

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

**Comprehensive Annual
Financial Report**

Year Ended June 30, 2012

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

1500 NE. Baker St.

McMinnville, Oregon 97128

Phone: 503.565.4000

Fax: 503.565.4031

December 7, 2012

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, 2012 is hereby submitted.

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

Wilcox Arredondo & Co., Certified Public Accountants, have issued an unqualified ("clean") opinion on the District's financial statements for the year ended June 30, 2012. 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 4.

DISTRICT PROFILE

McMinnville School District was formed around 1876, the year that the District levied a tax to build a public school house. Today the District is responsible for educating approximately 6,500 children in six elementary schools, two middle schools, and one high school.

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

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

Transmittal Letter, Year Ended June 30, 2012

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

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

The Board hires all management staff. The management staff includes a superintendent, five district-level directors, ten principals, five assistant principals, two district program coordinators, and four support services supervisors. In addition to management staff, the District employs 662 full-time equivalent personnel, including teachers, educational assistants, secretarial, custodial, maintenance and technology, and other support staff.

ECONOMIC CONDITION

McMinnville School District #40 is located in northwestern Oregon in the northern end of the Willamette Valley, approximately 40 miles southwest of Portland and approximately 25 miles northwest of Salem. The two cities within the District are McMinnville, population 32,270, and Lafayette, population 3,740. McMinnville is surrounded by Yamhill County's 200 plus vineyards and 90 wineries; home of more vineyards than in any other county in Oregon. In addition, McMinnville is home to the county seat and Linfield College, a private university. Major industries within the area include steel rebar production, commercial aviation, medical services, retail, insurance products and services, manufactured home and recreational vehicle production, plastics fabrication, tourism, food production, and agriculture.

For June 2012, the Yamhill County unemployment rate was 8.2%, as compared to 8.8% for the state of Oregon and 8.2% at the national level. The Oregon Office of Economic Analysis predicts continued slow recovery of employment.

The real market value of property located in the boundaries of the District decreased from 2011 to 2012 by 10.0%, while the assessed property values increased by 2.0%. Assessed value as a percentage of real market value was 75.7% compared to 66.5% for 2011. 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 2012, the total real market value of property within the District boundaries is \$3.5 billion and the assessed value is \$2.7 billion.

STATE SCHOOL FUNDING

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

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

Transmittal Letter, Year Ended June 30, 2012

For the 2011-13 biennium, the Oregon legislature adopted budget includes an allocation to K-12 education of \$5.7 billion, basically the same funding level as in 2009-11 except that the state received federal revenues through the American Recovery and Reinvestment Act of 2009 (ARRA) in the prior biennium that are no longer available. Oregon relies primarily on personal income taxes as a source of general fund revenues; therefore, state revenues have been greatly affected by the slow employment recovery from the Great Recession.

The Oregon Office of Economic Analysis forecasts an 11% increase to state general fund and lottery revenues for the next biennium (2013-15). The amount appropriated for K-12 education will not be set until the Legislature adopts the state budget in the Spring of 2013. Even with an increase in revenues, budgeting challenges remain ahead due to large increases scheduled for employer pension contribution rates and the costs of restoring furlough days.

LONG-TERM FINANCIAL PLANNING

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

The Districts unassigned fund balance in the General Fund as of June 30, 2012 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 2012-13 uses approximately \$1.5 million in reserves over this 5% threshold to offset the budget gap.

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

MAJOR INITIATIVES

Capital Improvements

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. The assessment forms the basis for establishing potential projects and funding goals, a process which will include community involvement.

Investing in Effective Educators

Two years ago, the McMinnville School District was awarded a Teachers Incentive Fund grant for \$6.7 million over five years. The grant project includes a performance-based compensation system that allows teachers and administrators to earn bonuses in four categories: school-wide achievement on state assessments, classroom-based student growth on common formative and summative assessments, additional leadership duties, and classroom observation and collaboration with instructional coaches.

Core components of the project have been developed by the Investing in Effective Educators (IEE) Project Design Team, comprised of about twenty-five teachers, teachers' union representatives, and building and district administrators who meet regularly and work collaboratively. The first bonuses were awarded in September of 2012 for the prior school year's performance.

Transmittal Letter, Year Ended June 30, 2012

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

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

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

The McMinnville School District has formed an Achievement Compact Committee, comprised of teachers and administrators, to develop and align Achievement Compact performance targets with the state's 40-40-20 goal. To reach the ambitious targets established for increased student achievement, accelerated student growth, and increased postsecondary enrollment, the District has proactively pursued and secured competitive grant monies to fund intensive and sustained, research-based professional development and job-embedded instructional coaching in three foundational frameworks: 1) Rigorous Curriculum Design; 2) Power Strategies for Effective Teaching; and, 3) Common Formative Assessments/Data Teams. Additionally, the District has formed an Evaluation Committee to design a new teacher and principal evaluation system, aligned with Senate Bill 290, which will be piloted this spring and will feature: 1) Model Core Teaching Standards that define what teachers and administrators should know and be able to do; 2) Four performance levels associated with the Standards of Professional Practice on which teachers and administrators are evaluated; 3) The use of multiple sources of data to measure teacher and administrator performance; 4) A regular teacher and administrator evaluation cycle to foster continuous improvement; and, 5) Relevant and targeted professional learning opportunities to improve professional practice and impact on student learning.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to McMinnville School District for its *Comprehensive Annual Financial Report* (CAFR) for the year ended June 30, 2011. This was the third year the District has received this prestigious award. In order to be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized CAFR and must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet these standards and will be submitted to GFOA to determine eligibility for another certificate.


In addition, the Association of School Business Officials International (ASBO) awarded its Certificate of Excellence in Financial Reporting to McMinnville School District for its CAFR for the year ended June 30, 2011. This was the third year that the District received this award. Receiving this award is recognition that the District has met the highest standards of excellence in school financial reporting adopted by ASBO. The District believes that the current CAFR, which will be submitted to ASBO for review, will also conform to these standards.

