

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2017



McMINNVILLE School District

Achieving Excellence in Education

McMinnville School District #40

800 NE Lafayette Avenue
McMinnville, Oregon 97128

503.565.4000

www.msd.k12.or.us

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

**Comprehensive Annual
Financial Report**

Year Ended June 30, 2017

Prepared by the
Business Office

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

December 19, 2017

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, 2017, 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, 2017. 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 2016 was 6,794. The District's enrollment over the past five years has grown by five percent, which can be attributed to in-migration. Over the past ten years, enrollment has increased an average of one percent annually.

Grade Level	2006	2011	2016
Elementary (Grades K-5)	2,949	2,948	3,110
Middle School (Grades 6-8)	1,476	1,539	1,487
High School (Grades 9-12)	1,907	2,003	2,197
Total Enrollment	6,332	6,490	6,794

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

ECONOMIC CONDITION

McMinnville School District #40 is located in northwestern Oregon in the northern end of the Willamette Valley, approximately 40 miles southwest of Portland and approximately 25 miles northwest of Salem. The two cities within the District are McMinnville, population 33,665 and Lafayette, population 4,095. McMinnville is surrounded by Yamhill County's 200 plus vineyards and 80 wineries; representing the largest concentration of wine growers and producers in any county in the state. In addition, McMinnville is home to the county seat and Linfield College, a private university. Major industries within the area include steel rebar production, medical and social services, retail, plastics and rubber products fabrication, leisure and hospitality, health food products, and agriculture.

As of June 2017, the Yamhill County unemployment rate was 3.3%, as compared to 3.7% for the state of Oregon and 4.4% at the national level. The fastest-growing private-sector industries over the past year included: construction, other services, and manufacturing.

The real market value of property located in the boundaries of the District increased by 9.6% from 2015-16 to 2016-17, while the assessed property values increased by 2.8%. Assessed value as a percentage of real market value was 72.8% compared to 77.4% 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 2016-17, the total real market value of property within the District boundaries is \$4.4 billion and the assessed value is \$3.2 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 expansion is expected to continue. Oregon's economic growth rates continue to transition down from peak rates seen two years ago to a more sustainable, long-term rate. State revenues increased by 15.5% over the 2015-17 biennium and are expected to increase by 5.1% over the 2017-19 biennium. The State's biennial budget allocation to K-12 education was increased from \$6.65 billion to \$7.4 billion for 2015-17, an 11% increase. For the 2016-17 fiscal year, the District's resources were sufficient to maintain the same class size and educational services as the prior year.

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, 2017 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 2017-18 assumes a year end reserve of \$4.75 million or 7% of estimated revenues.

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

District facilities consist of eleven school buildings and four support services buildings. The average age of these buildings is 48 years, ranging from 9 years old to 103 years old. In 2012, the District began work toward updating its long range facilities plan by completing a detailed professional assessment of each facility. This assessment determined the current condition of facilities, prioritized improvements recommended in the next five to ten years, and estimated the cost of those recommendations. In 2013, the District convened a Long Range Facilities Task Force led by citizen volunteers to determine a more detailed priority list of potential projects and funding goals from the initial assessment. The Task Force made their recommendations to the Board, in June 2015, after reviewing enrollment forecasts and facility recommendations for vocational technical programs. Based on these recommendations and community surveys, the McMinnville School District Board of Directors presented a measure election to district voters in May 2016 for approval of \$89.4 million of bonds to finance prioritized 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 and 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.

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:

21st Century Community Learning Center - In July 2013, the District was awarded a \$1.8 million five-year grant to support expanded learning opportunities at the secondary level in an afterschool program, Saturday Academies, and summer programs, with the objective of increasing student achievement and accelerating academic growth, particularly among traditionally underserved students. An additional supplemental grant of \$30,000 was awarded to the District to support STEM (Science, Technology, Engineering, and Math) sustainability, and an additional supplemental grant of \$81,000 is slated to be awarded in early 2018.

CTE Revitalization Project - In November 2017, the District was awarded an 18 month ODE Career/Technical Education Revitalization grant of \$284,000 for a 6th-9th 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

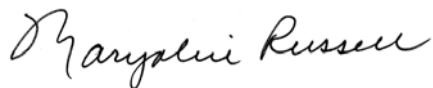
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to McMinnville School District for its *Comprehensive Annual Financial Report* (CAFR) for the year ended June 30, 2016. This was the eighth year the District has received the 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, 2016. This was the eighth 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, 2016

Executive Director/CEO



**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, 2016.**

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

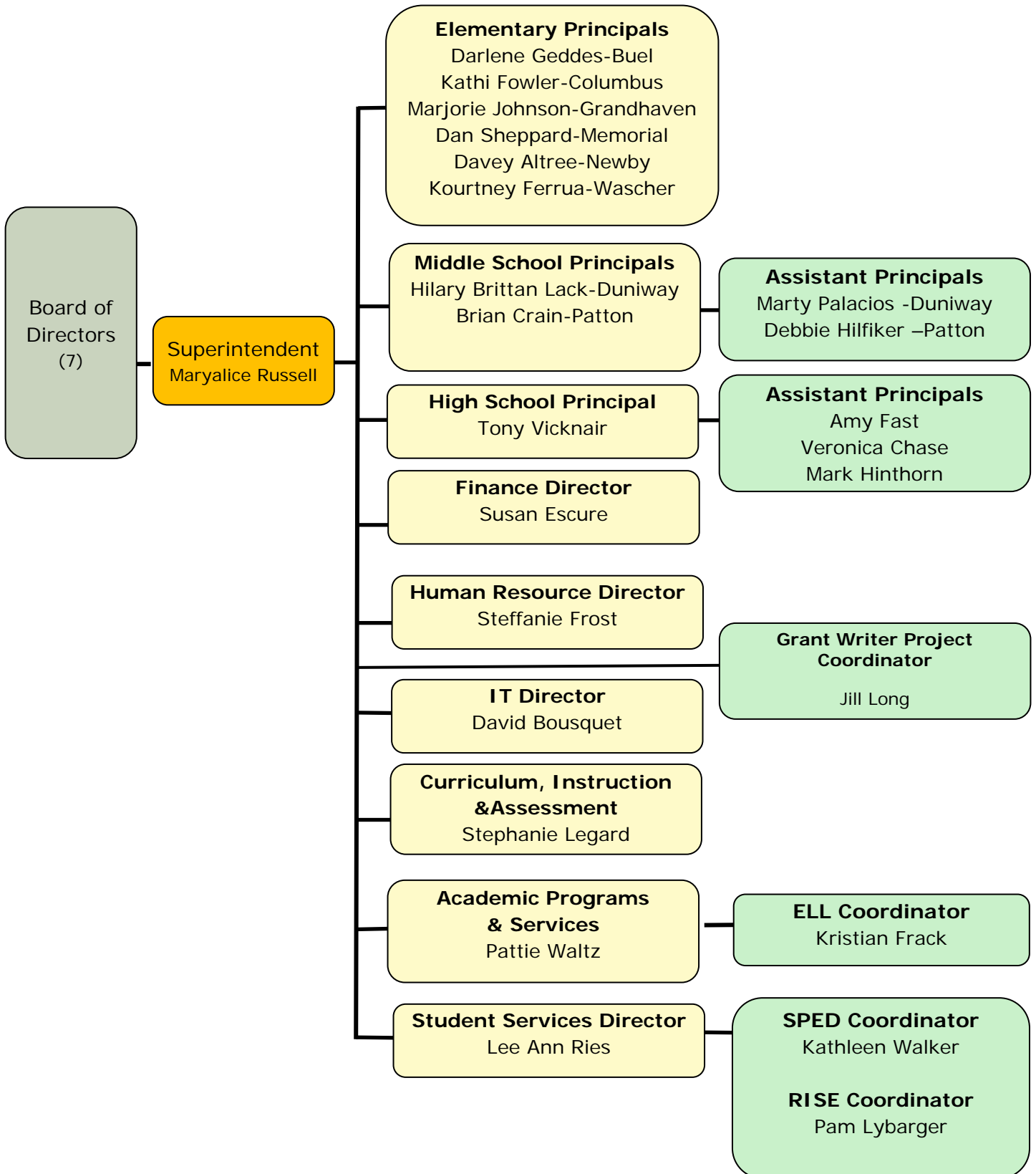


Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink that reads 'John D. Musso'. The signature is written in a cursive style and is positioned above a horizontal line.

John D. Musso, CAE
Executive Director

**McMinnville School District #40
Administrative Organizational Chart
2016-2017**



McMINNVILLE SCHOOL DISTRICT NO. 40
YAMHILL COUNTY, OREGON

Administrative Office

800 NE Lafayette Avenue
McMinnville, Oregon 97128

Maryalice Russell
Susan Escure
Amy Cavinaw

Superintendent
Director of Finance
Accounting Supervisor

BOARD OF DIRECTORS AS OF JUNE 30, 2017

	<u>Term Expires</u>
Ms. Barbara Carter, Board Chair 629 NW Jason Court McMinnville, Oregon 97128	June 30, 2021
Dr. Scott Schieber, Vice Chair 2370 NW Horizon Dr. 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. Scott Gibson 655 NW Brookview Court McMinnville, Oregon 97128	June 30, 2019
Dr. Tim Roberts 1069 NW Baker Crest Court McMinnville, Oregon 97128	June 30, 2021
Mr. Larry Vollmer 1946 Fir Street McMinnville, Oregon 97128	June 30, 2019

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, 2017, 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, 2017, 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.



Emphasis of Matter

As described in Note 12 to the financial statements, during the year ended June 30, 2017, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB Statement 77, *Tax Abatement Disclosures*, and GASB 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of 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 19, 2017, 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 19, 2017, 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 19, 2017

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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, 2017

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, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages i-vi of this report.

NEW ACCOUNTING STANDARDS IMPLEMENTED

The District implemented Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (OPEB). This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments to report a liability on the face of the financial statements for the total OPEB liability related to their employees. The implementation of GASB 75 required a restatement of net position as of July 1, 2016, a decrease of \$3.9 million. Please refer to the Notes to the Financial Statements for further information.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the District's net position decreased by \$142,000 or 2.7% during the year ended June 30, 2017 to \$5.1 million. Of this amount, \$53 million was a net capital investment in capital assets, \$1.7 million was restricted for debt service, \$1.8 million was restricted for other purposes, and a negative net position of \$51.4 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, \$61.1 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 \$8.7 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 assets decreased by \$11.4 million primarily due to the implementation of GASB 75 which resulted in a one-time adjustment of \$3.9 million to record the total OPEB liability as of July 1, 2016. Additionally, the impact of the changes to net pension liability resulted in a \$7 million decrease to net position. 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 PERS board decreased the assumed investment return rate from 7.50% to 7.25%. This change and differences in investment earnings were the primary reasons for the decrease in net position.
- The cost of all of the District's programs per the government-wide Statement of Activities was \$87 million, a decrease of \$11 million from the previous year. Most of this decrease is due to the difference in pension expense. Pension expense was \$12 million more in the prior year.
- The District's governmental funds report combined ending fund balance is \$99.4 million, an increase of \$84 million in comparison to the prior year. This increase was due to the issuance \$88.4 million of voter approved bonds in August 2016. \$6.1 million (6.2%) 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 increased by \$133.3 million during fiscal year 2017. The net pension liability increased by \$37 million and bonds payable (including bond premiums) increased by \$96 million. \$88.4 million in general obligations were issued and the District received a \$13 million premium on the issuance.

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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 18 and 19 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, 2017

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 20 through 23 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 24 - 25 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 26 through 52 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 62 through 66 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, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Statement of Net Position

	Governmental Activities		Increase (Decrease)
	June 30, 2017	June 30, 2016(*)	
Current and other assets	\$ 112,276,408	\$ 23,046,396	\$ 89,230,012
Capital assets	107,131,112	87,105,195	20,025,917
Total Assets	219,407,520	110,151,591	109,255,929
Deferred Outflows of Resources	36,585,878	11,437,544	25,148,334
Long-term obligations	238,562,261	105,247,947	133,314,314
Other liabilities	11,360,720	5,828,552	5,532,168
Total Liabilities	249,922,981	111,076,499	138,846,482
Deferred Inflows of Resources	988,391	5,288,294	(4,299,903)
Net Position			
Net investment in capital assets	52,959,303	44,269,882	8,689,421
Restricted	3,521,235	4,934,389	(1,413,154)
Unrestricted	(51,398,512)	(43,979,929)	(7,418,583)
Total Net Position	\$ 5,082,026	\$ 5,224,342	\$ (142,316)

* Restated for GASB 75

Net position. The largest portion of the District's net position reflects an investment of \$53 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 \$3.5 million and represents resources that are subject to external restrictions on how they may be used.

The remaining balance is an unrestricted net position deficit totaling \$51.4 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 \$112.3 million at year end. Cash and investments (\$106 million) made up 94% of this total. Total cash and other assets increased by \$89.2 million from the prior year. This was due to the bond issuance in August 2016 for capital projects. As of June 30, 2017, 84% 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 \$107.1 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, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

**Capital Assets
(Net of Depreciation)**

	Governmental Activities		Increase (Decrease)
	June 30, 2017	June 30, 2016	
Land	\$ 4,708,033	\$ 4,123,214	\$ 584,819
Construction in Progress	15,201,107	127,355	15,073,752
Buildings and Improvements	84,859,871	81,138,491	3,721,380
Equipment	2,362,101	1,716,135	645,966
Total capital assets, net of accumulated depreciation	\$ 107,131,112	\$ 87,105,195	\$ 20,025,917

During fiscal year, net capital assets increased by \$20 million. Major capital asset additions and improvements during the year included the following:

- Construction in progress at all school buildings for major repairs, renovations, and improvements (\$15 million)
- Purchase of land and building for facilities department, warehouse, and nutrition services freezer and storage (1.3 million)
- Seismic upgrade, roof replacement, HVAC replacement and renovation of Cook School for District administrative services (\$5.2 million)
- Technology network and wireless infrastructure upgrade (\$932,000)
- Support services vehicle (\$20,000)

Depreciation expense was \$2.5 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 increased by \$25.6 million and deferred inflows of resources decreased by \$4.3 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.

