-	138,211
2540 Operation and Maintenance of Plant Services	55,680	32,459	25,129	9,678	-	105	-	165,289
2546 Security Services	-	-	26,759	-	-	-	-	123,051
2550 Student Transportation Services	981	241	1,062	-	-	-	-	2,284
2610 Direction of Central Support Services	9,826	16,348	349	3,665	-	-	-	30,188
2640 Staff Services	-	-	-	-	-	-	-	-
Total Support Services	608,316	362,775	372,146	147,578	21,167	22,081	-	1,534,063
Enterprise and Community Services								
3100 Food Services	971,793	746,600	84,999	1,494,466	384,342	16,061	-	3,698,261
3300 Community Services	30,994	5,225	4,161	18,913	-	-	-	59,293
Total Enterprise and Community Services	1,002,787	751,825	89,160	1,513,379	384,342	16,061	-	3,757,554
Facilities Acquisition and Construction								
4120 Site Acquisition and Development Services	-	-	-	-	-	15,768	-	15,768
4150 Building Acquisition, Construction, and Improvement	-	-	46,882	6,153	1,895,954	-	-	1,948,989
Total Facilities Acquisition and Construction	-	-	46,882	6,153	1,895,954	15,768	-	1,964,757
Other Functions								
5200 Transfers of Funds	-	-	-	-	-	-	-	-
Total Other Functions	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	\$ 3,386,387	\$ 2,232,956	\$ 614,364	\$ 3,597,817	\$ 2,301,463	\$ 93,394	\$ -	\$ 12,206,382

McMINNVILLE SCHOOL DISTRICT NO. 40  
 DEBT SERVICE FUND (300) EXPENDITURE SUMMARY (BUDGETARY BASIS)  
 Year Ended June 30, 2018

	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Total
Other Functions							
5100 Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,537,473	\$ 11,537,473
Total Other Functions	-	-	-	-	-	11,537,473	11,537,473
<b>TOTAL EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,537,473</b>	<b>\$ 11,537,473</b>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 CAPITAL PROJECTS FUND (400) EXPENDITURE SUMMARY (BUDGETARY BASIS)  
 Year Ended June 30, 2018

	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Total
Facilities Acquisition and Construction							
4110 Service Area Direction	\$ 80,633	\$ 40,274	\$ 104,772	\$ -	\$ 34,601,036	\$ -	\$ 225,679
4150 Building Acquisition, Construction, and Improvement	-	-	133,998	594,077			35,329,111
Total Facilities Acquisition and Construction	80,633	40,274	238,770	594,077	34,601,036		35,554,790
TOTAL EXPENDITURES	\$ 80,633	\$ 40,274	\$ 238,770	\$ 594,077	\$ 34,601,036	\$ -	\$ 35,554,790

McMINNVILLE SCHOOL DISTRICT NO. 40  
 FIDUCIARY FUND (700) EXPENDITURE SUMMARY (BUDGETARY BASIS)  
 Year Ended June 30, 2018

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	-	-	4,900	-	-	-	4,900
Total Other Functions	-	-	4,900	-	-	-	4,900
<b>TOTAL EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,900</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,900</b>

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# **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.	90
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.	94
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.	98
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.	102
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	104

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)*

	2017-18	2016-17	2015-16 *	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Governmental Activities										
Net investment in capital assets	\$ 59,894,436	\$ 52,959,303	\$ 44,269,882	\$ 40,288,915	\$ 36,979,216	\$ 34,552,035	\$ 31,098,952	\$ 29,772,254	\$ 29,369,762	\$ 27,508,292
Restricted	2,669,614	3,521,235	4,934,389	3,461,939	2,778,236	2,578,592	2,410,179	574,562	506,505	477,674
Unrestricted	(55,492,361)	(51,398,512)	(43,979,929)	(16,701,864)	(36,954,932)	(3,544,713)	(1,998,526)	1,436,885	2,004,510	2,121,883
Total primary government net position	\$ 7,071,689	\$ 5,082,026	\$ 5,224,342	\$ 27,048,990	\$ 2,802,520	\$ 33,585,914	\$ 31,510,605	\$ 31,783,701	\$ 31,880,777	\$ 30,107,849