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

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

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

Respectfully submitted,


Maryalice Russell
Superintendent


Susan Escure
Director of Finance

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Sandison

President

Jeffrey R. Egan

Executive Director

Association of School Business Officials International



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

McMinnville School District No. 40

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2011*

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

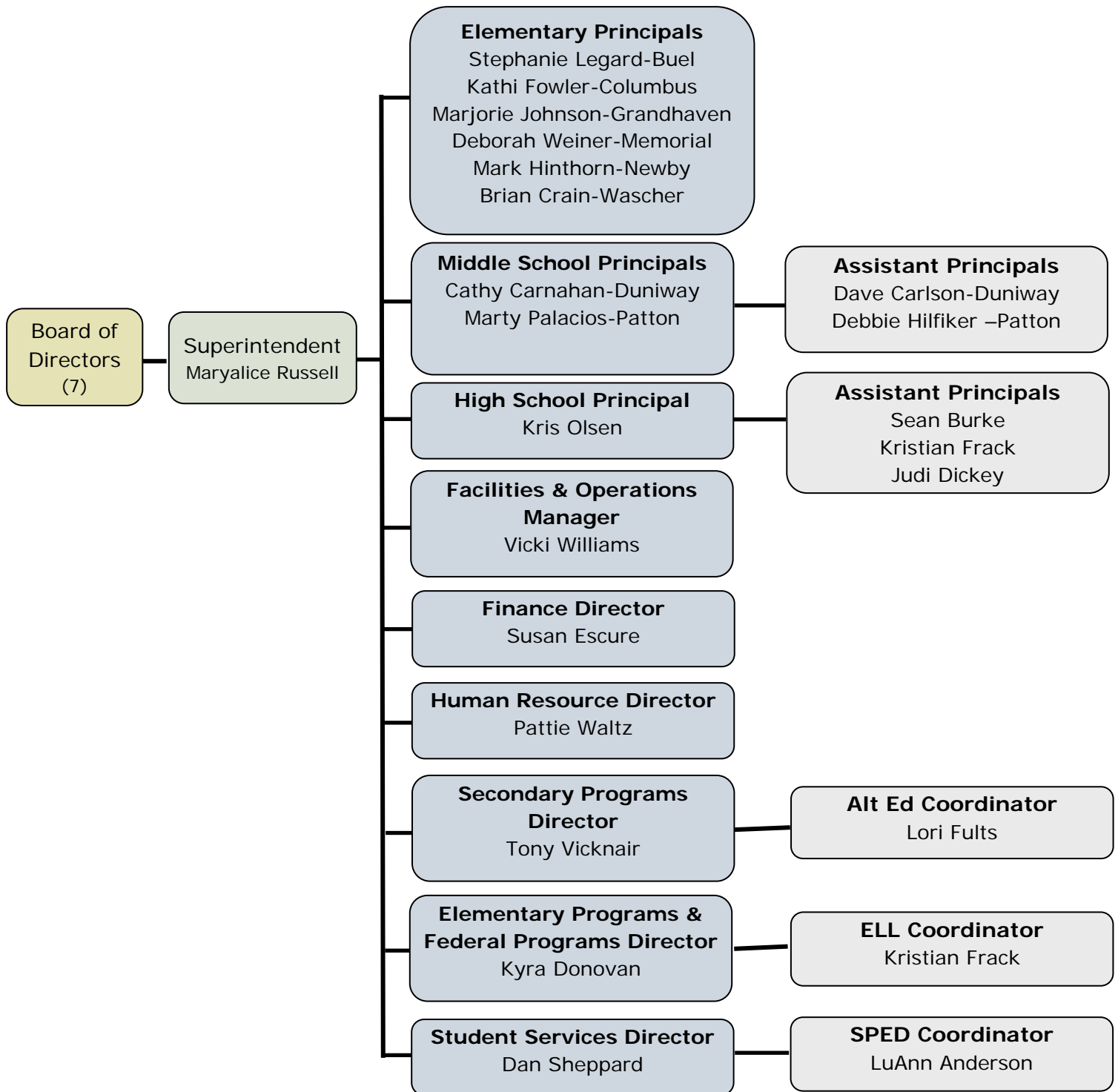


Brian L. Mee, SFO, RSBA
President

John D. Musso, CAE, RSBA
Executive Director

McMinnville School District #40

Administrative Organizational Chart



McMINNVILLE SCHOOL DISTRICT NO. 40
YAMHILL COUNTY, OREGON
Appointed and Elected Officials

Administrative Office

1500 NE Baker Street
McMinnville, Oregon 97128

Maryalice Russell
Susan Escure
Amy Cavinaw

Superintendent
Director of Finance
Accounting Supervisor

BOARD OF DIRECTORS AS OF JUNE 30, 2012

Ms. Kathy Cabe
1654 Bonnie Jean Place
McMinnville, Oregon 97128

Term Expires
June 30, 2013

Mr. Larry Vollmer, Board Chair
1946 Fir Street
McMinnville, Oregon 97128

June 30, 2015

Ms. Janis Braich
124 Anne Street
McMinnville, Oregon 97128

June 30, 2015

Dr. Scott Gibson
655 NW Brookview Ct.
McMinnville, Oregon 97128

June 30, 2015

Dr. Scott Schieber
2370 NW Horizon Dr.
McMinnville, Oregon 97128

June 30, 2015

Stan Primozych
475 NW Mt. Bachelor St.
McMinnville, Or 97128

June 30, 2013

Dr. Tim Roberts, Vice Chair
1069 NW Baker Crest Court
McMinnville, Oregon 97128

June 30, 2013

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

INDEPENDENT AUDITORS' REPORT

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, Yamhill County, Oregon, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of McMinnville School District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 McMinnville School District, Yamhill County, Oregon, as of June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012, on our consideration of McMinnville School 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* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Schedule of Funding Progress for Other Postemployment Benefits, and Required Supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The required supplementary information, other supplementary information, 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 financial statements and, accordingly, we do not express an opinion on them.

Wilcox Arredondo & Co.

Certified Public Accountants
Canby, Oregon
December 7, 2012

MANAGEMENT'S DISCUSSION AND **ANALYSIS**

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages i-iv of this report.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the assets of the District exceeded its liabilities at June 30, 2012 by \$31.5 million (net assets), a decrease of \$273,000 in comparison with the prior year.
- The District's governmental funds report a combined ending fund balance of \$10.2 million at June 30, 2012, a decrease of \$575,000 in comparison with the prior year.
- At the end of the fiscal year ended June 30, 2012, unassigned fund balance for the General Fund was \$4.5 million, which represents nine percent of total general fund revenues.
- Total cost of all District's programs was \$66.6 million for the fiscal year, an increase of \$487,000 from the prior year.
- The District's total long-term debt decreased by \$3.8 million. The District issued \$1.1 million of pension refunding obligation bonds to advance refund a portion of the Series 2002 pension bond to take advantage of lower interest rates.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

Statement of Net Assets. The *statement of net assets* presents information on all of the assets and liabilities of the District at year-end. Net assets are what remain after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net assets 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 assets of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned and unused vacation leave).

In the government-wide financial statements, the District's activities are shown as governmental activities. All basic District functions are shown here, such as regular and special education, child nutrition services, transportation, administration, and facilities acquisition and construction. 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 14 and 15 of this report.

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

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 Assets and Activities.

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

The basic governmental fund financial statements can be found on pages 16 through 19 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 20 - 21 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 22 through 36 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 38 through 41 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 44 through 62 of this report.

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position over time. In the case of the District, assets exceeded liabilities by \$31.5 million as of June 30, 2012.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress and equipment, represent about 72 percent of total assets. The remaining assets consist mainly of investments, cash and grants and property taxes receivable.

The District's largest liability is for the repayment of long-term debt (general obligation bonds and limited tax pension bonds). Long-term debt decreased by \$3.8 million and represents 94 percent of total liabilities at year end. Other liabilities, representing six percent of the District's total liabilities consist principally of payables on accounts, accrued salaries and benefits and unearned revenue.

During the fiscal year ended June 30, 2012, the District's overall financial position declined slightly by a decrease of \$748,000, or two percent, in total net assets. In addition, net assets increased by \$475,000 due to restating the June 30, 2011 statement to reflect a correction in the classification of the Student Body Fund as a Special Revenue Fund rather than an Agency Fund

The largest portion of the District's net assets (98.7 percent) reflects its investment in capital assets (e.g. land, buildings, improvements and equipment) less any related debt used to acquire those assets that is still outstanding. 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.