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 \$238.6 million. The following table shows the types of obligations for the current and prior year.

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Outstanding Long-term Obligations

	Governmental Activities		Increase (Decrease)
	June 30, 2017	June 30, 2016	
General obligation bonds	\$ 127,960,000	\$ 43,170,000	\$ 84,790,000
Pension obligation bonds	24,669,739	25,482,368	(812,629)
Unamortized premium	17,896,152	5,698,433	12,197,719
Net Pension Liability	61,102,578	24,131,137	36,971,441
OPEB obligation	6,933,792	2,821,733	4,112,059
 Total long-term debt	 \$ 238,562,261	 \$ 101,303,671	 \$ 137,258,590

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's total long-term debt increased by \$137 million during the current fiscal year due to the issuance of general obligation bonds and the increase in 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 \$350.8 million, which is significantly in excess of the District's outstanding general obligation debt of \$128 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 decreased by \$142,316. The key elements of the change in the District's net position for the year ended June 30, 2017 are as follows:

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

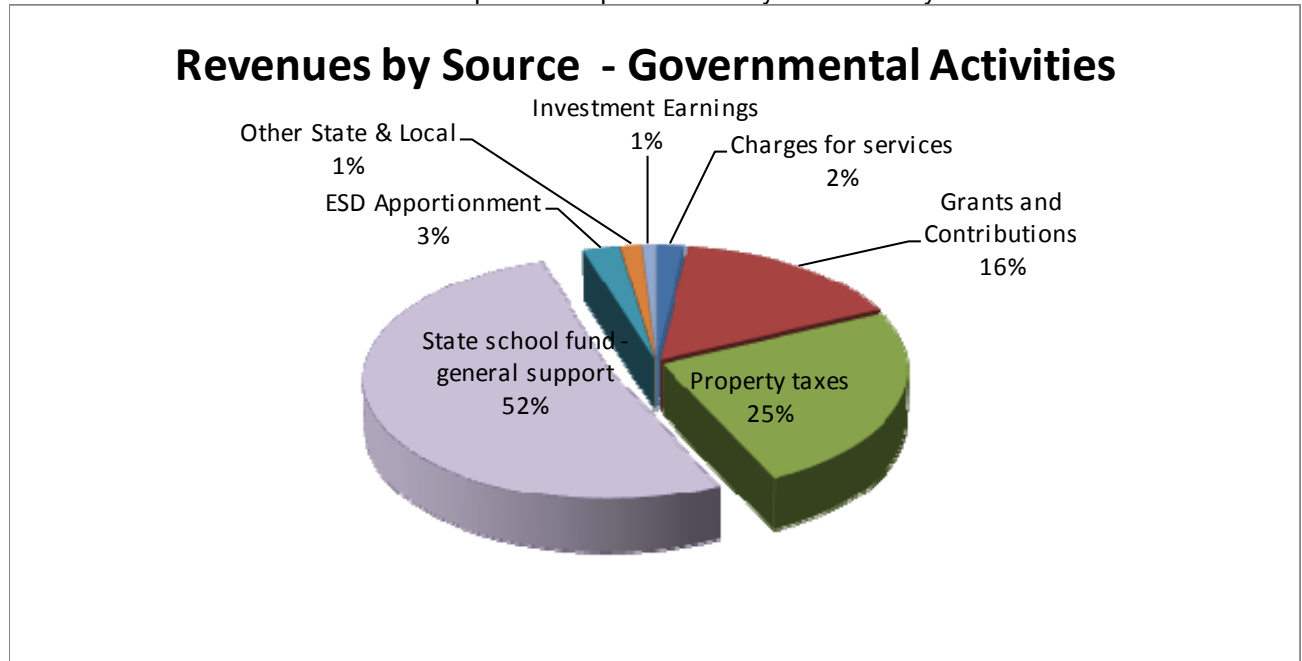
**Changes in Net Position
For the Year Ended**

	<u>Governmental Activities</u>		Increase (Decrease)
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	
Revenues:			
Program Revenues:			
Charges for services	\$ 1,735,960	\$ 1,754,485	\$ (18,525)
Operating grants and contributions	9,166,772	10,090,709	(923,937)
Capital grants and contributions	4,823,252	-	4,823,252
General Revenues:			
Property taxes	21,529,589	20,756,714	772,875
State school fund	45,323,080	45,102,671	220,409
ESD apportionment	2,172,679	2,126,367	46,312
Other state and local sources	1,259,595	1,201,250	58,345
Earnings on investments	816,711	199,469	617,242
Total revenues	<u>86,827,638</u>	<u>81,231,665</u>	<u>5,595,973</u>
Expenses:			
Instruction	52,558,011	63,619,441	(11,061,430)
Support services	23,638,564	27,736,353	(4,097,789)
Community services	3,522,195	3,838,040	(315,845)
Facilities services	581,682	117,817	463,865
Interest on long-term debt	6,669,502	3,800,386	2,869,116
Total expenses	<u>86,969,954</u>	<u>99,112,037</u>	<u>(12,142,083)</u>
Change in net position	(142,316)	(17,880,372)	17,738,056
Net position - July 1, restated	<u>5,224,342</u>	<u>23,104,714</u>	<u>(17,880,372)</u>
Net position - June 30	<u>\$ 5,082,026</u>	<u>\$ 5,224,342</u>	<u>\$ (142,316)</u>

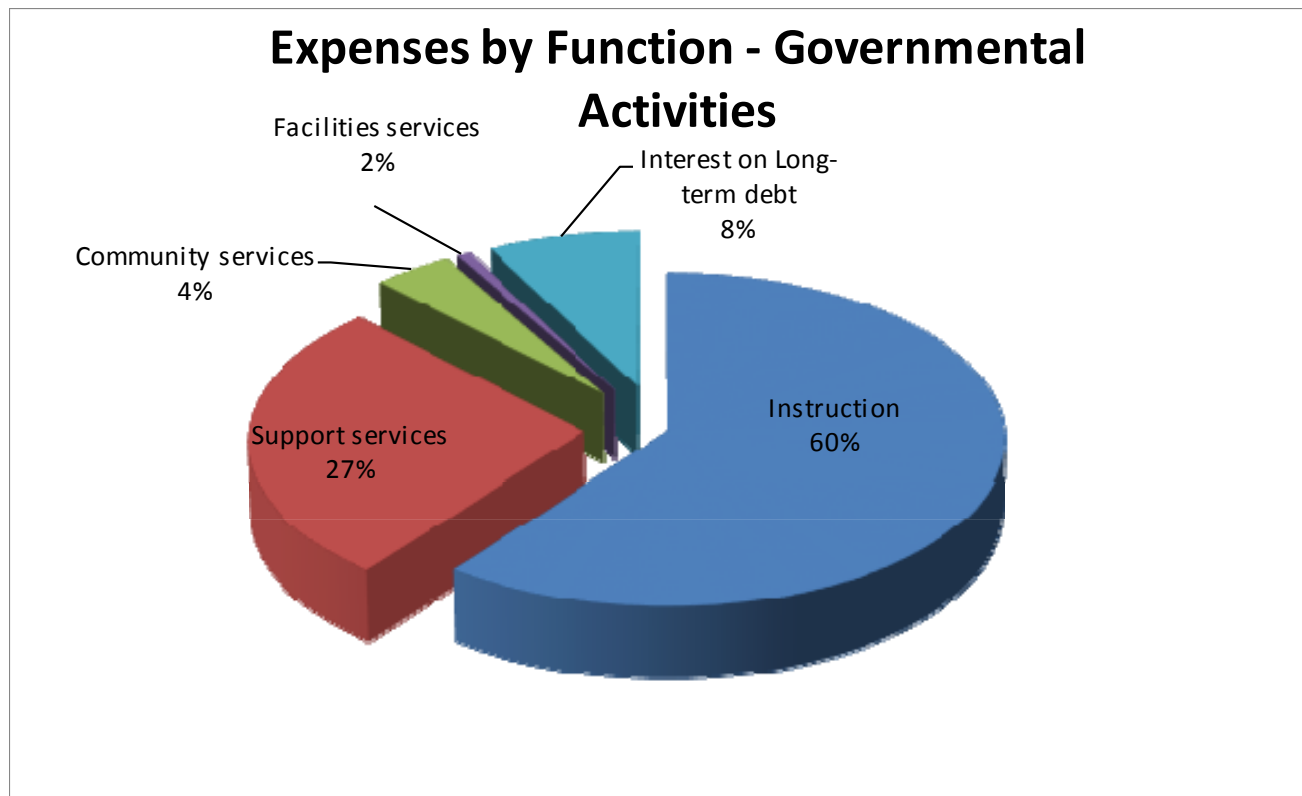
McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Revenues. Total revenues increased by \$5.6 million (7.0% increase). Program revenues increased by \$3.9 million primarily due to the receipt of a capital grant from the state. General revenues increased by \$1.7 million as a result of increased property tax revenues and increased investment earnings from larger cash and investment balances after the receipt of bond proceeds early in the fiscal year.



Expenses. Total expenses decreased by \$12.1 million (12%). This decrease in expenditures is primarily due to a decrease in pension expense from the prior year of \$17 million. Otherwise most other expenditures increases in instruction and support services by 3% due to increases in personnel, wages, and benefits for both instruction and support services.



McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, the District's governmental funds reported combined ending fund balances of \$99.4 million, an increase of \$84 million. 6.2% of this amount (\$6.1 million) is *unassigned fund balance*, which is available for spending at the government's discretion. 89.7% of this amount is *restricted* for particular purposes (\$89.1 million) and 4.2% is *committed* by the District for specific purposes (\$4.2 million). The large increase in fund balance is from the sale of general obligation bonds which is accounted for in the Capital Project Fund. 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, 2017, the total general fund balance was \$9.7 million, \$927,000 less than the prior year. The unassigned fund balance is \$6.1 million which represents 9.6% of total General Fund revenues. The unassigned balance decreased by \$518,000. The budget for the 2017 fiscal year included plans of spending down reserves to sustain education programs and class sizes. The committed fund balances include \$2.8 million for asset reserve, \$179,000 for textbook/technology replacement reserve and \$590,000 for insurance reserve. Committed funds decreased by \$490,000 during the 2017 fiscal year. These funds were utilized for major capital improvement needs and a large science textbook adoption.

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 \$319,000. Grant revenue is normally recognized as grant expenditures are expended.

Debt Service Fund. The Debt Service Fund has a total *restricted* fund balance of \$955,000. There is no significant change from the prior year fund balance, all of which is reserved for the payment of debt service.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there were no changes to the original budget appropriations. The General Fund budgetary schedule can be found on page 56 of this report.

Final budget compared to actual results. The most significant difference between estimated revenue and actual revenue was in state sources. Actual state revenues were \$1.5 million lower than budgeted due to lower than projected enrollment and a decrease in additional enrollment weights for poverty. Expenditures were \$2 million less than budget equally distributed between instruction and support services. This represents personnel positions not filled due to the absence of enrollment growth.

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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, an 11% 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. Although the District's enrollment increased slightly, the poverty weights decreased, resulting in a slight decline in the District's average weighted membership. Enrollment is not expected to change significantly over the next year.

General fund revenues are projected to increase for 2017-18 by approximately 6.5%. The budget plan for the 2017-18 fiscal year was focused on maintaining current level of service with rising employer retirement contribution rates. Appropriated expenditures in the general fund are \$69.6 million for 2017-18 compared to \$66.8 million in 2016-17, a 4.3% 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 2017-18 includes planned reserves of \$4.75 million or 7% of revenues.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Susan Escure, Director of Finance, McMinnville School District #40, 800 N.E. Lafayette St. McMinnville, OR 97128.

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BASIC FINANCIAL STATEMENTS

McMINNVILLE SCHOOL DISTRICT NO. 40
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets	
Cash and investments	\$ 105,917,063
Accounts receivables	
Property taxes	2,078,140
Interest receivable	129,618
Accounts and grants receivable	4,138,142
Restricted cash and investments	13,445
Capital assets not depreciated	19,909,140
Capital assets, net of depreciation	<u>87,221,972</u>
Total Assets	<u>219,407,520</u>
Deferred Outflows of Resources	
Pension plan	30,948,302
Deferred charge on refunding	<u>5,637,576</u>
Total Deferred Outflows of Resources	<u>36,585,878</u>
Liabilities	
Accounts payable	4,749,303
Accrued payroll and payroll liabilities	6,258,582
Accrued interest payable	222,517
Unearned revenue	130,318
Net Pension Liability	61,102,578
Long-term debt	
Due within one year	4,412,249
Due in more than one year	
Bonds Payable	166,113,642
Other postemployment benefits payable	<u>6,933,792</u>
Total Liabilities	<u>249,922,981</u>
Deferred Inflows of Resources	
Pension Plan	<u>988,391</u>
Total Deferred Inflows of Resources	<u>988,391</u>
Net Position	
Net investment in capital assets	52,959,303
Restricted for:	
Other grant activities	319,491
Debt service	1,658,797
Associated student body	417,309
Nutrition services	1,125,638
Unrestricted	<u>(51,398,512)</u>
Total Net Position	<u><u>\$ 5,082,026</u></u>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs					
Governmental activities:					
Instructional services	\$ 52,558,011	\$ 1,499,275	\$ 3,245,124	\$ -	\$ (47,813,612)
Supporting services					
Student transportation	2,208,921	-	1,540,000	-	(668,921)
Other support services	21,429,643	129,363	919,272	-	(20,381,008)
Community services	3,522,195	107,322	3,462,376	-	47,503
Facilities services	581,682	-	-	4,823,252	4,241,570
Interest on long-term debt	6,669,502	-	-	-	(6,669,502)
Total Governmental Activities	\$ 86,969,954	\$ 1,735,960	\$ 9,166,772	\$ 4,823,252	(71,243,970)
General Revenues					
Property taxes levied for general purposes					12,939,598
Property taxes levied for debt service					8,589,991
Construction excise tax					409,358
State school fund - general support					45,323,080
Common school fund					843,579
County common school fund					6,658
ESD apportionment					2,172,679
Earnings on investments					816,711
Total general revenues					71,101,654
Change in Net Position					(142,316)
Net Position					
Beginning of year, restated see note 11					5,224,342
End of year					\$ 5,082,026