\* Restated for GASB 75

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

	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
<b>Expenses</b>										
Instructional programs	\$ 54,532,271	\$ 52,558,011	\$ 63,619,441	\$ 30,991,109	\$ 41,484,570	\$ 39,110,966	\$ 39,655,528	\$ 39,732,278	\$ 37,396,228	\$ 38,755,656
Support services										
Student transportation	2,249,261	2,208,921	2,089,382	2,045,590	1,993,979	2,198,634	2,190,121	2,182,331	2,018,216	1,902,104
Other support services	22,202,258	21,429,643	25,646,971	14,149,942	18,637,893	18,620,524	16,952,859	16,726,376	15,871,037	14,161,438
Community services	3,537,084	3,522,195	3,838,040	2,548,372	2,639,518	2,499,644	2,521,615	2,527,026	2,470,481	2,496,624
Facilities services	1,028,581	581,682	117,817	92,820	20,128	15,993	472,056	-	-	-
Interest on long-term debt	6,466,628	6,669,502	3,800,386	4,030,059	4,243,817	3,092,214	4,828,778	4,965,950	5,070,271	5,183,486
Total expenses	90,016,083	86,969,954	99,112,037	53,857,892	69,019,905	65,537,975	66,620,957	66,133,961	62,826,233	62,499,308
<b>Program Revenues</b>										
Charges for services										
Instructional programs	1,449,981	1,499,275	1,530,476	1,440,986	1,404,134	1,250,940	1,419,803	623,646	252,215	218,980
Other support services	178,343	129,363	122,901	120,027	77,982	143,440	185,630	38,989	-	-
Community services	117,921	107,322	101,108	96,296	393,159	388,648	447,170	493,052	557,467	572,397
Operating grants and contributions	9,450,956	9,166,772	10,090,709	10,840,699	9,745,187	10,300,449	8,849,537	10,611,941	10,008,494	7,418,410
Capital grants and contributions	4,938,157	4,823,252	-	-	-	-	-	-	-	962,044
Total program revenues	16,135,358	15,725,984	11,845,194	12,498,008	11,620,462	12,083,477	10,902,140	11,767,628	10,818,176	9,171,831
Net (Expense) Revenue	<u>(73,880,725)</u>	<u>(71,243,970)</u>	<u>(87,266,843)</u>	<u>(41,359,884)</u>	<u>(57,399,443)</u>	<u>(53,454,498)</u>	<u>(55,718,817)</u>	<u>(54,366,333)</u>	<u>(52,008,057)</u>	<u>(53,327,477)</u>
<b>General Revenues</b>										
Property taxes	21,850,303	21,529,589	20,756,714	19,971,205	18,912,202	18,757,989	18,292,024	17,850,725	17,108,697	16,336,344
State school fund - general support	49,507,845	45,323,080	45,102,671	42,186,575	39,074,365	33,941,098	34,490,713	32,795,909	34,642,566	34,481,538
ESD apportionment	2,100,157	2,172,679	2,126,367	2,189,842	1,934,088	1,875,412	1,264,323	1,200,859	-	-
Other state and local sources	1,077,628	1,259,595	1,201,250	1,119,603	946,812	823,229	739,183	2,025,891	1,638,031	3,671,455
Earnings on investments	1,300,355	816,711	199,469	139,129	128,987	132,079	131,244	123,825	158,813	1,143,609
Other	34,100	-	-	-	-	-	53,251	272,048	232,878	16,605
Total general revenues	75,870,388	71,101,654	69,386,471	65,606,354	60,996,454	55,529,807	54,970,738	54,269,257	53,780,985	55,649,551
Change in Net Position	\$ 1,989,663	\$ (142,316)	\$ (17,880,372)	\$ 24,246,470	\$ 3,597,011	\$ 2,075,309	\$ (748,079)	\$ (97,076)	\$ 1,772,928	\$ 2,322,074