Unrestricted net assets decreased by \$1.7 million with a negative balance of \$282,000 at year end. This occurred due to liabilities other than debt related to capital assets, such as OPEB obligations, increasing while offsetting assets such as the unamortized net pension asset decreased.

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

	Governmental Activities		Increase (Decrease)
	June 30, 2012	June 30, 2011	
Current and other assets	\$ 36,916,835	\$ 38,344,108	\$ (1,427,273)
Capital assets	96,257,462	98,583,411	(2,325,949)
Total Assets	<u>133,174,297</u>	<u>136,927,519</u>	<u>(3,753,222)</u>
Long-term debt	95,750,631	99,544,146	(3,793,515)
Other liabilities	5,913,061	5,599,672	313,389
Total Liabilities	<u>101,663,692</u>	<u>105,143,818</u>	<u>(3,480,126)</u>
Net Assets:			
Invested in capital assets, net of related debt	31,098,952	29,772,254	1,326,698
Restricted for debt service	694,337	574,562	119,775
Unrestricted	<u>(282,684)</u>	<u>1,436,885</u>	<u>(1,719,569)</u>
Total Net Assets	<u>\$ 31,510,605</u>	<u>\$ 31,783,701</u>	<u>\$ (273,096)</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Governmental Activities. During the fiscal year, the District's net assets decreased by \$273,000. The key elements of the change in the District's net assets for the year ended June 30, 2012 are as follows:

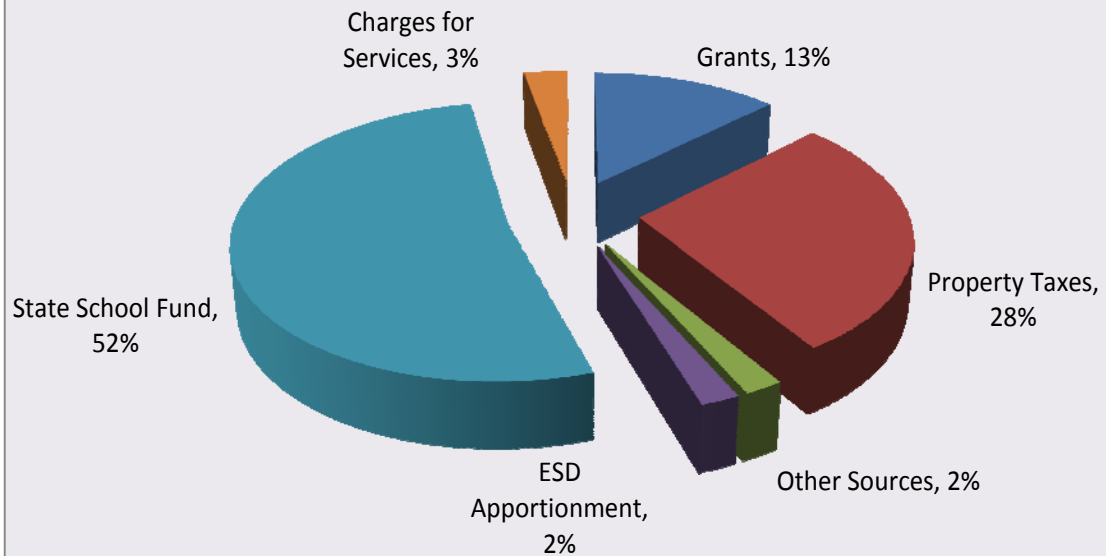
Changes in Net Assets			
For the Year Ended June 30, 2012 and 2011			
	Governmental Activities		Increase (Decrease)
	June 30, 2012	June 30, 2011	
Revenues:			
Program Revenues:			
Charges for services	\$ 2,052,603	\$ 1,155,687	\$ 896,916
Operating grants and contributions	8,849,537	10,611,941	(1,762,404)
General Revenues:			
Property taxes	18,292,024	17,850,725	441,299
State school fund	34,490,713	32,795,909	1,694,804
ESD apportionment	1,264,323	1,200,859	63,464
Other state and local sources	739,183	2,025,891	(1,286,708)
Earnings on investments	131,244	123,825	7,419
Other	53,251	272,048	(218,797)
Total Revenues	<u>65,872,878</u>	<u>66,036,885</u>	<u>(164,007)</u>
Expenses:			
Instruction	39,655,528	39,732,278	(76,750)
Support services	19,142,980	18,908,707	234,273
Community services	2,521,615	2,527,026	(5,411)
Facilities Services	472,056	-	472,056
Interest on Long-term debt	4,828,778	4,965,950	(137,172)
Total Expenses	<u>66,620,957</u>	<u>66,133,961</u>	<u>486,996</u>
Increase in net assets	(748,079)	(97,076)	(651,003)
Net assets - July 1	<u>32,258,684</u> ¹	<u>31,880,777</u>	<u>377,907</u>
Net assets - June 30	<u><u>\$ 31,510,605</u></u>	<u><u>\$ 31,783,701</u></u>	<u><u>\$ (273,096)</u></u>

¹ July 1, 2011 restated

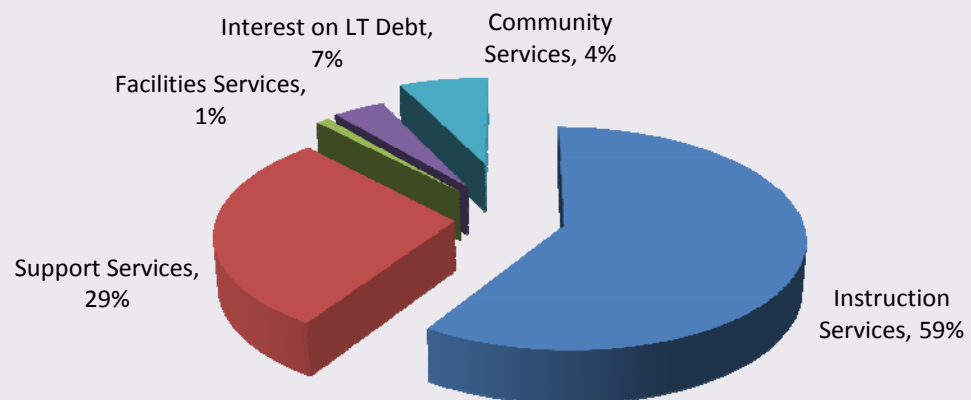
- Total revenues decreased slightly by \$164,000, less than one percent, from the prior year.
- Charges for services increased by \$897,000 (77.6 percent) with the reclassification of the Student Body Fund.
- Grants and contributions decreased by \$1.8 million. The prior year included one-time federal grant revenue from the State Fiscal Stabilization Fund and the Educations Jobs Fund under the American Recovery and Reinvestment Act of 2009 (ARRA).
- Property taxes increased by \$442,000 (2.5 percent) from the prior year.
- State School Fund Support increased by \$1.7 million (5.2 percent) due to increased available state general fund revenues in the 2011-13 biennium. State school funding in total did not increase when one-time federal stimulus funds received in 2010-11 are included in the total school support formula.
- Total expenditures increased by \$487,000 (less than one percent) from the prior year.
- Expenditures for support services increased by \$234,000 due to the receipt of the Teacher Incentive Fund grant. This grant allowed for the addition of staff to provide instructional coaching and additional wages towards instructional improvement activities.
- Facility services expenditures included a one-time expense for an IRS arbitrage rebate on the 2007 construction project bond funds.