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Grants Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Totals
ASSETS						
Cash and Investments	\$ 14,336,769	\$ -	\$ 831,640	\$ 88,168,046	\$ 2,580,608	\$ 105,917,063
Receivables						
Property Taxes	1,251,136	-	827,004	-	-	2,078,140
Interest Receivable	2,344	-	-	127,274	-	129,618
Accounts and Grants Receivable	480,815	852,993	-	2,565,939	238,395	4,138,142
Due from Other Funds	1,903,386	-	-	-	-	1,903,386
Restricted Cash and Investments	-	-	153	-	13,292	13,445
Total Assets	\$ 17,974,450	\$ 852,993	\$ 1,658,797	\$ 90,861,259	\$ 2,832,295	\$ 114,179,794
LIABILITIES						
Accounts Payable	\$ 931,397	\$ 44,186	\$ -	\$ 3,447,099	\$ 326,621	\$ 4,749,303
Accrued Payroll and Related Charges	6,258,582	-	-	-	-	6,258,582
Due to Other Funds	-	358,998	-	1,544,207	181	1,903,386
Unearned Revenue	-	130,318	-	-	-	130,318
Total Liabilities	7,189,979	533,502	-	4,991,306	326,802	13,041,589
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Property Taxes	1,065,409	-	703,495	-	-	1,768,904
Total Deferred Inflows of Resources	1,065,409	-	703,495	-	-	1,768,904
FUND BALANCES						
Restricted for						
Grant Activities	-	319,491	-	-	-	319,491
Debt service	-	-	955,302	-	-	955,302
Capital Improvements	-	-	-	85,869,953	399,331	86,269,284
Associated Student Body	-	-	-	-	417,309	417,309
Nutrition Services	-	-	-	-	1,125,638	1,125,638
Committed to						
Asset Reserve	2,820,055	-	-	-	-	2,820,055
Textbook and Technology Replacement	179,300	-	-	-	-	179,300
Insurance Reserve	590,157	-	-	-	-	590,157
Debt Service	-	-	-	-	563,215	563,215
Unassigned	6,129,550	-	-	-	-	6,129,550
Total Fund Balances	9,719,062	319,491	955,302	85,869,953	2,505,493	99,369,301
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 17,974,450	\$ 852,993	\$ 1,658,797	\$ 90,861,259	\$ 2,832,295	\$ 114,179,794

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, 2017

Total fund balances - governmental funds		\$ 99,369,301
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	\$ 149,123,297	
Accumulated depreciation	<u>(41,992,185)</u>	107,131,112
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.		
		1,768,904
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		
		(61,102,578)
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	30,948,302	
Deferred inflows or resources related to pensions	<u>(988,391)</u>	29,959,911
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	(222,517)	
Bonds payable	(152,629,739)	
Bond premium	(17,896,152)	
Deferred charges on refunding	5,637,576	
Net OPEB obligations	<u>(6,933,792)</u>	<u>(172,044,624)</u>
Total Net Position		<u>\$ 5,082,026</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, 2017

	General Fund	Grants Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Revenues						
Local Sources						
Property Taxes	\$ 13,013,231	\$ -	\$ 8,642,383	\$ -	\$ -	\$ 21,655,614
Construction Excise Tax	-	-	-	-	409,358	409,358
Charges for Services	471,445	37,718	-	-	1,103,277	1,612,440
Rentals	39,642	-	-	-	-	39,642
Investment Earnings	217,765	-	51,372	499,646	47,928	816,711
Contributions and Donations	-	172,200	-	-	-	172,200
Fees Charged to Grants	94,304	-	-	-	-	94,304
Services to Other Funds	-	-	-	-	2,524,660	2,524,660
Miscellaneous	80,466	106,897	-	578,553	14,831	780,747
Intergovernmental						
Intermediate Sources	2,179,337	159,730	-	-	-	2,339,067
State Sources	47,738,279	372,295	-	4,244,699	66,061	52,421,334
Federal Sources	9,915	3,470,994	-	-	3,377,187	6,858,096
Total Revenues	63,844,384	4,319,834	8,693,755	5,322,898	7,543,302	89,724,173
Expenditures						
Current						
Instruction	42,805,325	3,261,066	-	-	1,026,915	47,093,306
Support Services	21,297,812	1,064,710	-	-	-	22,362,522
Enterprise and Community Services	-	74,829	-	-	3,230,906	3,305,735
Facilities Acquisition and Construction	120,797	-	-	455,544	5,341	581,682
Debt Service						
Principal	-	-	3,610,000	-	812,629	4,422,629
Interest	-	-	4,931,256	-	1,744,317	6,675,573
Bond Issuance Costs	-	-	-	504,795	-	504,795
Capital Outlay						
Instruction	-	48,180	-	-	-	48,180
Support Services	20,230	-	-	-	-	20,230
Facilities Acquisition and Construction	603,519	-	-	20,105,189	1,820,782	22,529,490
Total Expenditures	64,847,683	4,448,785	8,541,256	21,065,528	8,640,890	107,544,142
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,003,299)	(128,951)	152,499	(15,742,630)	(1,097,588)	(17,819,969)
Other Financing Sources (Uses)						
Transfers in	69,395	185,585	-	-	-	254,980
Transfers (out)	-	-	-	(169,395)	(85,585)	(254,980)
Issuance of debt	-	-	-	88,400,000	-	88,400,000
Bond premium	-	-	-	13,381,978	-	13,381,978
Sale of capital assets	6,730	-	-	-	-	6,730
Total Other Financing Sources (Uses)	76,125	185,585	-	101,612,583	(85,585)	101,788,708
Net Change in Fund Balance	(927,174)	56,634	152,499	85,869,953	(1,183,173)	83,968,739
Fund Balances						
Beginning of Year	10,646,236	262,857	802,803	-	3,688,666	15,400,562
End of year	\$ 9,719,062	\$ 319,491	\$ 955,302	\$ 85,869,953	\$ 2,505,493	\$ 99,369,301

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, 2017

Net Change in Fund Balances - total governmental funds \$ 83,968,739

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	\$ 22,597,900	
Less current year depreciation	<u>(2,569,133)</u>	20,028,767

A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net assets. However, only the sale proceeds are included in the change of fund balances.

(2,850)

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.

Issuance of bonds	(88,400,000)	
Bond premium	(13,381,978)	
Principal payments	<u>4,422,629</u>	(97,359,349)

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	(36,971,441)	
OPERS deferred outflow of resources	25,676,857	
OPERS deferred inflow of resources	<u>4,299,903</u>	(6,994,681)

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.

(144,870)

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.

(126,025)

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.

(167,783)

Change in Net Position \$ (142,316)

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2017

	Private Purpose Trust Fund
Assets	
Cash and Investments	\$ 124,567
Total Assets	<u>124,567</u>
Net Position	
Held in trust for:	
Scholarships	<u>124,567</u>
Total Net Position	<u><u>\$ 124,567</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, 2017

	Private Purpose Trust Fund
Additions:	
Investment Earnings	\$ 1,254
Contributions	1,900
Total Additions	<u>3,154</u>
Deductions:	
Scholarships	<u>6,000</u>
Total Deductions	<u>6,000</u>
Change in Net Position	(2,846)
Net Position	
Beginning of year	<u>127,413</u>
Total Net Position	<u><u>\$ 124,567</u></u>

See notes to the basic financial statements.

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

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 three years. Interest incurred during construction is not capitalized. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

1. Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources

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

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

Retirement Plans

Substantially all of the District's employees are participants in the Oregon Public Employees Retirement System (OPERS). 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, 2017.

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, 2017

2. Cash and Investments (Continued)

Cash and investments on June 30, 2017 consist of the following:

Petty Cash	\$ 1,054
Cash with fiscal agent	13,445
Deposits with banks	1,310,016
Investments	<u>104,730,560</u>
	<u>\$ 106,055,075</u>

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

Statement of Net Position	
Cash and Investments	\$ 105,917,063
Restricted Cash and Investments	13,445
Statement of Net Position - Fiduciary Funds	
Cash and Investments - Private Purpose Trust	<u>124,567</u>
	<u>\$ 106,055,075</u>

Deposits

Custodial credit risk – Deposits

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

Deposits with financial institutions include primarily bank demand and money market deposits. The balances in these accounts according to the District's records total \$1,310,016 on June 30, 2017. The bank statement records reflect a balance of \$11,824,224 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.

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2017

2. Cash and Investments (Continued)

Investments

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>	<u>% of Investment Portfolio</u>
US Agency Securities	\$ 40,390,001	0.82	39%
US Treasury Securities	17,980,424	0.81	17%
Local Government Investment Pool	46,360,135	0.08	44%
	<u>\$ 104,730,560</u>	<u>0.49</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 unobservable 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.

2. Cash and Investments (Continued)

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, 2017 the fund’s composite weighted rating was equivalent to S&P’s AA ratings. The State’s investment policies are governed by statute and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB) and approved by the Oregon Investment Council (ORS 294.805 to 294.895).

As 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, 2017, 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 Home Loan Banks	8.96%
Federal National Mortgage Association	19.82%
Federal Home Loan Mortgage Corp	14.64%
Federal Farm Credit Banks	4.11%
U.S. Treasury	21.16%

As of June 30, 2017 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, 2017:

Property taxes receivable	
General Fund	\$ 1,251,136
Debt service fund	827,004
Total property taxes receivable	<u>2,078,140</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2017

3. Receivables (Continued)

Grants receivable	
Grants fund	852,993
Capital projects fund	2,565,939
Other governmental funds	235,907
Total grants receivable	<u>3,654,839</u>
Interest and other receivables	
General fund	483,159
Capital projects fund	127,274
Other governmental funds	2,488
Total interest and other receivables	<u>612,921</u>
 Total receivables	 <u><u>\$ 6,345,900</u></u>

4. Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not being depreciated:				
Construction in Progress	\$ 127,355	\$ 15,122,704	\$ (48,952)	\$ 15,201,107
Land	4,123,214	584,819	-	4,708,033
Total Capital Assets not being depreciated	<u>4,250,569</u>	<u>15,707,523</u>	<u>(48,952)</u>	<u>19,909,140</u>
Capital assets being depreciated:				
Buildings and improvements	117,522,063	6,025,700	-	123,547,763
Equipment	4,791,596	913,629	(38,831)	5,666,394
Total capital assets being depreciated	<u>122,313,659</u>	<u>6,939,329</u>	<u>(38,831)</u>	<u>129,214,157</u>
Less accumulated depreciation for:				
Buildings and improvements	(36,383,572)	(2,304,320)	-	(38,687,892)
Equipment	(3,075,461)	(264,813)	35,981	(3,304,293)
Total accumulated depreciation	<u>(39,459,033)</u>	<u>(2,569,133)</u>	<u>35,981</u>	<u>(41,992,185)</u>
Total capital assets being depreciated, net	<u>82,854,626</u>	<u>4,370,196</u>	<u>(2,850)</u>	<u>87,221,972</u>
Total capital assets, net	<u><u>\$ 87,105,195</u></u>	<u><u>\$ 20,077,719</u></u>	<u><u>\$ (51,802)</u></u>	<u><u>\$ 107,131,112</u></u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2017

4. Capital Assets (Continued)

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

Program	
Instructional programs	\$ 2,370,682
Supporting services	96,667
Community services	<u>101,784</u>
Total depreciation expense	<u>\$ 2,569,133</u>

Construction Commitments - The District has active construction projects as of June 30, 2017. As of the end of the fiscal year, the District is committed under various accepted bid agreements and contracts for approximately \$25,714,225 for goods, services and construction of facilities.

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, 2017. The bonds mature on June 15, 2038 with principal payments due annually on June 15th. 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 15th.

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.

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2017

5. Long-Term Debt (Continued)

Long-term liability activity for the year ended June 30, 2017 is as follows:

Issue Date	Issue Amount	Outstanding July 1, 2016	Additions	Reductions	Outstanding June 30, 2017	Due Within One Year	Interest Rates
General Obligation Bonds:							
06/26/07	\$ 62,000,000	\$ 1,925,000	\$ -	\$ 1,925,000	\$ -	\$ -	
02/27/13	42,075,000	41,245,000	-	120,000	41,125,000	2,280,000	3.0% - 5.0%
08/10/16	88,400,000	-	88,400,000	1,565,000	86,835,000	1,230,000	3.0% - 5.0%
		<u>43,170,000</u>	<u>88,400,000</u>	<u>3,610,000</u>	<u>127,960,000</u>	<u>3,510,000</u>	
Limited Tax Pension Obligation Bonds:							
10/31/02	16,044,243	12,207,368	-	327,629	11,879,739	332,249	4.82 - 5.55 %
02/19/04	13,715,000	12,155,000	-	485,000	11,670,000	570,000	4.40 - 5.53%
08/11/11	1,120,000	1,120,000	-	-	1,120,000	-	4.12%
		<u>25,482,368</u>	<u>-</u>	<u>812,629</u>	<u>24,669,739</u>	<u>902,249</u>	
Total G.O. and Pension Bonds		<u>68,652,368</u>	<u>88,400,000</u>	<u>4,422,629</u>	<u>152,629,739</u>	<u>4,412,249</u>	
Unamortized premium		5,698,433	13,381,978	1,184,259	17,896,152		
Net Pension Liability		24,131,137	36,971,441		61,102,578		
Net OPEB Obligation		2,821,733	4,112,059	-	6,933,792		
Total long-term debt		<u>\$ 101,303,671</u>	<u>\$ 142,865,478</u>	<u>\$ 5,606,888</u>	<u>\$ 238,562,261</u>		

Future maturities are as follows:

Fiscal Year	Principal	Interest
2017-2018	\$ 4,412,249	\$ 7,125,225
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
2022-2027	51,995,000	22,408,527
2027-2032	30,425,000	11,490,969
2032-2037	34,255,000	5,635,000
2038	6,625,000	265,000
Total	<u>\$ 152,629,739</u>	<u>\$ 72,887,630</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.