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

General Fund	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Unreserved Committed to	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,598,452	\$ 5,089,333
Asset Reserve	2,081,865	2,820,055	2,886,198	2,310,406	2,046,414	1,969,466	1,879,503	1,851,530	-	-
Textbook and Technology Replacement	176,541	179,300	421,400	250,000	-	-	-	-	-	-
Insurance Reserve	506,522	590,157	690,886	771,402	746,204	774,738	778,827	735,348	-	-
Unassigned	7,355,987	6,129,550	6,647,752	6,105,164	4,755,843	3,437,015	4,455,113	5,218,825	-	-
<b>Total general fund</b>	<b>\$ 10,120,915</b>	<b>\$ 9,719,062</b>	<b>\$ 10,646,236</b>	<b>\$ 9,436,972</b>	<b>\$ 7,548,461</b>	<b>\$ 6,181,219</b>	<b>\$ 7,113,443</b>	<b>\$ 7,805,703</b>	<b>\$ 6,598,452</b>	<b>\$ 5,089,333</b>
<b>All Other Governmental Funds</b>										
Unreserved, reported in:										
Debt Service Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,103,640	\$ 603,894
Capital Projects Funds	-	-	-	-	-	-	-	-	382,182	1,599,060
Special Revenue Funds	-	-	-	-	-	-	-	-	3,064,869	4,018,490
Restricted for										
Grant Activities	275,783	319,491	262,857	255,235	259,795	219,474	224,579	114,008	-	-
Debt Service	646,835	955,302	802,803	749,900	568,295	704,145	694,337	574,562	-	-
Capital Improvements	56,052,676	86,269,284	1,795,091	1,410,855	969,003	660,824	490,316	732,000	-	-
Associated Student Body	435,908	417,309	519,024	510,837	490,899	507,463	498,324	-	-	-
Nutrition Services	948,592	1,125,638	798,727	535,112	490,244	486,686	502,623	422,037	-	-
Committed to										
PERS Bond Debt Service	582,153	563,215	575,824	570,040	566,867	563,578	719,687	1,170,126	-	-
<b>Total all other governmental funds</b>	<b>\$ 58,941,947</b>	<b>\$ 89,650,239</b>	<b>\$ 4,754,326</b>	<b>\$ 4,031,979</b>	<b>\$ 3,345,103</b>	<b>\$ 3,142,170</b>	<b>\$ 3,129,866</b>	<b>\$ 3,012,733</b>	<b>\$ 4,550,691</b>	<b>\$ 6,221,444</b>