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Revenue by Source - Governmental Activities



Expenses by Function - Governmental Activities



McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At June 30, 2012, the District's governmental funds reported combined ending fund balances of \$10.2 million, a decrease of \$1 million from the prior year due to the use of reserves to offset revenue shortfalls. In addition, the fund balance was restated as of June 30, 2012 to reclassify \$475,000 of Student Body Funds as noted earlier.

General Fund. The General Fund is the primary operating fund of the District. As of June 30, 2012, the total general fund balance was \$7.1 million, \$692,000 less than the prior year. The unassigned fund balance was \$4.5 million which represents nine percent of total General Fund revenues. The unassigned fund balance decreased by \$763,000. Due to decreased state school funding, reserves were used to offset the revenue shortfall. Committed fund balances included \$1.8 million for asset reserve and \$778,000 for insurance reserve with no significant change from the prior year.

Grants Fund. The Grants Fund accounts for the revenues and expenditures of specific educational programs funded from federal, state and local sources. The fund balance was \$224,500 compared to \$114,000 in the prior year. There were no significant changes from the prior year. Grant revenue is normally recognized as grant expenditures are expended.

Debt Service Fund. The Debt Service Fund has a total fund balance of \$694,000 compared to \$575,000 in the prior year. There was no significant change to the ending fund balance, all of which is reserved for the payment of debt service.

General Fund Budgetary Highlights

There were no changes to the general fund adopted budget for the fiscal year ended June 30, 2012. All General Fund expenditures were within budgetary limits.

General Fund. Revenues were \$197,000 (less than one percent) higher than budget. Actual property tax revenue was \$288,000 (2.7 percent) higher than budget. Assessed values and collections were higher than estimated. State revenues were \$119,000 lower than budget. There were no significant differences from the budget revenues.

Actual expenditures were \$3.9 million less than budget. \$2.5 million was due to unspent contingencies and \$1.4 million was planned savings to reserve funds for future years due to continued revenue shortfalls projected for the 2012-13 fiscal year. The state had originally planned to increase school funding for the second year of the biennium (2012-13) if projected state revenues increased. When projections did not show significant growth in state revenues, the District implemented plans to save additional funds to reserve for 2012-13.

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets includes land, buildings and improvements and equipment. As of June 30, 2012, the District had invested \$96.2 million in capital assets, net of depreciation, as shown in the following table:

McMinnville School District - Capital Assets
June 30, 2012 and 2011

	Governmental Activities		Increase (Decrease)
	June 30, 2012	June 30, 2011	
Land	\$ 3,972,911	\$ 3,972,911	\$ -
Buildings and Improvements	89,688,847	91,817,613	(2,128,766)
Equipment	2,595,704	2,792,890	(197,186)
Total capital assets, net of accumulated depreciation	<u>\$ 96,257,462</u>	<u>\$ 98,583,414</u>	<u>\$ (2,325,952)</u>

During fiscal year net capital assets decreased by \$2.3 million. This decrease was primarily due to depreciation expense of \$2.6 million. Major capital asset events for the year ended June 30, 2012 included the purchase of a wireless network hub \$48,000, replacement of network servers \$27,000 and installation of HVAC units at the high school \$137,000. In addition, a new baseball scoreboard was donated and installed at a cost of \$64,000. Additional information on the District's capital assets can be found in Note 3 of this report.

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of \$95.8 million consisting of general obligation and limited tax pension bond debt, including unamortized premiums and discounts and net OPEB obligations.

McMinnville School District - Outstanding Debt
June 30, 2012 and 2011

	Governmental Activities		Increase (Decrease)
	June 30, 2012	June 30, 2011	
General obligation bonds	\$ 63,805,000	\$ 67,760,000	\$ (3,955,000)
Pension obligation bonds	27,931,681	28,309,657	(377,976)
Unamortized premium	1,482,163	1,590,007	(107,844)
OPEB obligation	2,531,787	1,884,482	647,305
Total long-term debt	<u>\$ 95,750,631</u>	<u>\$ 99,544,146</u>	<u>\$ (3,793,515)</u>

During the current fiscal year, the District's total debt decreased by \$3.8 million. The net decrease was due to scheduled principal payments. The District maintains an underlying rating of "Aa3" from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt the District may issue to 7.95 percent of total real market property values. The total debt limitation for the District is \$282 million with outstanding general obligation debt of \$63.8 million, leaving \$218.2 million as current debt limitation available for the District. Additional information on the District's long-term debt can be found in Note 4 of this report.

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant economic factor for the District is the State of Oregon's State School Fund. For the year ended June 30, 2012 the State School Fund – General Support provided 70 percent of the District's General Fund program resources. The District is expecting flat revenue from the State School Fund for the year ending June 30, 2013 based on current projections for the 2011-13 biennium from the State of Oregon.

For the 2012-13 budget year, the cost of salaries is expected to decrease due to salary freezes, furlough days and reductions in positions. Benefit costs are expected to increase due to increases in negotiated health insurance contributions from 5% to 7%.

The district expects slow enrollment growth over the next two years due to slowing of in-migration with high unemployment rates. Enrollment increased by 44 students (.7%) in 2011-12 and is expected to remain flat for two more years.

The District budgeted conservatively expecting a slow economic recovery for the state of Oregon, so \$1.5 million in reserves were budgeted to be used to offset revenue shortfalls for the 2012-13 budget year.

Board policy mandates that the District budget with the goal to maintain a minimum target of five percent ending fund balance. For the past three years of budget shortfalls, the District has maintained an ending fund balance in excess of five percent. The budget for 2012-13 includes planned reserves of five percent.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

McMINNVILLE SCHOOL DISTRICT NO. 40
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities
Assets	
Cash and investments	\$ 14,099,068
Accounts receivables	
Grants	1,081,153
Undistributed tax collections	329,590
Property taxes	1,766,744
Accounts	290,461
Deferred charges	542,742
Restricted cash and investments	4,205
Net pension asset	18,802,872
Capital assets, net	
Land	3,972,911
Buildings and improvements	89,688,847
Equipment	2,595,704
	<hr/>
Total Assets	133,174,297
	<hr/>
Liabilities	
Accounts payable	459,104
Accrued payroll and payroll liabilities	3,675,485
Accrued interest payable	132,435
Unearned revenue	1,646,037
Long-term debt	
Due within one year	4,906,877
Due in more than one year	90,843,754
	<hr/>
Total Liabilities	101,663,692
	<hr/>
Net Assets	
Invested for capital assets, net of related debt	31,098,952
Restricted for debt service	694,337
Unrestricted	(282,684)
	<hr/>
Total Net Assets	\$ 31,510,605
	<hr/>

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

McMINNVILLE SCHOOL DISTRICT NO. 40
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