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2017

6. Interfund Receivables/Payables & Transfers

The composition of due to/due from balances as of June 30, 2017 is as follows:

	Due From	Due to
Major Government Funds		
General Fund	\$ 1,903,386	\$ -
Grants Fund		358,998
Capital Projects Fund		1,544,207
Other Governmental Funds	-	181
	<u>\$ 1,903,386</u>	<u>\$ 1,903,386</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 \$1,903,386 due from the Grants Fund and Capital Projects Fund to cover grant expenditures pending reimbursement.

The interfund transfers during the year ended June 30, 2017 are as follows:

	Transfer In	Transfer Out
Major Government Funds		
General Fund	\$ 69,395	\$ -
Grants Fund	185,585	-
Capital Projects Fund	-	169,395
Other Governmental Funds	-	85,585
	<u>\$ 254,980</u>	<u>\$ 254,980</u>

The District made a transfer of \$169,395 from the Capital Projects Fund to the General Fund to reimburse for capital construction expenditures made prior to the bond sale. 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. 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.

7. Pension Plan (Continued)

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

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

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

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

Pension Benefits

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

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

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

Death Benefits

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

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

7. Pension Plan (Continued)

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

Disability Benefits

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

Benefit Changes after Retirement

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2017 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

b. OPSRP Pension Program (Chapter 238A)

Pension Benefits.

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

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

Death Benefits

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

7. Pension Plan (Continued)

Disability Benefits

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

Benefit Changes after Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2017 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Contributions

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

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2015. The District made lump sum payments to establish side accounts in 2002 and 2004, which reduces the District rates below the standard School District Pool rates. The District's contractually required contribution rate for the year ended June 30, 2017 was 13.28% of eligible payroll for Tier 1/Tier 2 members and 8.59% of eligible payroll for OPSRP members. Employer contributions for the year ended June 30, 2017 were \$3,913,232, excluding amounts to fund employer specific liabilities. \$2,521,916 was charged for the year ended June 30, 2017 as PERS benefit expenditures to be used for bond payments as they become due. In addition, \$1,611,588 in employee contributions were paid by the district for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$61,102,578 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. 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, 2016 the District's proportion was .41% which was .01% less than its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized a pension expense of \$10.75 million. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2017

7. Pension Plan (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,021,540	
Changes in assumptions	13,031,712	
Net difference between projected and actual earnings on investments	12,071,306	
Changes in proportionate share	7,760	\$ 714,915
Differences between employer contributions and employer's proportionate share of system contributions`	109,878	273,476
District contributions subsequent to the measurement date	<u>3,706,106</u>	<u>-</u>
Total	<u><u>30,948,302</u></u>	<u><u>988,391</u></u>

District contributions subsequent to the measurement date of \$3,706,106 reported as deferred outflows of resources related to pensions will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported by the District as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in subsequent years as follows:

	<u>Pension Expense</u>
June 30, 2018	\$ 4,685,314
June 30, 2019	4,685,314
June 30, 2020	9,118,972
June 30, 2021	6,838,481
June 30, 2022	925,723

Actuarial Methods and Assumptions:

Actuarial Valuations

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

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

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

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2017

7. Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.50 percent (reduced from 2.75%)
Investment rate of return	7.50 percent (reduced from 7.75%)
Discount rate	7.50 percent (reduced from 7.75%)
Projected salary increases	3.50 percent (reduced from 3.75%)
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>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: 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>

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.

7. Pension Plan (Continued)

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/Pages/Financials/Actuarial-Financial-Information.aspx>

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2017

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)	\$ 98,660,289	\$ 61,102,578	\$ 29,710,902

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

Since the December 31, 2013 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in Moro v. State of Oregon, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by Employers compare to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contribution effort has been adjusted for the estimated impact of the Moro Decision. Following the completion of the December 31, 2014 actuarial valuation, the PERS Board adopted several assumption changes, including lowering the investment return from 7.75% to 7.50%.

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, 2017 there were 11 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, 2017

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 \$6,933,792 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, 2017
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, 2017

8. Other Post Employment Benefits (Continued)

Changes in the Total OPEB Liability:

Balance at June 30, 2016	\$ 6,766,009
Service cost	368,286
Interest	202,460
Benefit payments	<u>(402,963)</u>
Balance at June 30, 2017	<u>\$ 6,933,792</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	\$ 7,473,042	\$ 6,933,792	\$ 6,434,340

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	\$ 6,142,918	\$ 6,933,792	\$ 7,870,261

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, 2017, 228 employees were participating in the plan.

9. Other Post Employment Benefits

OPERS Retirement Health Insurance Account Plan Description

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

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

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

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

Fiscal Year Ended	RHIA Contributions
June 30, 2014	\$ 173,582
June 30, 2015	180,028
June 30, 2016	169,609
June 30, 2017	176,610

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. New Accounting Standards Implemented

For the fiscal year ended June 30, 2017 the District implemented the following new accounting standards:

GASB statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses for postemployment benefits other than pensions.

The implementation of GASB Statement 75 resulted in the restatement of the beginning net position of the governmental activities in the government-wide financial statements as follows:

Net position at June 30, 2016	\$ 9,168,618
Change in reporting for total OPEB liability	<u>(3,944,276)</u>
Net position at June 30, 2016, restated	<u>\$ 5,224,342</u>

12. New Accounting Standards Implemented (Continued)

GASB Statement No. 77 "Tax Abatement Disclosures." The statement establishes accounting and reporting guidance on tax abatement agreements for governments. The statement is effective for fiscal years beginning after December 15, 2015. The District anticipates no financial impact as a result of implementing this statement.

GASB Statement No. 79 "Certain External Investment Pools and Pool Participants." This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The statement is effective for fiscal years beginning after December 15, 2015. The District anticipates no financial impact as a result of implementing this statement.

13. Expenditures in Excess of Appropriations

Oregon law prohibits expenditures in excess of board approved appropriations. The board approves appropriations by function for each fund type. Expenditures in the Debt Service fund debt service function exceed appropriations by \$125.

REQUIRED
SUPPLEMENTARY INFORMATION

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF CHANGES IN TOTAL OTHER
 POST EMPLOYMENT BENEFITS AND RELATED RATIOS
 June 30, 2017

	June 30, 2017
Total OPEB Liability - Beginning	\$ 6,766,009
Service Cost	368,286
Interest	202,460
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions or Other Input	-
Benefit Payments	<u>(402,963)</u>
Net Change in Total OPEB Liability	<u>167,783</u>
Total Liability - End of Year	<u><u>\$ 6,933,792</u></u>
Covered Payroll	N/A
Total OPEB Liability as Percentage of Covered Payroll	N/A

N/A = Not Available

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, 2017

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

<u>Fiscal Year Ended</u>	<u>(a) District's Proportion of the net pension Liability (NPL)</u>	<u>(b) District's Proportionate Share of the Net Pension Liability (NPL)</u>	<u>(c) District's Covered Payroll</u>	<u>(b/c) NPL as a Percentage of covered Payroll</u>	<u>Plan Fiduciary net position as a percentage of the total pension liability</u>
June 30, 2014	0.4179%	\$ 21,418,478	30,469,297	70.30%	91.97%
June 30, 2015	0.4179%	-9,513,317	31,518,849	-30.18%	103.60%
June 30, 2016	0.4203%	24,131,137	32,826,426	73.51%	91.88%
June 30, 2017	0.4070%	61,102,578	34,416,163	177.54%	80.53%

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

SCHEDULE OF DISTRICT CONTRIBUTIONS

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

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, 2017

	Budget		Actual	Variance with Final budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Property Taxes	\$ 13,050,000	\$ 13,050,000	\$ 13,013,231	\$ (36,769)
Tuition	185,000	185,000	175,735	(9,265)
Investment Earnings	135,000	135,000	174,327	39,327
Extracurricular Activities	153,000	153,000	155,425	2,425
Community Service Activities	94,500	94,500	140,285	45,785
Rentals	15,000	15,000	9,759	(5,241)
Fees Charged to Grants	115,000	115,000	94,304	(20,696)
Miscellaneous Local Sources	45,000	45,000	17,823	(27,177)
Total Local Revenues	13,792,500	13,792,500	13,780,889	(11,611)
Revenues from Intermediate Sources				
ESD Apportionment	2,200,000	2,200,000	2,172,679	(27,321)
County School Fund	30,000	30,000	6,658	(23,342)
Total Intermediate Sources	2,230,000	2,230,000	2,179,337	(50,663)
Revenues from State Sources				
State School Fund Support	48,571,083	48,571,083	46,863,080	(1,708,003)
Common School Fund	663,630	663,630	843,579	179,949
Total State Revenues	49,234,713	49,234,713	47,706,659	(1,528,054)
Revenues from Federal Sources				
Child Care and Development Fund	20,000	20,000	5,458	(14,542)
Child Care Food Program	-	-	4,457	4,457
Total Federal Revenues	20,000	20,000	9,915	(10,085)
Total Revenues	65,277,213	65,277,213	63,676,800	(1,600,413)
Expenditures				
Instruction *	43,343,172	43,343,172	42,293,670	1,049,502
Support Services *	22,074,041	22,074,041	21,051,332	1,022,709
Facilities Acquisition and Construction *	10,000	10,000	-	10,000
Contingencies *	500,000	500,000	-	500,000
Total Expenditures	65,927,213	65,927,213	63,345,002	2,582,211
Excess (Deficiency) of Revenues Over (Under) Expenditures	(650,000)	(650,000)	331,798	981,798
Other Financing Sources (Uses):				
Transfers out *	(850,000)	(850,000)	(850,000)	-
Total Other Financing Sources (Uses)	(850,000)	(850,000)	(850,000)	-
Net Change in Fund Balance	(1,500,000)	(1,500,000)	(518,202)	981,798
Fund Balance				
Beginning of Year	6,000,000	6,000,000	6,647,752	647,752
End of Year	\$ 4,500,000	\$ 4,500,000	6,129,550	\$ 1,629,550
* Legally adopted appropriation level				
Reconciliation to Governmental Ending Fund Balance:				
Asset Reserve Fund			2,820,055	
Textbook and Technology Replacement Fund			179,300	
Insurance Reserve Fund			590,157	
Total Governmental Funds			\$ 9,719,062	

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, 2017

	Budget		Actual	Variance with Final budget
	Adopted	Final		
Revenues				
Local Sources	\$ 228,000	\$ 228,000	\$ 316,815	\$ 88,815
Intermediate Sources	190,000	190,000	159,730	(30,270)
State Sources	930,000	930,000	372,295	(557,705)
Federal Sources	4,601,000	4,601,000	3,470,994	(1,130,006)
Total Revenues	5,949,000	5,949,000	4,319,834	(1,629,166)
Expenditures				
Instruction *	3,958,854	3,958,854	3,309,246	649,608
Support Services *	1,804,612	1,804,612	1,064,710	739,902
Community Services *	275,534	275,534	74,829	200,705
Facilities Acquisition and Construction *	170,000	170,000	-	170,000
Total Expenditures	6,209,000	6,209,000	4,448,785	1,760,215
Excess (Deficiency) of Revenues Over (Under) Expenditures	(260,000)	(260,000)	(128,951)	131,049
Other Financing Sources (Uses):				
Transfers in	200,000	200,000	185,585	(14,415)
Total Other Financing Sources (Uses)	200,000	200,000	185,585	(14,415)
Net Change in Fund Balance	(60,000)	(60,000)	56,634	116,634
Fund Balances				
Beginning of Year	60,000	60,000	262,857	202,857
End of Year	\$ -	\$ -	\$ 319,491	\$ 319,491

* 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/section/er_general_information/gasb-68.aspx

Changes in Assumptions

A summary of key changes implemented since the December 31, 2014 valuation are described in the Oregon Public Retirement System's GASB 68 disclosure information which can be found at:
https://www.oregon.gov/pers/EMP/Pages/section/er_general_information/gasb-68.aspx

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

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, 2017

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, 2017

	General	Asset Reserve	Textbooks and Technology Reserve	Insurance Reserve	Totals
ASSETS					
Cash and Investments	\$ 10,300,501	\$ 3,091,554	\$ 349,041	\$ 595,673	\$ 14,336,769
Receivables					
Property Taxes	1,251,136	-	-	-	1,251,136
Interest Receivable	2,344	-	-	-	2,344
Accounts and grants receivable	480,815	-	-	-	480,815
Due from Other Funds	1,903,386	-	-	-	1,903,386
Total Assets	<u>\$ 13,938,182</u>	<u>\$ 3,091,554</u>	<u>\$ 349,041</u>	<u>\$ 595,673</u>	<u>\$ 17,974,450</u>
LIABILITIES					
Accounts Payable	\$ 484,641	\$ 271,499	\$ 169,741	\$ 5,516	\$ 931,397
Accrued Payroll and Payroll Liabilities	6,258,582	-	-	-	6,258,582
Total Liabilities	<u>6,743,223</u>	<u>271,499</u>	<u>169,741</u>	<u>5,516</u>	<u>7,189,979</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	1,065,409	-	-	-	1,065,409
Total Deferred Inflows of Resources	<u>1,065,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,065,409</u>
FUND BALANCES					
Fund Balances					
Committed to					
Asset Reserve	-	2,820,055	-	-	2,820,055
Textbook and Technology Replacement	-	-	179,300	-	179,300
Insurance Reserve	-	-	-	590,157	590,157
Unassigned	6,129,550	-	-	-	6,129,550
Total Fund Balances	<u>6,129,550</u>	<u>2,820,055</u>	<u>179,300</u>	<u>590,157</u>	<u>9,719,062</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,938,182</u>	<u>\$ 3,091,554</u>	<u>\$ 349,041</u>	<u>\$ 595,673</u>	<u>\$ 17,974,450</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 MAJOR GOVERNMENTAL FUND - GENERAL FUND
 Year Ended June 30, 2017