**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)

	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
<b>Revenues</b>										
Property Taxes	\$ 21,880,892	\$ 21,655,614	\$ 20,725,897	\$ 19,853,832	\$ 18,885,540	\$ 18,585,198	\$ 18,294,839	\$ 17,810,749	\$ 16,817,229	\$ 16,054,711
Earnings on Investments	1,300,355	816,711	199,469	139,129	128,986	132,079	131,243	123,825	158,813	1,159,086
Other Revenue From Local Sources	3,544,297	4,020,911	3,341,203	3,261,526	3,017,593	2,721,176	2,214,090	3,129,710	2,848,557	2,376,144
Charges for Services	1,610,039	1,612,440	1,688,631	1,623,549	1,803,474	1,815,582	2,029,211	983,804	809,682	817,383
Intermediate Sources	2,177,104	2,339,067	2,333,034	2,373,720	2,107,064	1,895,508	1,290,982	1,261,691	254,349	246,748
State sources	57,818,198	52,421,334	48,062,326	45,259,744	41,689,946	37,158,203	37,087,147	35,177,714	36,553,481	38,152,294
Federal Sources	6,562,043	6,858,096	7,573,919	8,132,034	7,439,483	7,581,145	6,672,979	8,662,900	8,019,066	6,890,863
<b>Total Revenues</b>	<b>94,892,928</b>	<b>89,724,173</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>Expenditures</b>										
Instruction	49,051,233	47,093,306	45,749,145	42,796,254	39,915,996	37,401,381	37,511,136	36,901,689	34,900,224	36,603,283
Support Services	23,333,801	22,362,522	21,801,470	21,591,515	20,829,700	21,054,314	18,945,273	18,862,222	17,811,088	16,253,386
Enterprise and Community Services	3,373,212	3,305,735	3,220,708	2,967,976	2,563,536	2,421,521	2,416,555	2,455,359	2,440,894	2,401,551
Facilities Acquisition and Construction	1,022,557	581,682	117,816	92,820	20,128	15,993	602,012	303,685	1,937,380	29,971,912
Debt Service:										
Principal	4,412,249	4,422,629	6,811,360	6,183,956	5,582,120	5,396,877	5,452,976	3,891,484	3,363,729	2,832,628
Interest	7,125,224	6,675,573	3,860,160	4,088,757	4,301,834	4,265,880	4,929,097	5,066,661	5,169,486	5,281,695
Bond Issuance Costs	-	504,795	-	-	-	233,036	17,872	-	-	-
Capital Outlay	36,915,191	22,597,900	432,209	346,869	288,597	255,347	-	-	-	-
<b>Total Expenditures</b>	<b>125,233,467</b>	<b>107,544,142</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>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(30,340,539)</b>	<b>(17,819,969)</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>Other Financing Sources (Uses)</b>										
Sale of Fixed Assets	34,100	6,730	-	-	-	-	-	-	-	-
Bonds Issued and Premiums	-	101,781,978	-	-	-	-	-	-	-	-
Refunding Bonds Issued and Premiums	-	-	-	-	-	49,348,383	1,104,320	-	-	-
Payments of Escrow for Refunding	-	-	-	-	-	(49,112,845)	-	-	-	-
<b>Total Other Sources (Uses)</b>	<b>34,100</b>	<b>101,788,708</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235,538</b>	<b>1,104,320</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(30,306,439)</b>	<b>83,968,739</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>Fund Balance</b>										
Beginning of Year	99,369,301	15,400,562	13,468,951	10,893,564	9,323,389	10,243,309	11,293,419	11,149,143	11,310,777	39,030,895
Increase (decrease) in Reserve for Inventory	-	-	-	-	-	-	-	-	-	(72,892)
<b>End of year</b>	<b>\$ 69,062,862</b>	<b>\$ 99,369,301</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>
Debt service as a percentage of noncapital expenditures	13.22%	13.16%	13.10%	13.23%	13.50%	13.65%	14.99%	13.34%	13.40%	12.80%

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

Fiscal Year Ended June 30,	Assessed Value			Assessed Value	Total Direct Rate (a)	Estimated Actual Value of Taxable Property (b)	Assessed Value as a % of Estimated Actual Value of Taxable Property
	Real Property	Personal Property	Manufactured Structures				
2009	\$ 2,241,043,031	\$ 71,596,323	\$ 38,247,928	\$ 2,426,419,429	6.91	\$ 4,101,380,879	59.16%
2010	2,337,138,142	75,381,461	41,282,812	2,539,911,427	6.94	4,045,707,073	62.78%
2011	2,428,004,168	76,957,802	40,924,662	2,634,146,320	6.92	3,961,011,054	66.50%
2012	2,488,542,770	73,129,486	36,518,687	2,686,997,617	6.98	3,547,429,517	75.74%
2013	2,562,434,123	74,971,254	34,549,906	2,758,766,493	6.98	3,488,131,424	79.09%
2014	2,624,439,230	73,919,360	34,671,070	2,825,967,489	6.87	3,518,402,639	80.32%
2015	2,712,588,271	77,963,094	32,588,494	2,912,620,935	6.94	3,658,832,392	79.61%
2016	2,896,448,939	81,438,355	35,516,279	3,115,912,148	6.87	4,026,645,831	77.38%
2017	2,986,919,695	35,831,188	87,739,415	3,213,672,561	6.89	4,413,034,916	72.82%
2018	3,091,624,120	86,752,183	40,671,388	3,323,734,926	6.75	5,604,828,529	59.30%