		Program Revenues		Net (Expense)
			Operating	Revenue and
	Expenses	Charges for	Grants and	Change
		Services	Contributions	in Net Assets
Functions/Programs				
Governmental activities:				
Instructional services	\$ 39,655,528	\$ 1,419,803	\$ 3,869,750	\$ (34,365,975)
Supporting services				
Student transportation	2,190,121	-	1,505,000	(685,121)
Other support services	16,952,859	185,630	1,573,258	(15,193,971)
Community services	2,521,615	447,170	1,901,529	(172,916)
Facilities services	472,056	-	-	(472,056)
Interest on long-term debt	4,828,778	-	-	(4,828,778)
Total Governmental Activities	<u>\$ 66,620,957</u>	<u>\$ 2,052,603</u>	<u>\$ 8,849,537</u>	<u>(55,718,817)</u>
General Revenues				
Property taxes levied for general purposes				10,861,359
Property taxes levied for debt service				7,430,665
Construction excise tax				145,189
State school fund - general support				34,490,713
Common school fund				567,335
County common school fund				26,659
ESD Apportionment				1,264,323
Earnings on investments				131,244
Gain on disposition of assets				4,611
Miscellaneous				48,640
Total general revenues				<u>54,970,738</u>
Change in Net Assets				(748,079)
Net Assets				
Beginning of year, restated				<u>32,258,684</u>
End of year				<u>\$ 31,510,605</u>

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

McMINNVILLE SCHOOL DISTRICT NO. 40
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Grants Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
ASSETS					
ASSETS					
Cash and Investments	\$ 11,159,727	\$ -	\$ 473,285	\$ 2,466,056	\$ 14,099,068
Receivables					
Grants	-	982,108	-	99,045	1,081,153
Undistributed Tax Collections	196,967	-	132,623	-	329,590
Property Taxes	1,063,545	-	703,199	-	1,766,744
Accounts	284,461	-	-	6,000	290,461
Due from Other Funds	-	935,996	-	-	935,996
Restricted Cash and Investments	-	-	-	4,205	4,205
Total Assets	<u>\$ 12,704,700</u>	<u>\$ 1,918,104</u>	<u>\$ 1,309,107</u>	<u>\$ 2,575,306</u>	<u>\$ 18,507,217</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 53,959	\$ 45,097	\$ -	\$ 399	\$ 99,455
Arbitrage Rebate Payable	-	-	-	359,649	359,649
Accrued Payroll and Payroll Liabilities	3,673,094	2,391	-	-	3,675,485
Due to Other Funds	931,688	-	-	4,308	935,996
Deferred Revenue	<u>932,516</u>	<u>1,646,037</u>	<u>614,770</u>	<u>-</u>	<u>3,193,323</u>
Total Liabilities	<u>5,591,257</u>	<u>1,693,525</u>	<u>614,770</u>	<u>364,356</u>	<u>8,263,908</u>
FUND BALANCES					
Restricted for					
Grant Activities	-	224,579	-	-	224,579
Debt Service	-	-	694,337	-	694,337
Capital Improvements	-	-	-	490,316	490,316
Associated Student Body	-	-	-	498,324	498,324
Nutrition Services	-	-	-	502,623	502,623
Committed to					
Asset Reserve	1,879,504	-	-	-	1,879,504
Insurance Reserve	778,827	-	-	-	778,827
PERS Bond Debt Service	-	-	-	719,687	719,687
Unassigned	<u>4,455,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,455,112</u>
Total Fund Balances	<u>7,113,443</u>	<u>224,579</u>	<u>694,337</u>	<u>2,210,950</u>	<u>10,243,309</u>
Total Liabilities and Fund Balances	<u>\$ 12,704,700</u>	<u>\$ 1,918,104</u>	<u>\$ 1,309,107</u>	<u>\$ 2,575,306</u>	<u>\$ 18,507,217</u>

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

McMINNVILLE SCHOOL DISTRICT NO. 40
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
June 30, 2012

Total Fund Balances		\$ 10,243,309
Capital assets are not financial resources and therefore are not reported in the Governmental funds:		
Cost	\$ 125,396,838	
Accumulated depreciation	<u>(29,139,376)</u>	96,257,462
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		
		1,547,286
The net pension asset is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds		
		18,802,872
The unamortized portion of bond issuance costs is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds		
		542,742
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	(132,435)	
Bonds Payable	(93,218,844)	
Net OPEB obligations	<u>(2,531,787)</u>	<u>(95,883,066)</u>
Total Net Assets		<u>\$ 31,510,605</u>

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

McMINNVILLE SCHOOL DISTRICT NO. 40
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2012

	General	Grants Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Revenues					
Property Taxes	\$ 10,863,424	\$ -	\$ 7,431,415	\$ -	\$ 18,294,839
Construction Excise Tax	-	-	-	145,189	145,189
Intermediate Sources	1,290,982	-	-	-	1,290,982
State Sources	36,563,049	496,399	-	27,699	37,087,147
Federal Sources	36,860	4,762,289	-	1,873,830	6,672,979
Charges for Services	531,512	97,979	-	1,399,720	2,029,211
Rentals	45,342	-	-	-	45,342
Investment Earnings	95,825	4,973	17,516	12,929	131,243
Contributions and Donations	-	102,673	-	-	102,673
Fees Charged to Grants	135,958	-	-	-	135,958
Services to Other Funds	-	-	-	1,507,798	1,507,798
Miscellaneous	123,651	140,229	-	13,250	277,130
Total Revenues	49,686,603	5,604,542	7,448,931	4,980,415	67,720,491
Expenditures					
Current					
Instruction	32,903,308	3,665,369	-	942,459	37,511,136
Support Services	17,209,519	1,735,754	-	-	18,945,273
Enterprise and Community Services	55,000	92,848	-	2,268,707	2,416,555
Facilities Acquisition and Construction	211,036	-	-	390,975	602,011
Debt Service					
Principal	-	-	3,955,000	1,497,976	5,452,976
Interest	-	-	3,374,156	1,554,941	4,929,097
Bond Issuance Costs	-	-	-	17,872	17,872
Total Expenditures	50,378,863	5,493,971	7,329,156	6,672,930	69,874,920
Excess (Deficiency) of Revenues Over (Under) Expenditures	(692,260)	110,571	119,775	(1,692,515)	(2,154,429)
Other Financing Sources (Uses)					
Proceeds from Bonds Issued	-	-	-	1,120,000	1,120,000
Discount on Bond Issuance	-	-	-	(15,680)	(15,680)
Total Other Sources (Uses)	-	-	-	1,104,320	1,104,320
Net Change in Fund Balance	(692,260)	110,571	119,775	(588,195)	(1,050,109)
Fund Balances					
Beginning of Year, Restated	7,805,703	114,008	574,562	2,799,145	11,293,418
End of year	\$ 7,113,443	\$ 224,579	\$ 694,337	\$ 2,210,950	\$ 10,243,309

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

McMINNVILLE SCHOOL DISTRICT NO. 40
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Net Change in Fund Balance \$ (1,050,109)

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	\$ 269,862	
Less current year depreciation	<u>(2,593,561)</u>	(2,323,699)

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.

(2,250)

Long-term debt proceeds are reported as other financing sources while payments to fiscal agent are reported as other financing uses in governmental funds. In the Statement of Net Assets, however, issuing long-term debt increases liabilities while payments to fiscal agent increases assets. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets. This is the amount by which repayments exceeded proceeds:

4,366,528

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 (discount)/premium)	92,164	
Amortization of issuance costs	<u>(35,264)</u>	56,900

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

(1,153,484)

In the Statement of Activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as interest expenses when due.