	General	Asset Reserve	Textbooks and Technology Reserve	Insurance Reserve	Total
Revenues					
Local Sources					
Property Taxes	\$ 13,013,231	\$ -	\$ -	\$ -	\$ 13,013,231
Charges for Services	471,445	-	-	-	471,445
Rentals	9,759	29,883	-	-	39,642
Investment Earnings	174,327	33,588	3,254	6,596	217,765
Fees Charged to Grants	94,304	-	-	-	94,304
Miscellaneous	17,823	-	14,440	48,203	80,466
Intergovernmental					
Intermediate Sources	2,179,337	-	-	-	2,179,337
State Sources	47,706,659	-	-	31,620	47,738,279
Federal Sources	9,915	-	-	-	9,915
Total Revenues	63,676,800	63,471	17,694	86,419	63,844,384
Expenditures					
Instruction	42,293,670	-	509,794	1,861	42,805,325
Support Services	21,051,332	81,423	-	185,287	21,318,042
Facilities Acquisition and Construction	-	724,316	-	-	724,316
Total Expenditures	63,345,002	805,739	509,794	187,148	64,847,683
Excess (Deficiency) of Revenues Over (Under) Expenditures	331,798	(742,268)	(492,100)	(100,729)	(1,003,299)
Other Financing Sources (Uses)					
Sale of Assets	-	6,730	-	-	6,730
Transfer In	-	669,395	250,000	-	919,395
Transfers Out	(850,000)	-	-	-	(850,000)
Total Other Sources (Uses)	(850,000)	676,125	250,000	-	76,125
Net Change in Fund Balance	(518,202)	(66,143)	(242,100)	(100,729)	(927,174)
Fund Balances					
Beginning of Year	6,647,752	2,886,198	421,400	690,886	10,646,236
End of Year	<u>\$ 6,129,550</u>	<u>\$ 2,820,055</u>	<u>\$ 179,300</u>	<u>\$ 590,157</u>	<u>\$ 9,719,062</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, 2017

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Local Sources				
Investment Earnings	\$ 18,000	\$ 18,000	\$ 33,588	\$ 15,588
Rentals	37,000	37,000	29,883	(7,117)
Miscellaneous Local Sources	10,000	10,000	-	(10,000)
Total Revenue	<u>65,000</u>	<u>65,000</u>	<u>63,471</u>	<u>(1,529)</u>
Expenditures				
Support Services *	300,000	300,000	81,423	218,577
Facilities Acquisition and Construction *	3,665,000	3,665,000	724,316	2,940,684
Total Expenditures	<u>3,965,000</u>	<u>3,965,000</u>	<u>805,739</u>	<u>3,159,261</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,900,000)</u>	<u>(3,900,000)</u>	<u>(742,268)</u>	<u>3,157,732</u>
Other Financing Sources				
Sale of Assets	-	-	6,730	(6,730)
Transfer in	1,000,000	1,000,000	669,395	(330,605)
Total Other Sources *	<u>1,000,000</u>	<u>1,000,000</u>	<u>676,125</u>	<u>(337,335)</u>
Net Change in Fund Balance	(2,900,000)	(2,900,000)	(66,143)	2,820,397
Fund Balance				
Beginning of Year	<u>2,900,000</u>	<u>2,900,000</u>	<u>2,886,198</u>	<u>(13,802)</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,820,055</u>	<u>\$ 2,806,595</u>

* 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, 2017

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Local Sources				
Investment Earnings	\$ -	\$ -	\$ 3,254	\$ 3,254
Miscellaneous Local Sources	-	-	14,440	14,440
Total Revenue	-	-	17,694	17,694
Expenditures				
Instruction *	750,000	750,000	509,794	240,206
Total Expenditures	750,000	750,000	509,794	240,206
Excess (Deficiency) of Revenues Over (Under) Expenditures	(750,000)	(750,000)	(492,100)	257,900
Other Financing Sources				
Transfer in	250,000	250,000	250,000	-
Total Other Sources *	250,000	250,000	250,000	-
Net Change in Fund Balance	(500,000)	(500,000)	(242,100)	257,900
Fund Balance				
Beginning of Year	500,000	500,000	421,400	(78,600)
End of Year	\$ -	\$ -	\$ 179,300	\$ 179,300

* 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, 2017

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Local Sources				
Investment Earnings	\$ 5,000	\$ 5,000	\$ 6,596	\$ 1,596
Miscellaneous Local Sources	60,000	60,000	48,203	(11,797)
Intergovernmental				
Other Restricted Grants-in-Aid	-	-	31,620	31,620
Total Revenue	65,000	65,000	86,419	21,419
Expenditures				
Instruction *	100,000	100,000	1,861	98,139
Support Services *	345,000	345,000	185,287	159,713
Contingencies *	320,000	320,000	-	320,000
Total Expenditures	765,000	765,000	187,148	577,852
Excess (Deficiency) of Revenues Over (Under) Expenditures	(700,000)	(700,000)	(100,729)	599,271
Fund Balance				
Beginning of Year	700,000	700,000	690,886	(9,114)
End of Year	\$ -	\$ -	\$ 590,157	\$ 590,157

* 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, 2017

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Local Sources				
Property Taxes	\$ 8,536,000	\$ 8,536,000	\$ 8,642,383	\$ 106,383
Investment Earnings	30,000	30,000	51,372	21,372
Total Revenue	<u>8,566,000</u>	<u>8,566,000</u>	<u>8,693,755</u>	<u>127,755</u>
Expenditures				
Debt Service *				
Redemption of Principal	3,110,000	3,110,000	3,610,000	(500,000)
Interest	5,431,131	5,431,131	4,931,256	499,875
Total Expenditures	<u>8,541,131</u>	<u>8,541,131</u>	<u>8,541,256</u>	<u>(125)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	24,869	24,869	152,499	127,630
Fund Balance				
Beginning of Year	<u>685,000</u>	<u>685,000</u>	<u>802,803</u>	<u>117,803</u>
End of Year	<u>\$ 709,869</u>	<u>\$ 709,869</u>	<u>\$ 955,302</u>	<u>\$ 245,433</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, 2017

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Local Sources				
Investment Earnings	\$ 700,000	\$ 700,000	\$ 499,646	\$ (200,354)
Miscellaneous	-	-	578,553	578,553
Intergovernmental				
State Sources	2,000,000	2,000,000	4,244,699	2,244,699
Total Revenue	2,700,000	2,700,000	5,322,898	2,622,898
Expenditures				
Facilities Acquisition and Construction *	37,100,000	37,100,000	21,065,528	16,034,472
Contingencies *	4,500,000	4,500,000	-	4,500,000
Total Expenditures	41,600,000	41,600,000	21,065,528	20,534,472
Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,900,000)	(38,900,000)	(15,742,630)	23,157,370
Other Financing Sources (Uses)				
Proceeds from Bonds Issued	89,400,000	89,400,000	88,400,000	(1,000,000)
Premium on Bond Issuance	-	-	13,381,978	13,381,978
Transfers (Out)	(500,000)	(500,000)	(169,395)	330,605
Total Other Sources (Uses)	88,900,000	88,900,000	101,612,583	12,712,583
Net Change in Fund Balance	50,000,000	50,000,000	85,869,953	35,869,953
Fund Balance				
Beginning of Year	-	-	-	-
End of Year	\$ 50,000,000	\$ 50,000,000	\$ 85,869,953	\$ 35,869,953

* 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, 2017

	Special Revenue Funds				Total
	Nutrition Services	Student Body	Construction Excise Tax	PERS Debt Service	
ASSETS					
ASSETS					
Cash and Investments	\$ 891,499	\$ 417,309	\$ 721,877	\$ 549,923	\$ 2,580,608
Accounts and Grants Receivable	238,395	-	-	-	238,395
Restricted Cash and Investments	-	-	-	13,292	13,292
Total Assets	\$ 1,129,894	\$ 417,309	\$ 721,877	\$ 563,215	\$ 2,832,295
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 4,075	\$ -	\$ 322,546	\$ -	\$ 326,621
Due to Other Funds	181	-	-	-	181
Total Liabilities	4,256	-	322,546	-	326,802
FUND BALANCES					
Restricted for					
Capital Improvements	-	-	399,331	-	399,331
Student Body Activities	-	417,309	-	-	417,309
Nutrition Services	1,125,638	-	-	-	1,125,638
Committed To					
PERS Debt Service	-	-	-	563,215	563,215
Total Fund Balances	1,125,638	417,309	399,331	563,215	2,505,493
Total Liabilities and Fund Balances	\$ 1,129,894	\$ 417,309	\$ 721,877	\$ 563,215	\$ 2,832,295

McMINNVILLE SCHOOL DISTRICT NO. 40
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2017

	Special Revenue Funds				Total
	Nutrition Services	Student Body	Construction Excise Tax	PERS Debt Service	
Revenues					
Local Sources	\$ 114,569	\$ 1,010,785	\$ 430,363	\$ 2,544,337	\$ 4,100,054
State Sources	66,061	-	-	-	66,061
Federal Sources	3,377,187	-	-	-	3,377,187
Total Revenues	3,557,817	1,010,785	430,363	2,544,337	7,543,302
Expenditures					
Instruction	-	1,026,915	-	-	1,026,915
Enterprise and Community Services	3,230,906	-	-	-	3,230,906
Facilities Acquisition and Construction	-	-	1,826,123	-	1,826,123
Debt Service					
Principal	-	-	-	812,629	812,629
Interest	-	-	-	1,744,317	1,744,317
Total Expenditures	3,230,906	1,026,915	1,826,123	2,556,946	8,640,890
Excess (Deficiency) of Revenues Over (Under) Expenditures	326,911	(16,130)	(1,395,760)	(12,609)	(1,097,588)
Other Financing Sources (Uses Transfers Out)	-	(85,585)	-	-	(85,585)
Net Change in Fund Balance	326,911	(101,715)	(1,395,760)	(12,609)	(1,183,173)
Fund Balances					
Beginning of Year	798,727	519,024	1,795,091	575,824	3,688,666
End of Year	<u>\$ 1,125,638</u>	<u>\$ 417,309</u>	<u>\$ 399,331</u>	<u>\$ 563,215</u>	<u>\$ 2,505,493</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, 2017

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Sales	\$ 114,000	\$ 114,000	\$ 92,492	\$ (21,508)
Investment Earnings	2,000	2,000	7,246	5,246
Miscellaneous Local Sources	8,500	8,500	14,831	6,331
Total Local Sources	124,500	124,500	114,569	(9,931)
Revenue from State Sources				
State School Fund	31,000	31,000	31,507	507
State Restricted Grants	30,000	30,000	34,554	4,554
Total State Sources	61,000	61,000	66,061	5,061
Revenues from Federal Sources				
National School Lunch Program	3,520,000	3,520,000	3,084,836	(435,164)
U.S.D.A. Donated Commodities	240,500	240,500	233,894	(6,606)
Federal Restricted Grants	57,000	57,000	58,457	1,457
Total Federal Sources	3,817,500	3,817,500	3,377,187	(440,313)
Total Revenues	4,003,000	4,003,000	3,557,817	(445,183)
Expenditures				
Enterprise and Community Services *	4,003,000	4,003,000	3,230,906	772,094
Contingency	400,000	400,000	-	400,000
Total Expenditures	4,403,000	4,403,000	3,230,906	1,172,094
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	(400,000)	(400,000)	326,911	726,911
Fund Balance				
Beginning of Year	400,000	400,000	798,727	398,727
End of Year	\$ -	\$ -	\$ 1,125,638	\$ 1,125,638

* 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, 2017

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Local Sources				
Extracurricular Activities	\$ 1,250,000	\$ 1,250,000	\$ 1,010,785	\$ (239,215)
Expenditures				
Instruction *	1,650,000	1,650,000	1,026,915	623,085
Excess (Deficiency) of Revenues Over (Under) Expenditures	(400,000)	(400,000)	(16,130)	383,870
Other Financing Sources (Uses) Transfers (Out)	(100,000)	(100,000)	(85,585)	14,415
Net Change in Fund Balance	(500,000)	(500,000)	(101,715)	398,285
Fund Balance				
Beginning of Year	500,000	500,000	519,024	19,024
End of Year	\$ -	\$ -	\$ 417,309	\$ 417,309

* 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, 2017

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Local Sources				
Excise Tax	\$ 300,000	\$ 300,000	\$ 409,358	\$ 109,358
Investment Earnings	13,000	13,000	21,005	8,005
Total Revenues	313,000	313,000	430,363	117,363
Expenditures				
Facilities Acquisition and Construction*	2,013,000	2,013,000	1,826,123	186,877
Total Expenditures	2,013,000	2,013,000	1,826,123	186,877
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,700,000)	(1,700,000)	(1,395,760)	304,240
Fund Balance				
Beginning of the Year	1,700,000	1,700,000	1,795,091	95,091
End of Year	\$ -	\$ -	\$ 399,331	\$ 399,331

* 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, 2017

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Local Sources				
Investment Earnings	\$ 12,000	\$ 12,000	\$ 19,677	\$ 7,677
Services Provided to Other Funds	2,544,947	2,544,947	2,524,660	(20,287)
Total Revenues	<u>2,556,947</u>	<u>2,556,947</u>	<u>2,544,337</u>	<u>(12,610)</u>
Expenditures				
Debt Service *				
Redemption of Principal	812,629	812,629	812,629	-
Interest	1,774,318	1,774,318	1,744,317	30,001
Total Debt Service	<u>2,586,947</u>	<u>2,586,947</u>	<u>2,556,946</u>	<u>30,001</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(30,000)	(30,000)	(12,609)	17,391
Fund Balance				
Beginning of Year	<u>530,000</u>	<u>530,000</u>	<u>575,824</u>	<u>45,824</u>
End of Year	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 563,215</u>	<u>\$ 63,215</u>