(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,	Overlapping Rates (a)												
	McMinnville School District No. 40					Chemeketa					Other Taxing Districts (b)		
	Operating	Debt Service	Total District	Yamhill County	City of McMinnville	City of Lafayette	Willamette ESD	Community College	McMinnville RFPD	Carlton Fire		Sheridan Fire	Amity RFPD
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
2017	4.15	2.74	6.89	2.58	6.10	3.49	0.30	0.90	0.96	1.44	1.47	2.21	0.16
2018	4.15	2.60	6.75	2.58	6.36	3.49	0.30	0.90	0.96	1.43	1.47	2.21	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	2018			2009		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Value
Cascade Steel Rolling Mills	Steel Mill	\$ 62,905,392	1	1.89%	\$ 68,727,247	1	2.83%
Willamette Valley Medical Center	(a) Medical Care/Hospital	55,746,670	2	1.68%	56,987,564	2	2.35%
The Falls at McMinnville LLC	Events Center	21,996,408	3	0.66%			
Comcast Corporation	Telecommunications	20,181,600	4	0.61%			
HCP SH ELP1 Properties LLC	(b) Retirement Living	19,361,438	5	0.58%	16,917,099	3	0.70%
Riverbend Landfill Co	Waste Management	17,824,502	6	0.54%			
Lowe's HIW Inc.	Retail	17,129,164	7	0.52%	15,295,788	5	0.63%
Portland General Electric	Utility	15,896,000	8	0.48%			
Reef McMinnville Plaza LLC	(c) Shopping Center	12,571,544	9	0.38%	9,324,078	8	0.38%
Northwest Natural Gas Co	Natural Gas Utility	11,539,000	10		16,868,000	4	0.70%
Verizon Northwest Inc.	Telecommunications				14,962,000	6	0.62%
Air Liquide Industrial LP	Oxygen				10,672,268	7	0.44%
Homette Corporation	Manufactured Homes				9,108,948	9	0.38%
Abrams Maralyn					7,296,407	10	0.30%
Subtotal - ten of the District's largest taxpayers		255,151,718		7.68%	226,159,399		9.32%
All other District taxpayers in Yamhill County		3,068,583,208		92.32%	2,200,257,030		90.68%
Total District taxpayers		\$ 3,323,734,926		100.00%	\$ 2,426,416,429		100.00%

Source: Yamhill County Assessor's Office

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

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

Fiscal Year End	Total Tax Levy for Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Original	Adjustments (a)	Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
June 30,		Total Adjusted					
2009	\$ 16,772,551	\$ (514,123)	\$ 15,488,579	92.34%	\$ 753,286	\$ 16,241,865	99.90%
2010	17,625,301	(510,025)	16,233,698	92.10%	801,220	17,034,918	99.53%
2011	18,226,860	(586,586)	16,842,355	92.40%	741,996	17,584,351	99.68%
2012	18,736,255	(582,739)	17,355,602	92.63%	729,449	18,085,051	99.62%
2013	19,244,450	(649,578)	17,757,708	92.27%	743,896	18,501,604	99.50%
2014	19,410,313	(583,384)	18,048,287	92.98%	674,170	18,722,457	99.45%
2015	20,410,647	(599,765)	19,008,327	93.13%	657,165	19,665,492	99.27%
2016	21,389,909	(750,714)	19,911,013	93.09%	498,921	20,409,934	98.89%
2017	22,110,201	(662,100)	20,749,859	93.85%	293,862	21,043,721	98.11%
2018	22,517,639	(671,303)	21,846,336	94.19%	-	21,209,134	97.08%

Source: Yamhill County Department of Assessment and Taxation.