8,155

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.

(2,815)

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:

(647,305)

Change in Net Assets

\$ (748,079)

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

McMINNVILLE SCHOOL DISTRICT NO. 40
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	Private Purpose Trust Fund
Assets	
Cash and investments	\$ 123,454
Total Assets	<u>123,454</u>
Net Assets	
Held in trust for:	
Scholarships	<u>123,454</u>
Total Net Assets	<u>\$ 123,454</u>

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

McMINNVILLE SCHOOL DISTRICT NO. 40
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2012

	Private Purpose Trust Fund
Additions:	
Investment earnings	\$ 534
Contributions	4,095
Total Additions	4,629
Deductions:	
Scholarships	12,100
Total Deductions	12,100
Change in Net Assets	(7,471)
Net Assets	
Beginning of year	130,925
Total Net Assets	\$ 123,454

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

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2012

1. Summary of Significant Accounting Policies

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 Assets 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 assets are reported restricted when constraints placed on the net asset 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.

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.

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2012

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - (Continued)

FUND FINANCIAL STATEMENTS (Continued)

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

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

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

Additionally, the District reports the following fund types:

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

Measurement Focus and Basis of Accounting

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

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

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2012

1. Summary of Significant Accounting Policies (Continued)

Budget

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

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

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

Cash and Investments

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

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

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

Property Taxes Receivable

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

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2012

1. Summary of Significant Accounting Policies (Continued)

Property Taxes Receivable (Continued)

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

Accounts and Other Receivables

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

Grants

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

Pension Assets

The District also reports a PERS asset which represents the District's unamortized balance of the prepaid unfunded actuarial liability at June 30, 2012. The pension asset is equal to payments made from the issuance of pension bonds less accumulated amortization calculated on the straight-line method over the life of the pension bonds.

Capital Assets

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

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

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

Retirement Plans

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

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

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.

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2012

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

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

Long-term Debt

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

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

Interfund Transactions

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

Interfund Receivables/Payables

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

Fund Balances

In the governmental financial statements, fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the District 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.

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2012

1. Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board. Formal action is represented by board resolution or policy.

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

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

There are no nonspendable or assigned fund balances as of June 30, 2012.

There is a Fund Balance 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 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.

Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

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

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

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

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.

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2012

2. Cash and Investments

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

Cash and investments on June 30, 2012 consist of the following:

Petty Cash	\$ 1,054
Deposits With Financial Institutions	829,367
Investments	<u>13,396,306</u>
	<u>\$ 14,226,727</u>

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

Statement of Net Assets	
Cash and Investments	\$ 14,099,068
Restricted Cash and Investments	4,205
Statement of Net Assets - Fiduciary Funds	
Cash and Investments - Private Purpose Trust	<u>123,454</u>
	<u>\$ 14,226,727</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 be lost. 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 \$829,367 on June 30, 2012. The bank statement records reflect a balance of \$1,921,765 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, 2012

2. Cash and Investments (Continued)

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. As of June 30, 2012 and for the year then ended, the District was in compliance with the State of Oregon statutes regarding investments.

	<u>Maturities</u>	<u>Value</u>
Certificates of Deposit	12 months average	\$ 36,153
Oregon State Treasury Local Government Investment Pool	6.45 months average	13,360,153
		<u>\$ 13,396,306</u>

Interest rate risk – investments. Under the District's policy, investments of over 18 months will be avoided, unless they can be matched with specific expected use of funds as provided by ORS 294.135. For example, investment of capital bond funds shall be timed to meet construction payments, usually for a term not to exceed three years. Maturities over 18 months are allowed under ORS 294.135 following the review and approval for the District investment policy by the Oregon Short Term Fund Board, which has occurred.

Custodial credit risk – investments. The Oregon Short-Term Fund is not registered with the U.S. Securities and Exchange Commission as an investment company. The Fund currently has no credit rating as assigned by the credit rating agencies. On June 30, 2012 the fund's composite weighted rating was equivalent to S&P's AA ratings. The State's investment policies are governed by Oregon Revised Statutes 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 by the Oregon Short-Term Fund Board. The Certificate of Deposits balance of \$36,153 was covered by Federal Depository Insurance and/or multiple financial institution collateral pool that is maintained by and in the name of the Office of State Treasurer

As of June 30, 2012 and for the year then ended, the District was in compliance with the State of Oregon statutes regarding investments as discussed under Note 1 on Page 24.

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2012

3. Capital Assets (Continued)

Capital assets activity for the year was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 3,972,911	\$ -	\$ -	\$ 3,972,911
Total Capital Assets not being depreciated	3,972,911	-	-	3,972,911
Capital assets being depreciated:				
Buildings and improvements	116,839,238	129,954	-	116,969,192
Equipment	4,621,561	139,908	306,734	4,454,735
Total capital assets being depreciated	121,460,799	269,862	306,734	121,423,927
Less accumulated depreciation for:				
Buildings and improvements	(25,021,628)	(2,258,717)	-	(27,280,345)
Equipment	(1,828,671)	(334,844)	(304,484)	(1,859,031)
Total accumulated depreciation	(26,850,299)	(2,593,561)	(304,484)	(29,139,376)
Total capital assets being depreciated, net	94,610,500	(2,323,699)	2,250	92,284,551
Total capital assets, net	\$ 98,583,411	\$ (2,323,699)	\$ 2,250	\$ 96,257,462

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

Program	
Instructional programs	\$ 2,378,499
Supporting services	117,620
Community services	97,442
	<u>\$ 2,593,561</u>

4. Long-Term Debt

General Long-Term Debt

General Obligation Bonds – General obligation bonds are direct obligations and pledge the full faith and credit of the District. The District issues general obligation bonds to provide funds for the acquisition and construction of school facilities.

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2012

4. Long-Term Debt (Continued)

General Long-Term Debt (Continued)

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

Long-Term Liability Activity for the year ended June 30, 2012 is as follows:

Issue Date	Issue Amount	Outstanding July 1, 2011	Additions	Reductions	Outstanding June 30, 2012	Interest Rates
09/01/01	\$ 16,835,000	\$ 10,005,000	\$ -	\$ 1,775,000	\$ 8,230,000	5.00 - 5.50%
06/14/07	62,000,000	57,755,000	-	2,180,000	55,575,000	4.50 - 5.25%
10/31/02	16,044,243	14,774,657	-	1,342,976	13,431,681	4.82 - 5.55 %
02/19/04	13,715,000	13,535,000	-	155,000	13,380,000	4.40 - 5.53%
08/11/11	1,120,000	-	1,120,000	-	1,120,000	4.12%
Total bonds		96,069,657	1,120,000	5,452,976	91,736,681	
Unamortized premium/(discount)		1,590,007		107,844	1,482,163	
Total bonds payable		97,659,664	1,120,000	5,560,820	93,218,844	
Net OPEB Obligation		1,884,482	647,305	-	2,531,787	
Total long-term debt		\$ 99,544,146	\$ 1,767,305	\$ 5,560,820	\$ 95,750,631	

Future maturities are as follows:

Fiscal Year	Principal	Interest
2012-2013	\$ 4,906,877	\$ 4,758,551
2013-2014	5,472,120	4,580,984
2014-2015	6,068,956	4,371,207
2015-2016	6,696,361	4,146,059
2016-2017	2,737,628	3,897,173
2017-2022	20,734,739	16,800,886
2022-2027	37,665,000	8,168,066
2027-2028	7,455,000	382,419
Total	\$ 91,736,681	\$ 47,105,345

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 from charges to other funds. See note 9 for regarding funding of the net OPEB obligation.