* Legally adopted appropriation level

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FIDUCIARY FUNDS

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

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

MCMINNVILLE SCHOOL DISTRICT NO. 40
PRIVATE PURPOSE TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budget		Actual	Variance Favorable (Unfavorable)
	Adopted	Final		
Revenues				
Local Sources				
Earnings on Investments	\$ 500	\$ 500	\$ 1,254	\$ 754
Contributions	10,000	10,000	1,900	(8,100)
Total Revenues	10,500	10,500	3,154	(7,346)
Expenditures				
Community Services *	50,000	50,000	6,000	44,000
Operating Contingencies *	78,500	78,500	-	78,500
Total Expenditures	128,500	128,500	6,000	122,500
Excess (Deficiency) of Revenues Over (Under) Expenditures	(118,000)	(118,000)	(2,846)	115,154
Fund Balances				
Beginning of Year	118,000	118,000	127,413	9,413
End of Year	\$ -	\$ -	\$ 124,567	\$ 124,567

* Legally adopted appropriation level

OTHER FINANCIAL SCHEDULES

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF PROPERTY TAX TRANSACTIONS
 Year Ended June 30, 2017

<u>Tax Roll Year</u>	<u>Uncollected July 1, 2016 and Tax Levy</u>	<u>Less Discounts</u>	<u>Net Adjustments</u>	<u>Collections</u>	<u>Uncollected June 30, 2017</u>
2016-2017	\$ 22,110,201	\$ 562,914	\$ (87,889)	\$ 20,749,859	\$ 709,539
2015-2016	764,151	-	(32,626)	354,190	377,335
2014-2015	422,298	-	(8,342)	171,353	242,603
2013-2014	302,635	-	(8,510)	131,813	162,312
2012-2013	203,231	-	(13,854)	89,521	99,856
2011-2012	94,462	-	(2,366)	5,980	86,116
Prior	211,694	-	(9,464)	12,273	189,957
	<u>\$ 24,108,672</u>	<u>\$ 562,914</u>	<u>\$ (163,051)</u>	21,514,989	<u>\$ 1,867,718</u>
Interest				147,493	
Offsets and other adjustments				(2,141)	
Undistributed tax collections, June 30, 2017				98,815	
Undistributed tax collections, June 30, 2016				(103,542)	
Revenue Turned Over to District				<u>\$ 21,655,614</u>	
			<u>General Fund</u>	<u>Debt Sevice Fund</u>	<u>Total Revenue</u>
Current Year's Taxes			\$ 12,528,476	\$ 8,316,791	\$ 20,845,267
Prior Year's Taxes			484,755	325,592	810,347
Revenue Turned Over to District			<u>\$ 13,013,231</u>	<u>\$ 8,642,383</u>	<u>\$ 21,655,614</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 SUPPLEMENTAL INFORMATION AS REQUIRED
 BY THE OREGON DEPARTMENT OF EDUCATION
 Year Ended June 30, 2017

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

	Objects 325 & 326
Function 2540	\$ 973,706
Function 2550	\$ -

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

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

Exclude these functions:

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

McMINNVILLE SCHOOL DISTRICT NO. 40
REVENUE SUMMARY - ALL FUNDS
Year Ended June 30, 2017

	General Fund 100	Special Revenue Fund 200	Debt Service Fund 300	Capital Projects Fund 400	Trust Fund 700	Total
Local Sources						
1111 Current year taxes	\$ 12,528,476	\$ -	\$ 8,316,791	\$ -	\$ -	\$ 20,845,267
1112 Prior year taxes	484,755	-	325,592	-	-	810,347
1130 Construction Excise Tax	-	409,358	-	-	-	409,358
1300 Tuition	175,735	-	-	-	-	175,735
1500 Earnings on Investments	174,327	71,689	71,049	499,646	1,254	817,965
1600 Food Service	-	92,492	-	-	-	92,492
1700 Extra-Curricular Activities	155,425	1,048,503	-	-	-	1,203,928
1800 Community Service Activities	140,285	-	-	-	-	140,285
1910 Rentals	9,759	29,883	-	-	-	39,642
1920 Contributions and Donations	-	172,200	-	-	1,900	174,100
1970 Services Provided Other Funds	-	-	2,524,660	-	-	2,524,660
1980 Fees Charged to Grants	94,304	-	-	-	-	94,304
1990 Miscellaneous	17,823	191,101	-	578,553	-	787,477
Total Local Sources	13,780,889	2,015,226	11,238,092	1,078,199	3,154	28,115,560
Intermediate Sources						
2101 County School Fund	6,658	-	-	-	-	6,658
2102 ESD Apportionment	2,172,679	-	-	-	-	2,172,679
2199 Other Intermediate Sources	-	159,730	-	-	-	159,730
Total Intermediate Sources	2,179,337	159,730	-	-	-	2,339,067
State Sources						
3101 State School Fund	46,863,080	-	-	-	-	46,863,080
3102 State School Fund Match	-	31,507	-	-	-	31,507
3103 Common School Fund	843,579	-	-	-	-	843,579
3199 Unrestricted Grants-In-Aid	-	31,620	-	-	-	31,620
3299 Other Restricted Grants-In-Aid	-	406,849	-	4,244,699	-	4,651,548
Total State Sources	47,706,659	469,976	-	4,244,699	-	52,421,334
Federal Sources						
4300 Restricted Direct from Federal	-	-	-	-	-	-
4500 Restricted Through State	9,915	6,578,037	-	-	-	6,587,952
4700 Restricted Through Intermediate	-	36,250	-	-	-	36,250
4900 Commodities	-	233,894	-	-	-	233,894
Total Federal Sources	9,915	6,848,181	-	-	-	6,858,096
Other Sources						
5100 Long-term Debt Financing	-	-	-	101,781,978	-	101,781,978
5200 Interfund Transfers In	-	1,104,980	-	-	-	1,104,980
Total Other Sources	-	1,104,980	-	101,781,978	-	102,886,958
TOTAL REVENUES	\$ 63,676,800	\$ 10,598,093	\$ 11,238,092	\$ 107,104,876	\$ 3,154	\$ 192,621,015

McMINNVILLE SCHOOL DISTRICT NO. 40
GENERAL FUND (100) EXPENDITURE SUMMARY (BUDGETARY BASIS)
Year Ended June 30, 2017

	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Transfers Object 700	Total
Instruction								
1111 Elementary Programs	\$ 9,434,848	\$ 5,547,048	\$ 96,588	\$ 282,497	\$ -	\$ -	\$ -	\$ 15,360,981
1121 Middle/Junior High Programs	4,242,785	2,423,455	39,019	108,035	-	320	-	6,813,614
1122 Middle/Junior High School Extracurricular	106,417	23,311	11,956	21,951	-	-	-	163,635
1131 High School Programs	5,690,160	3,229,934	152,176	194,705	-	14,936	-	9,281,911
1132 High School Extracurricular	308,036	83,391	56,801	63,871	-	8,840	-	520,939
1140 Pre-kindergarten Programs	34,825	34,505	-	1,844	-	-	-	71,174
1210 Programs for the Talented and Gifted	137,484	90,456	-	4,839	-	-	-	232,779
1220 Restrictive programs for students with disabilities	1,388,803	1,005,528	-	7,056	-	-	-	2,401,387
1250 Less restrictive programs for students with disabilities	1,610,148	1,137,458	-	4,166	-	-	-	2,751,772
1280 Alternative Education	820,508	523,282	-	6,736	-	-	-	1,350,526
1291 English Second Language Programs	1,778,337	1,204,604	3,616	21,369	-	-	-	3,007,926
1292 Teen Parent Programs	144,422	97,978	-	12,892	-	-	-	255,292
1299 Other Programs	32,790	4,133	22	-	-	-	-	36,945
1400 Summer School Programs	33,626	10,798	-	365	-	-	-	44,789
Total Instruction	25,763,189	15,415,881	360,178	730,326	-	24,096	-	42,293,670
Support Services								
2110 Attendance and Social Work Services	697,871	459,260	3,832	212,250	-	-	-	1,373,213
2120 Guidance Services	1,018,543	630,283	125	2,331	-	-	-	1,651,282
2130 Health Services	138,436	96,094	968	(1,284)	-	140	-	234,354
2140 Psychological Services	277,300	167,917	21,332	5,560	-	-	-	472,109
2150 Speech Pathology and Audiology Services	306,339	191,483	199,448	-	-	1,090	-	698,360
2190 Service Direction: Student Support Services	292,093	147,996	7,075	6,709	-	210	-	454,083
2210 Improvement of Instruction Services	583,351	313,008	24,008	110,646	-	-	-	1,031,013
2220 Educational Media Services	660,264	422,930	-	52,034	-	-	-	1,135,228
2230 Assessment and Testing	-	-	600	12,417	-	-	-	13,017
2240 Instructional Staff Development	81,690	42,477	119,314	8,847	-	-	-	252,328
2310 Board of Education Services	-	-	128,274	14,808	-	113,597	-	256,679
2320 Executive Administration Services	242,685	159,266	5,820	8,020	-	1,065	-	416,856
2410 Office of the Principal Services	2,159,414	1,253,917	23,624	67,414	-	92	-	3,504,461
2510 Direction of Business Support Services	130,655	69,332	809	2,670	-	-	-	203,466
2520 Fiscal Services	321,483	174,366	9,918	8,348	-	16,729	-	530,844
2540 Operation and Maintenance of Plant Services	1,642,136	1,135,094	1,648,306	202,922	-	244,951	-	4,873,409
2550 Student Transportation Services	26,114	12,015	2,146,614	7	-	-	-	2,184,750
2570 Internal Services	-	-	57,300	31,670	-	-	-	88,970
2610 Direction of Central Support Services	254,206	130,841	67,453	9,439	-	15,814	-	477,753
2630 Information Services	52,552	25,999	21,886	12,061	-	-	-	112,498
2660 Technology Services	455,291	264,285	118,027	116,188	-	-	-	953,791
2700 Supplemental Retirement Program	75,520	57,348	-	-	-	-	-	132,868
Total Support Services	9,415,943	5,753,911	4,604,733	883,057	-	393,688	-	21,051,332
Other Functions								
5200 Transfers of Funds	-	-	-	-	-	-	850,000	850,000
Total Other Functions	-	-	-	-	-	-	850,000	850,000
TOTAL EXPENDITURES	\$ 35,179,132	\$ 21,169,792	\$ 4,964,911	\$ 1,613,383	\$ -	\$ 417,784	\$ 850,000	\$ 64,195,002

McMINNVILLE SCHOOL DISTRICT NO. 40
 SPECIAL REVENUE FUNDS (200) EXPENDITURE SUMMARY (BUDGETARY BASIS)
 Year Ended June 30, 2017

	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Transfers Object 700	Total
Instruction								
1111 Elementary Programs	\$ 12,663	\$ 1,032	\$ 4,020	\$ 216,935	\$ -	\$ -	\$ -	\$ 234,650
1113 Elementary Extracurricular	-	-	-	6,351	-	-	-	6,351
1121 Middle/Junior High Programs	965	173	3,678	190,446	-	-	-	195,262
1122 Middle/Junior High School Extracurricular	3,683	1,096	-	157,413	-	-	-	162,192
1131 High School Programs	60,548	25,514	30,128	397,202	48,180	-	-	561,572
1132 High School Extra-curricular	3,790	434	-	886,655	-	-	-	890,879
1140 Pre-kindergarten Programs	43,077	35,570	-	40,221	-	-	-	118,868
1220 Restrictive programs for students with disabilities	191,852	127,733	54,483	523	-	-	-	374,591
1250 Less restrictive programs for students with disabilities	147,344	118,067	-	5,412	-	-	-	270,823
1271 Remediation	298,034	79,371	166	18,369	-	12,387	-	408,327
1272 Title I	836,183	602,355	-	8,592	-	51,470	-	1,498,600
1291 English Second Language Programs	22,204	15,063	-	13,373	-	-	-	50,640
1292 Teen Parent Programs	1,279	275	600	-	-	-	-	2,154
1400 Summer School Programs	52,113	14,683	-	6,111	-	-	-	72,907
Total Instruction	1,673,735	1,021,366	93,075	1,947,603	48,180	63,857	-	4,847,816
Support Services								
2110 Attendance and Social Work Services	7,193	2,087	-	23,581	-	541	-	33,402
2120 Guidance Services	1,067	1,633	-	-	-	-	-	2,700
2140 Psychological Services	198,893	119,622	4,697	6,138	-	-	-	329,350
2150 Speech Pathology and Audiology Services	27,852	24,068	63,117	-	-	-	-	115,037
2160 Other Student Treatment	-	-	126,964	-	-	-	-	126,964
2190 Service Direction: Student Support Services	-	-	-	-	-	21,876	-	21,876
2210 Improvement of Instruction Services	6,030	494	-	5,888	-	1,782	-	14,194
2220 Educational Media Services	-	-	-	25,018	-	-	-	25,018
2240 Instructional Staff Development	94,662	18,362	95,797	24,130	-	8,585	-	241,536
2410 Office of Principal Services	-	-	366	2,377	-	-	-	2,743
2490 Other Support Services-School Administration	29,607	6,689	59,300	-	-	-	-	95,596
2540 Operation and Maintenance of Plant Services	55,192	32,307	94,293	50,043	20,230	130	-	252,195
2550 Student Transportation Services	-	-	24,170	-	-	-	-	24,170
2610 Direction of Central Support Services	1,673	186	10,191	-	-	-	-	12,050
2640 Staff Services	1,402	14,886	16,977	1,324	-	-	-	34,589
Total Support Services	423,571	220,334	495,872	138,499	20,230	32,914	-	1,331,420
Enterprise and Community Services								
3100 Food Services	960,844	698,352	60,562	1,498,026	-	13,122	-	3,230,906
3300 Community Services	36,213	5,879	8,334	24,403	-	-	-	74,829
Total Enterprise and Community Services	997,057	704,231	68,896	1,522,429	-	13,122	-	3,305,735
Facilities Acquisition and Construction								
4120 Site Acquisition and Development Services	-	-	148	-	-	22,811	-	22,959
4150 Building Acquisition, Construction, and Improvement	-	-	43,744	59,435	2,424,301	-	-	2,527,480
Total Facilities Acquisition and Construction	-	-	43,892	59,435	2,424,301	22,811	-	2,550,439
Other Functions								
5200 Transfers of Funds	-	-	-	-	-	-	85,585	85,585
Total Other Functions	-	-	-	-	-	-	85,585	85,585
TOTAL EXPENDITURES	\$ 3,094,363	\$ 1,945,931	\$ 701,735	\$ 3,667,966	\$ 2,492,711	\$ 132,704	\$ 85,585	\$ 12,120,995