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

McMINVILLE 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)
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
2017	145,856,152	955,302	144,900,850	3,213,672,561	4.509%	4,413,034,916	3.283%	44,479	3,258
2018	141,161,893	646,835	140,515,058	3,323,734,926	4.228%	5,604,828,529	2.507%	44,634	3,148

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)
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
2017	145,856,152	24,669,739	170,525,891	9.59%	3,834
2018	141,161,893	23,767,490	164,929,383	8.62%	3,695

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, 2018

<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	\$ 164,929,383	100.00%	\$ 164,929,383
Overlapping			
Chemeketa Community College	73,078,244	9.34%	7,537,929
City of McMinnville	35,160,266	99.97%	29,931,882
Yamhill County	7,608,556	36.44%	925,483
Willamette ESD	9,309,144	8.47%	862,351
City of Lafayette	178,439	100.00%	46,642
New Carlton Fire District	815,000	2.69%	25,792
Amity RFPD	20,000	9.13%	3,669
Subtotal, overlapping debt			<u>39,333,748</u>
Total direct and overlapping debt			<u>\$ 204,263,131</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 2018

Real Market Value	\$ 5,604,828,529
Debt limit (7.95% of real market value)	445,583,868
Debt applicable to limit	(124,450,000)
Legal debt margin	<u>\$ 321,133,868</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
2018	\$ 445,583,868	\$ 124,450,000	\$ 321,133,868	27.93%
2017	350,836,276	127,960,000	222,876,276	36.47%
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%

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 Personal Income (b)		Total Estimated Personal Income	Unemployment Rate (c)
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%
2016	44,479		39,974	1,778,003,546	4.60%
2017	44,634		42,882	1,913,995,188	3.80%

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	2017			2008		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Private Employing:						
Manufacturing	6,530	1	18.43%	6,592	1	20.30%
Health care	4,465	2	12.60%	3,784	2	11.66%
Retail	3,691	3	10.42%	3,274	3	10.08%
Leisure & Hospitality	3,573	4	10.09%	2,704	5	8.33%
Natural Resources: Agriculture, forestry	3,450	5	9.74%	2,926	4	9.01%
Professional and business services	1,950	6	5.50%	1,630	7	5.02%
Construction	1,930	7	5.45%	1,760	6	5.42%
Education services	1,509	8	4.26%	1,428	8	4.40%
Other services	1,441	9	4.07%	1,082	9	3.33%
Financial activities	975	10	2.75%	1,077	10	3.32%
Wholesale	639	11	1.80%	605	12	1.86%
Transportation, warehousing & utilities	507	12	1.43%	668	11	2.06%
Information	216	13	0.61%	234	13	0.72%
Subtotal Private	30,876		87.16%	27,764		85.52%
Government						
Federal	469		1.32%	483		1.49%
State	550		1.55%	403		1.24%
Local Government						
Education & health services	2,093		5.91%	2,171		6.69%
Public administration	1,078		3.04%	1,439		4.43%
Other	360		1.02%	205		0.63%
Subtotal Government	4,550		12.84%	4,701		14.48%
Total Employment	35,426		100.00%	32,465		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>
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	8,223	6,630	367	18
2017	8,151	6,667	375	18
2018	8,099	6,659	371	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>
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
2017	422	328	25	14	789
2018	417	324	25	13	779

Source: McMinnville School District No. 40 personnel records.

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

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

Fiscal Year	(1) Average Daily Membership	General Fund (2) Expenditures and other financing uses	General Fund Per Student Expenditure	Nutrition Services				Student Transportation			
				Breakfast	Lunch	Dinner (3)	Total Meals	Percent Eligible Free or Reduced (4)	Total Bus Routes	Total Miles	Daily average students transported
2018	6,659	\$ 66,784,822	\$ 10,029	454,728	676,871	70,629	1,202,228	100.0%	27	615,791	3,479
2017	6,667	64,195,002	9,629	462,984	716,278	84,463	1,263,725	100.0%	27	614,304	3,265
2016	6,630	62,215,375	9,384	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

- (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 began participation in the Community Eligibility Provision in 2014-15 which qualified all students at all schools for a free meal.
- (5) District began offering full day kindergarten in 2015-16.