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2012

5. Interfund Receivables & Payables

The composition of interfund balances as of June 30, 2012 is as follows:

	Due From Other Funds	Due to Other Funds
Major Government Funds		
General Fund	\$ -	\$ 931,688
Grants Fund	935,996	-
Nonmajor Funds		
Construction Earnings Fund	-	4,308
	<u>\$ 935,996</u>	<u>\$ 935,996</u>

The District maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is reported as either Cash and Investments or Due to/from Other Funds. As of June 30, 2012, there is a \$935,996 interfund balance in the Grants Fund which represents deferred grant revenues and a \$4,308 balance in the Construction Earnings Fund for accrued expenditures.

6. Interfund Transfers

Interfund transfers for the year ended June 30, 2012 are as follows:

Major Government Fund		
General Fund - Unassigned	\$ -	\$ 250,000
General Fund - Committed to Asset Reserve	250,000	-
	<u>\$ 250,000</u>	<u>\$ 250,000</u>

An Interfund transfer was made from the General Fund to the Asset Reserve Fund to reserve funds for repair and replacement needs.

7. Pension Plan

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

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

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2012

7. Pension Plan (Continued)

Description of Funding Policy

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

The District is required by statute to contribute actuarially computed amounts as determined by PERS. Rates are subject to change every two years as a result of subsequent actuarial valuations. The contribution rates are revised to reflect the issuance of pension bonds to finance a portion of the District's estimated unfunded actuarial liability. PERS charges to various funds for the year ended June 30, 2012 to cover bond payments were estimated to be 8.00% of covered payroll.

Contribution information for the years ending June 30, 2012, 2011, and 2010 is as follows:

Year Ended June 30,	Employer Contributions		Employee Contributions		Total Contribution
	Annual Pension Costs (APC)	Percentages of APC Contributed	Paid by Employer	Paid by Employee	
2012	\$ 3,500,020	100%	\$ 1,315,289	\$ 496,239	\$ 5,311,548
2011	1,227,347	100%	1,338,323	500,883	3,066,553
2010	1,144,548	100%	1,273,922	438,672	2,857,142

8. Net Pension Asset

As a result of the issuance of the limited tax pension obligations bonds discussed in Notes 4 and 7, the District has reported a Net Pension Asset in the Statement of Net Assets. The Net Pension Asset is equal to the initial \$28,837,103 in payments made to PERS from the bond proceeds, less accumulated amortization of \$10,034,231. Annual amortization is being calculated on a straight-line basis over the life of the pension obligation bonds.

9. Other Post Employment Benefits

Early Retirement

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

The District's program has two main components:

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

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2012

9. Other Post Employment Benefits (Continued)

Early Retirement (Continued)

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

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

Annual OPEB Cost and Net OPEB Obligation – The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)* of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

	2012	2011	2010
Annual required contribution	\$ 1,916,101	\$ 1,851,305	\$ 1,874,298
Interest on net OPEB obligation	75,380	44,789	22,066
Adjustment to annual required contribution	(226,831)	(87,678)	(30,527)
Annual OPEB cost (expense)	1,764,650	1,808,416	1,865,837
Contributions made	1,117,315	1,043,606	1,297,833
Increase in net OPEB obligation	647,335	764,810	568,004
Net OPEB obligation -- beginning of year	1,884,452	1,119,642	551,638
Net OPEB obligation -- end of year	<u>\$ 2,531,787</u>	<u>\$ 1,884,452</u>	<u>\$ 1,119,642</u>

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	1,865,837	1,297,833	70%	568,004
June 30, 2011	1,808,416	1,043,606	58%	764,810
June 30, 2012	1,764,650	1,117,315	63%	647,335

Funded Status of and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date, for the periods ended June 30, 2011 and June 30, 2012; the District's actuarial accrued liability (AAL) for benefits was \$10,593,953, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,593,953. The covered payroll (annual payroll of active employees covered by the plan) was \$30,168,617 and the ratio of the UAAL to the covered payroll was 35 percent.

9. Other Post Employment Benefits (Continued)

Actuarial valuations of an ongoing plan involve estimated of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress immediately following the notes to the basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an inflation rate of 3%, discount rate of 4.0%, payroll growth rate of 3.5% and an annual district contribution increase of 5%. They also assume medical and prescription drug premium costs would increase at 9.5% for the current year, grading down to an annual rate of 5.5% after ten years. The demographic assumptions, such as mortality rates, disability incidence rates and retirement rates are the same as those used for Oregon PERS benefits.

Tax Sheltered Annuity

The District offers its employees a tax deferred annuity program established pursuant to Section 403(b) of the Internal Revenue Code (the Code). Contributions are made through salary reductions from participating employee up to the amounts specified in the Code. No contributions are required from the District. As of June 30, 2012, 250 employees were participating in the plan.

10. Risk Management

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

11. Contingent Liabilities

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

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

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2012

11. Contingent Liabilities (Continued)

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. Restatement of Beginning Net Assets

The District has restated its June 30, 2011 statement to reflect a correction in the classification of the Student Body Fund as a Special Revenue Fund rather than an Agency Fund. The following discloses the restatement of net assets as of the beginning of the fiscal year:

	Nonmajor Governmental Fund
Fund Balance as of June 30, 2011, as as Previously Reported	\$ 2,324,163
Student Body Fund Fund Reclassification	<u>474,983</u>
Fund Balance as of July 1, 2011, as restated	<u>\$ 2,799,146</u>

13. Budget Compliance

Excess of expenditures over appropriations – Oregon law prohibits expenditures in excess of board approved appropriations. The board approves appropriations for each fund by major function. For the year ended June 30, 2012, expenditures exceeded appropriations by \$1,937 in the Facilities Acquisition and Construction function of the Construction Earnings Fund.