McMINNVILLE SCHOOL DISTRICT NO. 40
 DEBT SERVICE FUND (300) EXPENDITURE SUMMARY (BUDGETARY BASIS)
 Year Ended June 30, 2017

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,098,202	\$ 11,098,202
Total Other Functions	-	-	-	-	-	11,098,202	11,098,202
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,098,202</u>	<u>\$ 11,098,202</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 CAPITAL PROJECTS FUND (400) EXPENDITURE SUMMARY (BUDGETARY BASIS)
 Year Ended June 30, 2017

	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	\$ 8,229	\$ 2,591	\$ 383,547	\$ 5,596	\$	\$ 504,795	\$ 904,758
4150 Building Acquisition, Construction, and Improvement	-	-	45,033	5,638	19,172,642	-	19,223,313
4180 Other Capital Items	-	-	1,400	3,510	932,547	-	937,457
Total Facilities Acquisition and Construction	8,229	2,591	429,980	14,744	20,105,189	504,795	21,065,528
TOTAL EXPENDITURES	<u>\$ 8,229</u>	<u>\$ 2,591</u>	<u>\$ 429,980</u>	<u>\$ 14,744</u>	<u>\$ 20,105,189</u>	<u>\$ 504,795</u>	<u>\$ 21,065,528</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 FIDUCIARY FUND (700) EXPENDITURE SUMMARY (BUDGETARY BASIS)
 Year Ended June 30, 2017

	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Total
Other Functions							
3390 Other Community Services	-	-	6,000	-	-	-	6,000
Total Other Functions	-	-	6,000	-	-	-	6,000
TOTAL EXPENDITURES	\$ -	\$ -	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000

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STATISTICAL SECTION

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

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Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	94
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.	98
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.	102
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.	106
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	110

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)

	2016-17	2015-16 *	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Governmental Activities										
Net investment in capital assets	\$ 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	\$ 23,743,237
Restricted	3,521,235	4,934,389	3,461,939	2,778,236	2,578,592	2,410,179	574,562	506,505	477,674	461,167
Unrestricted	(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	3,581,371
Total primary government net position	<u>\$ 5,082,026</u>	<u>\$ 5,224,342</u>	<u>\$ 27,048,990</u>	<u>\$ 2,802,520</u>	<u>\$ 33,585,914</u>	<u>\$ 31,510,605</u>	<u>\$ 31,783,701</u>	<u>\$ 31,880,777</u>	<u>\$ 30,107,849</u>	<u>\$ 27,785,775</u>

* Restated for GASB 75

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

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Expenses										
Instructional programs	\$ 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	\$ 35,925,114
Support services										
Student transportation	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	1,925,252
Other support services	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	13,790,023
Community services	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	2,326,043
Facilities services	581,682	117,817	92,820	20,128	15,993	472,056	-	-	-	-
Interest on long-term debt	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	5,193,645
Total expenses	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	59,160,077
Program Revenues										
Charges for services										
Instructional programs	1,499,275	1,530,476	1,440,986	1,404,134	1,250,940	1,419,803	623,646	252,215	218,980	237,606
Other support services	129,363	122,901	120,027	77,982	143,440	185,630	38,989	-	-	-
Community services	107,322	101,108	96,296	393,159	388,648	447,170	493,052	557,467	572,397	699,614
Operating grants and contributions	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	7,119,778
Capital grants and contributions	4,823,252	-	-	-	-	-	-	-	962,044	-
Total program revenues	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	8,056,998
Net (Expense) Revenue	(71,243,970)	(87,266,843)	(41,359,884)	(57,399,443)	(53,454,498)	(55,718,817)	(54,366,333)	(52,008,057)	(53,327,477)	(51,103,079)
General Revenues										
Property taxes	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	15,329,263
State school fund - general support	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	34,342,573
ESD apportionment	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	1,259,595	1,201,250	1,119,603	946,812	823,229	739,183	2,025,891	1,638,031	3,671,455	2,210,951
Earnings on investments	816,711	199,469	139,129	128,987	132,079	131,244	123,825	158,813	1,143,609	3,589,191
Other	-	-	-	-	-	53,251	272,048	232,878	16,605	60,338
Total general revenues	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	55,532,316
Change in Net Position	\$ (142,316)	\$ (17,880,372)	\$ 24,246,470	\$ 3,597,011	\$ 2,075,309	\$ (748,079)	\$ (97,076)	\$ 1,772,928	\$ 2,322,074	\$ 4,429,237

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

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,166
Unreserved	-	-	-	-	-	-	-	6,598,452	5,089,333	4,887,570
Committed to										
Asset Reserve	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	179,300	421,400	250,000	-	-	-	-	-	-	-
Insurance Reserve	590,157	690,886	771,402	746,204	774,738	778,827	735,348	-	-	-
Unassigned	6,129,550	6,647,752	6,105,164	4,755,843	3,437,015	4,455,113	5,218,825	-	-	-
Total general fund	<u>\$ 9,719,062</u>	<u>\$ 10,646,236</u>	<u>\$ 9,436,972</u>	<u>\$ 7,548,461</u>	<u>\$ 6,181,219</u>	<u>\$ 7,113,443</u>	<u>\$ 7,805,703</u>	<u>\$ 6,598,452</u>	<u>\$ 5,089,333</u>	<u>\$ 4,935,736</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,726
Unreserved, reported in:										
Debt Service Funds	-	-	-	-	-	-	-	1,103,640	603,894	532,710
Capital Projects Funds	-	-	-	-	-	-	-	382,182	1,599,060	29,348,894
Special Revenue Funds	-	-	-	-	-	-	-	3,064,869	4,018,490	4,188,829
Restricted for										
Grant Activities	319,491	262,857	255,235	259,795	219,474	224,579	114,008	-	-	-
Debt Service	955,302	802,803	749,900	568,295	704,145	694,337	574,562	-	-	-
Capital Improvements	86,269,284	1,795,091	1,410,855	969,003	660,824	490,316	732,000	-	-	-
Associated Student Body	417,309	519,024	510,837	490,899	507,463	498,324	-	-	-	-
Nutrition Services	1,125,638	798,727	535,112	490,244	486,686	502,623	422,037	-	-	-
Committed to										
PERS Bond Debt Service	563,215	575,824	570,040	566,867	563,578	719,687	1,170,126	-	-	-
Total all other governmental funds	<u>\$ 89,650,239</u>	<u>\$ 4,754,326</u>	<u>\$ 4,031,979</u>	<u>\$ 3,345,103</u>	<u>\$ 3,142,170</u>	<u>\$ 3,129,866</u>	<u>\$ 3,012,733</u>	<u>\$ 4,550,691</u>	<u>\$ 6,221,444</u>	<u>\$ 34,095,159</u>

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)

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Revenues										
Property Taxes	\$ 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	\$ 15,094,606
Earnings on Investments	816,711	199,469	139,129	128,986	132,079	131,243	123,825	158,813	1,159,086	3,589,191
Other Revenue From Local Sources	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	1,838,639
Charges for Services	1,612,440	1,688,631	1,623,549	1,803,474	1,815,582	2,029,211	983,804	809,682	817,383	937,222
Intermediate Sources	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	69,265
State sources	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	37,927,838
Federal Sources	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	5,098,664
Total Revenues	89,724,173	83,924,479	80,643,534	75,072,086	69,888,891	67,720,491	67,150,393	65,461,177	65,697,229	64,555,425
Expenditures										
Instruction	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	34,359,421
Support Services	22,362,522	21,801,470	21,591,515	20,829,700	21,054,314	18,945,273	18,862,222	17,811,098	16,253,386	15,620,227
Enterprise and Community Services	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	2,294,868
Facilities Acquisition and Construction	581,682	117,816	92,820	20,128	15,993	602,012	303,685	1,937,380	29,971,912	36,123,248
Debt Service:										
Principal	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	2,485,268
Interest	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	5,291,153
Bond Issuance Costs	504,795	-	-	-	233,036	17,872	-	-	-	-
Capital Outlay	22,597,900	432,209	346,869	288,597	255,347	-	-	-	-	738,329
Total Expenditures	107,544,142	81,992,868	78,068,147	73,501,911	71,044,349	69,874,921	67,481,100	65,622,811	93,344,455	96,912,514
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,819,969)	1,931,611	2,575,387	1,570,175	(1,155,458)	(2,154,430)	(330,707)	(161,634)	(27,647,226)	(32,357,089)
Other Financing Sources (Uses)										
Sale of Fixed Assets	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)	-	-	-	-	-
Total Other Sources (Uses)	101,788,708	-	-	-	235,538	1,104,320	-	-	-	-
Net Change in Fund Balance	83,968,739	1,931,611	2,575,387	1,570,175	(919,920)	(1,050,110)	(330,707)	(161,634)	(27,647,226)	(32,357,089)
Fund Balance										
Beginning of Year	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	71,384,702
Increase (decrease) in Reserve for Inventory	-	-	-	-	-	-	-	-	(72,892)	3,282
End of year	\$ 99,369,301	\$ 15,400,562	\$ 13,468,951	\$ 10,893,564	\$ 9,323,389	\$ 10,243,309	\$ 10,818,436	\$ 11,149,143	\$ 11,310,777	\$ 39,030,895
Debt service as a percentage of noncapital expenditures	13.16%	13.10%	13.23%	13.50%	13.65%	14.99%	13.34%	13.40%	12.80%	12.95%

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

Fiscal Year Ended June 30,	Assessed Value				Assessed Value	Total Direct Rate (a)	Estimated Actual Value of Taxable Property (b)	Assessed Value as a % of Estimated Actual Value of Taxable Property
	Real Property	Personal Property	Manufactured Structures	Utilities				
2008	\$ 2,072,480,787	\$ 64,958,793	\$ 36,049,145	\$ 71,448,818	\$ 2,244,937,543	7.00	\$ 3,877,384,914	57.90%
2009	2,241,043,031	71,596,323	38,247,928	75,532,147	2,426,419,429	6.91	4,101,380,879	59.16%
2010	2,337,138,142	75,381,461	41,282,812	86,109,012	2,539,911,427	6.94	4,045,707,073	62.78%
2011	2,428,004,168	76,957,802	40,924,662	88,259,688	2,634,146,320	6.92	3,961,011,054	66.50%
2012	2,488,542,770	73,129,486	36,518,687	88,806,674	2,686,997,617	6.98	3,547,429,517	75.74%
2013	2,562,434,123	74,971,254	34,549,906	86,811,210	2,758,766,493	6.98	3,488,131,424	79.09%
2014	2,624,439,230	73,919,360	34,671,070	92,937,829	2,825,967,489	6.87	3,518,402,639	80.32%
2015	2,712,588,271	77,963,094	32,588,494	89,481,076	2,912,620,935	6.94	3,658,832,392	79.61%
2016	2,896,448,939	81,438,355	35,516,279	102,508,575	3,115,912,148	6.87	4,026,645,831	77.38%
2017	2,986,919,695	35,831,188	87,739,415	103,182,263	3,213,672,561	6.89	4,413,034,916	72.82%

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

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

Source: Yamhill County Assessor's Office.

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

Fiscal Year Ended June 30,	McMinnville School District No. 40			Overlapping Rates (a)									
	Operating	Debt Service	Total District	Yamhill County	City of McMinnville	City of Lafayette	Willamette ESD	Chemeketa Community College	McMinnville RFPD	Carlton Fire	Sheridan Fire	Amity RFPD	Other Taxing Districts (b)
2008	4.15	2.85	7.00	2.58	5.87	3.49	0.30	0.70	1.14	1.05	1.47	0.84	0.16
2009	4.15	2.76	6.91	2.58	5.85	3.49	0.30	0.71	1.14	1.54	1.47	0.84	0.16
2010	4.15	2.79	6.94	2.58	5.84	3.49	0.30	0.71	1.14	1.48	1.47	1.77	0.16
2011	4.15	2.77	6.92	2.58	5.74	3.49	0.30	0.79	1.14	1.48	1.47	1.81	0.16
2012	4.15	2.83	6.98	2.58	5.70	3.49	0.30	0.88	1.14	1.50	1.47	1.85	0.16
2013	4.15	2.83	6.98	2.58	5.72	3.49	0.30	0.86	0.96	1.46	1.47	1.76	0.16
2014	4.15	2.72	6.87	2.58	5.72	3.49	0.30	0.86	0.96	1.46	1.47	1.76	0.16
2015	4.15	2.79	6.94	2.58	5.70	3.49	0.30	0.89	0.96	1.46	1.47	1.79	0.16
2016	4.15	2.72	6.87	2.58	6.18	3.49	0.30	0.92	0.96	1.45	1.47	1.79	0.16
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

66

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	2017			2008		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Value
Cascade Steel Rolling Mills	Steel Mill	\$ 58,462,356	1	1.82%	\$ 54,804,072	1	2.44%
Mpt of McMinnville-Capella LLC	Medical Care/Hospital	54,122,981	2	1.68%	40,878,036	2	1.82%
Riverbend Landfill Co	Waste Management	32,752,341	3	1.02%			
The Falls at McMinnville LLC	Events Center	21,660,430	4	0.67%			
HCP SH ELP1 Properties LLC	(a) Retirement Living	18,811,218	5	0.59%	14,265,083	4	0.64%
Comcast Corporation	Telecommunications	18,445,300	6	0.57%			
Lowes HIW Inc.	Retail	17,129,164	7	0.53%	13,139,718	5	0.59%
REEF McMinnville Plaza LLC	Shopping Center	12,205,384	8	0.38%	9,052,505	8	0.40%
Portland General Electric	Utility	11,065,000	9	0.34%			
Frontier Communications	Telecommunications	10,809,000	10	0.34%			
Northwest Natural Gas Co	Natural Gas Utility	-			12,683,800	6	0.56%
Verizon Northwest Inc.	Telecommunications				18,305,800	3	0.82%
Air Liquide Industrial LP	Oxygen				11,060,536	7	0.49%
Homette Corporation	Manufactured Homes				8,935,995	9	0.40%
Oregon Mutual Insurance Co	Insurance				7,272,140	10	0.32%
Subtotal - ten of the District's largest taxpayers		255,463,174		7.95%	190,397,685		8.48%
All other District taxpayers in Yamhill County		2,958,209,387		92.05%	2,054,539,858		91.52%
Total District taxpayers		<u>\$ 3,213,672,561</u>		<u>100.00%</u>	<u>\$ 2,244,937,543</u>		<u>100.00%</u>