Source: McMinnville School District Records.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 CAPITAL ASSET INFORMATION  
 AS OF JUNE 30, 2018

<u>Building</u>	<u>Year of Original Building Construction</u>	<u>Square Footage (1)</u>	<u>Capacity (1)</u>	<u>Enrollment 10/1/2017</u>	<u>Percent of Capacity</u>	<u>Average Age of Buildings (in years)</u>
<b>Elementary Schools</b>						
Buel	2008	80,837	600	467	78%	10
Columbus	1994	68,740	600	486	81%	24
Grandhaven	1999	69,958	600	525	88%	19
Memorial	1947	67,292	600	613	102%	71
Newby	1960	58,527	532	523	98%	58
Wascher	1979	61,259	517	433	84%	39
<b>Total</b>		<u>406,613</u>	<u>3,449</u>	<u>3,047</u>	<u>88%</u>	<u>37</u>
<b>Middle Schools</b>						
Duniway	1993	119,412	961	733	76%	25
Patton	1976	132,820	971	808	83%	42
<b>Total</b>		<u>252,232</u>	<u>1,932</u>	<u>1,541</u>	<u>80%</u>	<u>34</u>
<b>High Schools</b>						
McMinnville High Sch	1955 - 2017	268,935	2,231			63
Adams Campus	1914	34,052	336			104
<b>Total</b>		<u>302,987</u>	<u>2,567</u>	<u>2,176</u>	<u>85%</u>	<u>84</u>
<b>Other Buildings</b>						
Cook Administration Office	1924	43,464				94
Baker Street Annex	1965	9,081				53
Evans Street Ctr	1995	6,418				23
Facilities Warehouse	1977	23,000				41
19th Street Maintenance	1948	12,395				70
Stadium	1980	12,480				38
<b>Total</b>		<u>106,838</u>				<u>53</u>
<b>GRAND TOTAL</b>		<u>1,068,670</u>	<u>7,948</u>	<u>6,764</u>	<u>85%</u>	<u>48</u>

Notes:

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



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

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

We have audited the basic financial statements of the McMinnville School District No. 40 (District) as of and for the year ended June 30, 2018, and have issued our report thereon dated December 14, 2018. 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.

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

*Wilcox Arredondo & Co.*

Certified Public Accountants  
Canby, Oregon  
December 14, 2018

# **GRANT COMPLIANCE SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McMinnville School District No. 40 (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2018.

**Internal Control over Financial Reporting**

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

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

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





## Compliance and Other Matters

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

### Purpose of this Report

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

*Wilcox Arredondo & Co.*

Certified Public Accountants  
Canby, Oregon  
December 14, 2018



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, 2018. 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, 2018.



## 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  
December 19, 2018

McMINNVILLE SCHOOL DISTRICT NO. 40  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2018

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	07/01/16-09/30/17	84.010	41101	\$ 1,695,912	\$ 133,191
	07/01/17-09/30/18	84.010	45636	1,561,903	1,536,249
	<b>Total</b>			<b>3,257,815</b>	<b>1,669,440</b>
IDEA: Special Education Grants to State	07/01/16-09/30/18	84.027	41568	942,989	27,692
	07/01/17-09/30/19	84.027	45212	970,544	664,606
SPR&I (System Performance Review and Improvement Extended Assessment	07/01/17-06/30/18	84.027	44432	5,681	1,567
	07/01/17-06/30/18	84.027	45057	1,099	386
IDEA Enhancement	10/01/17-09/30/18	84.027	46479	7,957	4,930
IDEA Part B, Section 619	07/01/16-09/30/18	84.173	40638	5,087	3,393
	07/01/17-09/30/19	84.173	45451	8,856	6,102
	<b>Total Special Education Cluster</b>			<b>1,942,214</b>	<b>708,676</b>
McKinney Vento Homeless Children	07/01/16-09/30/17	84.196	40508	28,778	12,500
Title IV-A Student Support and Academic Enrichment	07/01/17-09/30/18	84.424	47765	29,598	29,598
21st Century Community Learning Centers	07/01/16-09/30/18	84.287	40526	376,980	84,080
	07/01/17-09/30/18	84.287	44153	299,985	211,925
	<b>Total</b>			<b>676,965</b>	<b>296,005</b>
Rural and Low-Income School Program	07/01/17-09/30/18	84.358	47621	110,328	110,328
Title III English Language Acquisition	07/01/16-09/30/17	84.365	41774	115,615	54,384
	07/01/17-09/30/18	84.365	44229	114,098	114,098
				<b>229,713</b>	<b>168,482</b>
Title II-A Improving Teacher Quality	07/01/16-09/30/17	84.367	41356	184,344	6,711
	07/01/17-09/30/18	84.367	45852	208,028	190,765
	<b>Total</b>			<b>392,372</b>	<b>197,476</b>
Passed Through University of Oregon Paths 2 the Future	07/01/17-12/31/18	84.324A	226000-00528	3,000	550
Passed Through Willamette Education Service District Title I-C Migrant Education	07/01/17-09/30/18	84.011	N/A	50,000	50,000
<b>Total U.S. Department of Education</b>				<b>6,720,783</b>	<b>3,243,055</b>