Source: Yamhill County Assessor's Office

(a) Formerly Hillside Manor Assisted Living Center

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

Fiscal Year End June 30,	Total Tax Levy for Fiscal Year			Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Original	Adjustments (a)	Total Adjusted	Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2008	\$ 15,749,949	\$ (445,372)	\$ 15,304,577	\$ 14,699,146	93.33%	\$ 591,104	\$ 15,290,250	99.91%
2009	16,772,551	(514,123)	16,258,428	15,488,579	92.34%	753,286	16,241,865	99.90%
2010	17,625,301	(510,025)	17,115,276	16,233,698	92.10%	801,220	17,034,918	99.53%
2011	18,226,860	(586,586)	17,640,274	16,842,355	92.40%	741,996	17,584,351	99.68%
2012	18,736,255	(574,469)	18,161,786	17,355,602	92.63%	720,068	18,075,670	99.53%
2013	19,244,450	(647,313)	18,597,137	17,757,708	92.27%	739,573	18,497,281	99.46%
2014	19,410,313	(578,077)	18,832,236	18,048,287	92.98%	621,637	18,669,924	99.14%
2015	20,410,647	(597,291)	19,813,356	19,008,327	93.13%	562,426	19,570,753	98.78%
2016	21,389,909	(747,371)	20,642,538	19,911,013	93.09%	354,190	20,265,203	98.17%
2017	22,110,201	(650,803)	21,459,398	20,749,859	93.85%	-	20,749,859	96.69%

Source: Yamhill County Department of Assessment and Taxation.

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

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

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

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)
2008	\$ 79,023,681	\$ 29,182,498	\$ 108,206,179	8.29%	\$ 2,676
2009	76,218,161	28,959,870	105,178,031	7.74%	2,561
2010	73,050,401	28,666,141	101,716,542	7.67%	2,454
2011	69,417,641	28,309,657	97,727,298	7.08%	2,320
2012	65,287,163	27,931,681	93,218,844	6.48%	2,207
2013	67,221,391	27,434,804	94,656,195	6.49%	2,227
2014	61,635,405	26,862,684	88,498,089	5.91%	2,072
2015	55,524,419	26,213,728	81,738,147	5.16%	1,896
2016	48,868,433	25,482,368	74,350,801	4.37%	1,701
2016	145,856,152	24,669,739	170,525,891	9.59%	3,834

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, 2017

Governmental Unit	Debt Outstanding	Percentage Applicable to District	Amount Applicable to District
Direct			
McMinnville School District No. 40	\$ 170,525,891	100.00%	\$ 170,525,891
Overlapping			
Chemeketa Community College	80,186,466	9.40%	7,537,929
City of McMinnville	29,942,782	99.96%	29,931,882
Yamhill County	2,501,176	37.00%	925,483
Willamette ESD	10,111,880	8.53%	862,351
City of Lafayette	46,642	100.00%	46,642
New Carlton Fire District	935,000	2.76%	25,792
Amity RFPD	40,000	9.17%	3,669
			39,333,748
Subtotal, overlapping debt			39,333,748
Total direct and overlapping debt			\$ 209,859,639

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 2017

Real Market Value	\$ 4,413,034,916
Debt limit (7.95% of real market value)	350,836,276
Debt applicable to limit	<u>(127,960,000)</u>
Legal debt margin	<u><u>\$ 222,876,276</u></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
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%
2008	308,252,101	76,975,000	231,277,101	24.97%

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

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

<u>Calendar Year</u>	<u>Estimated Population (a)</u>	<u>Per Capita Personal Income (b)</u>	<u>Total Estimated Personal Income</u>	<u>Unemployment Rate (c)</u>
2007	40,438	\$ 32,290	\$ 1,305,743,020	5.00%
2008	41,067	33,081	1,358,537,427	6.50%
2009	41,457	31,991	1,326,250,887	11.60%
2010	42,130	32,768	1,380,515,840	10.40%
2011	42,232	34,055	1,438,210,760	9.20%
2012	42,500	34,330	1,459,025,000	8.50%
2013	42,704	35,049	1,496,732,496	7.60%
2014	43,113	36,765	1,585,049,445	6.50%
2015	43,704	38,920	1,700,959,680	5.30%
2016	44,479	39,974	1,778,003,546	4.70%

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	2016			2007		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Private Employers:						
Manufacturing: beverage, food, wood products metal, machinery, plastics, other	6,260	1	18.12%	6,340	1	19.68%
Health care	4,475	2	12.96%	3,471	2	10.77%
Retail	3,514	3	10.17%	3,214	3	9.98%
Leisure & Hospitality	3,450	4	9.99%	2,558	5	7.94%
Natural Resources: Agriculture	3,330	5	9.64%	3,100	4	9.62%
Professional and business services	1,867	6	5.41%	1,938	7	6.02%
Construction	1,706	7	4.94%	2,006	6	6.23%
Education services	1,490	8	4.31%	1,344	8	4.17%
Other services	1,415	9	4.10%	1,045	10	3.24%
Financial activities	969	10	2.81%	1,109	9	3.44%
Transportation, warehousing & utilities	500	11	1.45%	639	12	1.98%
Wholesale	687	12	1.99%	699	11	2.17%
Information	213	13	0.62%	270	13	0.84%
Subtotal Private	29,876		86.50%	27,733		86.08%
Government						
Federal	485		1.40%	477		1.48%
State	557		1.61%	389		1.21%
Local Government						
Education & health services	2,182		6.32%	2,083		6.47%
Public administration	1,079		3.12%	1,344		4.17%
Other	361		1.05%	193		0.60%
Subtotal Government	4,664		13.50%	4,486		13.92%
Total Employment	34,540		100.00%	32,219		100.00%

Source: Oregon Employment Department Workforce and Economic Research Division at www.qualityinfo.org.

Note: Information provided for Yamhill County

McMINNVILLE SCHOOL DISTRICT NO. 40
 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>
2008	7,562	6,090	360	17
2009	7,712	6,205	372	17
2010	7,732	6,237	335	19
2011	7,565	6,126	342	18
2012	7,536	6,130	331	19
2013	7,558	6,142	321	19
2014	7,695	6,269	327	19
2015	7,796	6,303	349	18
2016	8,223	6,630	367	18
2017	8,152	6,668	378	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>
2008	405	297	23	14	739
2009	410	298	24	14	746
2010	375	297	23	14	709
2011	384	313	22	14	733
2012	368	309	22	14	713
2013	363	299	23	14	699
2014	360	294	23	14	691
2015	394	299	23	14	730
2016	404	319	25	14	762
2017	422	328	25	14	789

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
2017	6,668	\$ 64,195,002	\$ 9,627	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
2008	6,320	48,794,539	7,721	196,933	547,822	-	744,755	49.6%	27	646,725	2,158

- (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.

Source: McMinnville School District Records.

McMINNVILLE SCHOOL DISTRICT NO. 40
 CAPITAL ASSET INFORMATION
 AS OF JUNE 30, 2017

<u>Building</u>	<u>Year of Original Building Construction</u>	<u>Square Footage (1)</u>	<u>Capacity (1)</u>	<u>Enrollment 10/1/2016</u>	<u>Percent of Capacity</u>	<u>Average Age of Buildings (in years)</u>
Elementary Schools						
Buel	2008	80,837	600	510	85%	9
Columbus	1994	68,740	600	483	81%	23
Grandhaven	1999	69,958	600	554	92%	18
Memorial	1947	67,292	600	599	100%	70
Newby	1960	58,527	532	524	98%	57
Wascher	1979	61,259	517	440	85%	38
Total		<u>406,613</u>	<u>3,449</u>	<u>3,110</u>	<u>90%</u>	<u>36</u>
Middle Schools						
Duniway	1993	119,412	961	752	78%	24
Patton	1976	132,820	971	735	76%	41
Total		<u>252,232</u>	<u>1,932</u>	<u>1,487</u>	<u>77%</u>	<u>33</u>
High Schools						
McMinnville High Sch	1955	268,935	2,231			62
Adams Campus	1914	34,052	336			103
Total		<u>302,987</u>	<u>2,567</u>	<u>2,197</u>	<u>86%</u>	<u>83</u>
Other Buildings						
Cook	1924	43,464	303			93
District Office	1965	9,081				52
Evans Street	1995	6,418				22
Maintenance	1948	12,395				69
Grounds	1970	2,760				47
Stadium	1980	12,480				37
Total		<u>86,598</u>	<u>303</u>			
GRAND TOTAL		<u><u>1,048,430</u></u>	<u><u>8,251</u></u>	<u><u>6,794</u></u>	<u><u>82%</u></u>	

Notes:

Many buildings have undergone remodels since original construction

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

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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, 2017, and have issued our report thereon dated December 19, 2017. 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 except for the following:

1. Budgets: expenditures exceeded appropriations in the debt service function of the Debt Service Fund by \$125 as disclosed in the notes to the financial statements.



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 19, 2017

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, 2017, 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 19, 2017.

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 19, 2017



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, 2017. 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, 2017.



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, 2017

McMINNVILLE SCHOOL DISTRICT NO. 40
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor Program Title	Grant Period	Federal C.F.D.A. Number	Grant Amount	Federal Expenditures
<u>U.S. Department of Education</u>				
Passed through Oregon State Department of Education				
Title IA Grants	07/01/15-09/30/16	84.010	\$ 1,535,365	\$ 84,751
	07/01/16-09/30/17	84.010	1,695,912	1,562,721
	Total		3,231,277	1,647,472
IDEA: Special Education Grants to State	07/01/15-09/30/17	84.027	927,933	164,769
	07/01/16-09/30/18	84.027	939,311	915,298
SPR&I (System Performance Review and Improvement)	08/01/16-06/30/17	84.027	4,669	4,669
Extended Assessment	09/01/16-06/30/17	84.027	1,800	1,800
IDEA Enhancement	10/01/15-09/30/16	84.027	7,957	4,702
IDEA Enhancement	10/01/16-09/30/17	84.027	7,957	7,957
IDEA Part B, Section 619	07/01/15-09/30/17	84.173	11,016	6,439
	07/01/16-09/30/18	84.173	5,087	1,694
	Total		1,905,730	1,107,328
McKinney Homeless Children	07/01/15-09/30/16	84.196	27,538	670
McKinney Homeless Children	07/01/16-09/30/17	84.196	28,778	16,279
	Total		56,316	16,949
21st Century Community Learning Centers	07/01/15-09/30/17	84.287	427,978	94,837
	07/01/16-09/30/18	84.287	376,980	292,900
	Total		804,958	387,737
Title III English Language Acquisition	07/01/15-09/30/16	84.365	117,704	29,653
	07/01/16-09/30/17	84.365	115,615	61,231
	Total		233,319	90,884
Title II-A Improving Teacher Quality	07/01/15-09/30/16	84.367	186,600	6,447
	07/01/16-09/30/17	84.367	184,344	177,633
	Total		370,944	184,080
Passed Through Willamette Education Service District				
Title I-C Migrant Education	07/01/16-09/30/17	84.011	36,250	36,250
Total U.S. Department of Education			6,638,794	3,470,700

McMINNVILLE SCHOOL DISTRICT NO. 40
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor Program Title	Grant Period	Federal C.F.D.A. Number	Grant Amount	Federal Expenditures
<u>U.S. Department of Agriculture - Special Revenue Fund</u>				
Passed through Oregon State Department of Education				
School Breakfast Program	07/01/16-06/30/17	10.553	824,759	824,759
National School Lunch Program	07/01/16-06/30/17	10.555	1,920,984	1,920,984
Commodities - NSLP	07/01/16-06/30/17	10.555	233,894	233,894
Summer Food Service Program	07/01/16-06/30/17	10.559	52,763	<u>52,763</u>
				3,032,400
Child Nutrition Program Block - Child Care - Food	07/01/16-06/30/17	10.558	266,903	266,903
Child Nutrition Program Block - Child Care - Food	07/01/16-06/30/17	10.558	3,747	3,747
Child Nutrition Program CACFP CIL - Cash Commodities	07/01/16-06/30/17	10.558	19,426	19,426
Child Nutrition Program CACFP CIL - Cash Commodities	07/01/16-06/30/17	10.558	1,005	<u>1,005</u>
				291,081
Fresh Fruit and Vegetable Program	07/01/16-09/30/16	10.582	3,123	3,123
Fresh Fruit and Vegetable Program	07/01/16-09/30/16	10.582	3,140	3,140
Fresh Fruit and Vegetable Program	10/01/16-06/30/17	10.582	26,322	26,083
Fresh Fruit and Vegetable Program	10/01/16-06/30/17	10.582	<u>26,465</u>	<u>26,111</u>
				58,457
Total U.S. Department of Agriculture			<u>3,382,531</u>	<u>3,381,938</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through Oregon Department of Education				
Child Care and Development Fund	07/01/13-06/30/17	93.575	5,163	5,163
Child Care and Development Fund	07/01/13-06/30/17	93.575	<u>295</u>	<u>295</u>
Total U.S. Department of Health and Human Services			<u>5,458</u>	<u>5,458</u>
Total Federal Awards			<u>\$ 10,026,783</u>	<u>\$ 6,858,096</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2017

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

84.027, 84.173
84.287

IDEA cluster
21st Century Community Learning Centers

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, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS - NONE

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS - NONE

SECTION IV - SUMMARY OF PRIOR AUDIT FINDING - NONE