McMINNVILLE SCHOOL DISTRICT NO. 40  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor Program Title	Grant Period	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Amount	Federal Expenditures
<b><u>U.S. Department of Agriculture - Special Revenue Fund</u></b>					
Passed through Oregon State Department of Education					
School Breakfast Program	07/01/17-06/30/18	10.553	N/A	829,531	829,531
National School Lunch Program	07/01/17-06/30/18	10.555	N/A	1,859,542	1,859,542
Commodities - NSLP	07/01/17-06/30/18	10.555	N/A	262,203	262,203
Summer Food Service Program	07/01/17-06/30/18	10.559	N/A	58,654	58,654
Commodities - SFSP	07/01/17-06/30/18	10.559	N/A	285	285
<b>Total Child Nutrition Cluster</b>				<b>3,010,215</b>	<b>3,010,215</b>
Child Nutrition Program Block - Child Care - Food	07/01/17-06/30/18	10.558	N/A	228,198	228,198
Child Nutrition Program Block - Child Care - Food	07/01/17-06/30/18	10.558	N/A	193	193
Child Nutrition Program CACFP CIL - Cash Commoditie	07/01/17-06/30/18	10.558	N/A	16,355	16,355
Child Nutrition Program CACFP CIL - Cash Commoditie	07/01/17-06/30/18	10.558	N/A	54	54
<b>Total</b>				<b>244,800</b>	<b>244,800</b>
Fresh Fruit and Vegetable Program	10/01/16-09/30/17	10.582	43005	29,105	2,783
Fresh Fruit and Vegetable Program	10/01/16-09/30/17	10.582	43050	29,263	2,798
Fresh Fruit and Vegetable Program	10/01/17-09/30/18	10.582	46332	27,650	27,584
Fresh Fruit and Vegetable Program	10/01/17-09/30/18	10.582	46588	27,800	27,714
<b>Total</b>				<b>113,818</b>	<b>60,879</b>
<b>Total U.S. Department of Agriculture</b>				<b>3,368,833</b>	<b>3,315,894</b>
<b><u>U.S. Department of Health and Human Services</u></b>					
Passed through Oregon Department of Education					
Child Care and Development Fund	07/01/13-06/30/17	93.575	9792	2,366	2,366
Passed through Oregon Department of Health and Human Services					
Child Care and Development Fund	01/01/18-06/30/19	93.575	156211	728	728
<b>Total U.S. Department of Health and Human Services</b>				<b>3,094</b>	<b>3,094</b>
<b>Total Federal Awards</b>				<b>\$ 10,092,710</b>	<b>\$ 6,562,043</b>

McMINNVILLE SCHOOL DISTRICT NO. 40  
NOTES RELATIVE TO SCHEDULE OF FEDERAL AWARDS  
For the Year Ended June 30, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of McMinnville School District No. 40 (District) programs of the federal government for the year ended June 30, 2018. 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.

2. Summary of 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 the Uniform Guidance and 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.

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 minimus rate.

4. Subrecipients

The District had no subrecipients.

McMINNVILLE SCHOOL DISTRICT NO. 40  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2018

**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:**

CFDA NUMBER

NAME OF PROGRAM OR CLUSTER

10.553, 10.555, 10.559

Child Nutrition Cluster

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, 2018

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

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

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



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