REQUIRED
SUPPLEMENTARY INFORMATION

McMINNVILLE SCHOOL DISTRICT NO. 40
SCHEDULE OF FUNDING PROGRESS FOR
OTHER POST EMPLOYMENT BENEFITS
June 30, 2012

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

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 1,865,837	\$ 1,297,833	70%	\$ 568,004
June 30, 2011	1,808,416	1,043,606	58%	764,810
June 30, 2012	1,764,650	1,117,315	63%	647,335

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, 2012

	Budget			Variance with
	Adopted	Final	Actual	Final budget
Revenues				
Revenues from Local Sources				
Property Taxes	\$ 10,575,000	\$ 10,575,000	\$ 10,863,424	\$ 288,424
Tuition	315,000	315,000	294,728	(20,272)
Investment Earnings	150,000	150,000	81,704	(68,296)
Extracurricular Activities	119,000	119,000	147,165	28,165
Community Service Activities	70,000	70,000	89,619	19,619
Rentals	10,000	10,000	15,995	5,995
Fees Charged to Grants	150,000	150,000	135,958	(14,042)
Miscellaneous Local Sources	20,000	20,000	48,639	28,639
Total Local Revenues	11,409,000	11,409,000	11,677,232	268,232
Revenues from Intermediate Sources				
ESD Apportionment	1,200,000	1,200,000	1,264,323	64,323
County School Fund	60,000	60,000	26,659	(33,341)
	1,260,000	1,260,000	1,290,982	30,982
Revenues from State Sources				
State School Fund Support	34,978,209	34,978,209	34,555,757	(422,452)
Other State Sources	1,154,312	1,154,312	1,439,956	285,644
Common School Fund	549,832	549,832	567,336	17,504
Total State Revenues	36,682,353	36,682,353	36,563,049	(119,304)
Revenues from Federal Sources				
Education Jobs Fund - ARRA	-	-	19,763	19,763
Child Care and Development Fund	20,000	20,000	11,272	(8,728)
Child Care Food Program	-	-	5,825	5,825
Total Federal Revenues	20,000	20,000	36,860	16,860
Total Revenues	49,371,353	49,371,353	49,568,123	196,770
Expenditures				
Instruction *	33,502,254	33,502,254	32,903,308	598,946
Support Services *	17,840,287	17,840,287	17,123,528	716,759
Community Services *	55,000	55,000	55,000	-
Facilities Acquisition and Construction *	50,000	50,000	-	50,000
Contingencies *	2,523,812	2,523,812	-	2,523,812
Total Expenditures	53,971,353	53,971,353	50,081,836	3,889,517
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,600,000)	(4,600,000)	(513,713)	4,086,287
Other Financing Sources (Uses):				
Transfers out *	(250,000)	(250,000)	(250,000)	-
Total Other Financing Sources (Uses)	(250,000)	(250,000)	(250,000)	-
Net Change in Fund Balance	(4,850,000)	(4,850,000)	(763,713)	4,086,287
Fund Balance				
Beginning of Year	4,850,000	4,850,000	5,218,825	368,825
End of Year	\$ -	\$ -	4,455,112	\$ 4,455,112
* Legally adopted appropriation level				
Reconciliation to Governmental Ending Fund Balance:				
Asset Reserve Fund			1,879,504	
Insurance Reserve Fund			778,827	
Total Governmental Funds			\$ 7,113,443	

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, 2012

	Budget		Actual	Variance with Final budget
	Adopted	Final		
Revenues				
Local Sources	\$ 630,444	\$ 630,444	\$ 345,854	\$ (284,590)
Intermediate Sources	175,000	175,000	-	(175,000)
State Sources	832,000	832,000	496,399	(335,601)
Federal Sources	5,612,556	5,612,556	4,762,289	(850,267)
Total Revenues	7,250,000	7,250,000	5,604,542	(1,645,458)
Expenditures				
Instruction *	4,427,000	4,427,000	3,665,369	761,631
Support Services *	2,708,000	2,708,000	1,735,754	972,246
Community Services *	95,000	95,000	92,848	2,152
Facilities Acquisition and Construction *	50,000	50,000	-	50,000
Total Expenditures	7,280,000	7,280,000	5,493,971	1,786,029
Excess (Deficiency) of Revenues Over (Under) Expenditures	(30,000)	(30,000)	110,571	140,571
Fund Balances				
Beginning of Year	30,000	30,000	114,008	84,008
End of Year	\$ -	\$ -	\$ 224,579	\$ 224,579

* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2012

1. Other Postemployment Benefits

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

2. General Fund

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

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

3. Budget

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

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

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

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SUPPLEMENTAL INFORMATION

McMINNVILLE SCHOOL DISTRICT NO. 40
 COMBINING BALANCE SHEET
 MAJOR GOVERNMENTAL FUND - GENERAL FUND
 June 30, 2012

	General	Asset Reserve Fund	Insurance Reserve Fund	Totals
ASSETS				
ASSETS				
Cash and Investments	\$ 8,482,277	\$ 1,897,729	\$ 779,721	\$ 11,159,727
Receivables				
Undistributed Tax Collections	196,967	-	-	196,967
Property Taxes	1,063,545	-	-	1,063,545
Accounts	284,461	-	-	284,461
Total Assets	<u>\$ 10,027,250</u>	<u>\$ 1,897,729</u>	<u>\$ 779,721</u>	<u>\$ 12,704,700</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 34,840	\$ 18,225	\$ 894	\$ 53,959
Accrued Payroll and Payroll Liabilities	3,673,094	-	-	3,673,094
Due to Other Funds	931,688	-	-	931,688
Deferred Revenue	932,516	-	-	932,516
Total Liabilities	<u>5,572,138</u>	<u>18,225</u>	<u>894</u>	<u>5,591,257</u>
FUND BALANCES				
Fund Balances				
Committed to				
Asset Reserve	-	1,879,504	-	1,879,504
Insurance Reserve	-	-	778,827	778,827
Unassigned	4,455,112	-	-	4,455,112
Total Fund Balances	<u>4,455,112</u>	<u>1,879,504</u>	<u>778,827</u>	<u>7,113,443</u>
Total Liabilities and Fund Balance	<u>\$ 10,027,250</u>	<u>\$ 1,897,729</u>	<u>\$ 779,721</u>	<u>\$ 12,704,700</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
MAJOR GOVERNMENTAL FUND - GENERAL FUND
Year Ended June 30, 2012

	General Fund	Asset Reserve	Insurance Reserve	Total
Revenues				
Property Taxes	\$ 10,863,424	\$ -	\$ -	\$ 10,863,424
Intermediate Sources	1,290,982	-	-	1,290,982
State Sources	36,563,049	-	-	36,563,049
Federal Sources	36,860	-	-	36,860
Charges for Services	531,512	-	-	531,512
Rentals	15,995	29,347	-	45,342
Investment Earnings	81,704	9,825	4,296	95,825
Fees Charged to Grants	135,958	-	-	135,958
Miscellaneous	48,639	8,341	66,671	123,651
Total Revenues	49,568,123	47,513	70,967	49,686,603
Expenditures				
Instruction	32,903,308	-	-	32,903,308
Support Services	17,123,528	58,503	27,488	17,209,519
Enterprise and Community Services	55,000	-	-	55,000
Facilities Acquisition and Construction	-	211,036	-	211,036
Total Expenditures	50,081,836	269,539	27,488	50,378,863
Excess (Deficiency) of Revenues Over (Under) Expenditures	(513,713)	(222,026)	43,479	(692,260)
Other Financing Sources (Uses)				
Transfer In	-	250,000	-	250,000
Transfers Out	(250,000)	-	-	(250,000)
Total Other Sources (Uses)	(250,000)	250,000	-	-
Net Change in Fund Balance	(763,713)	27,974	43,479	(692,260)
Fund Balances				
Beginning of Year	5,218,825	1,851,530	735,348	7,805,703
End of Year	\$ 4,455,112	\$ 1,879,504	\$ 778,827	\$ 7,113,443

McMINNVILLE SCHOOL DISTRICT NO. 40
ASSET RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2012

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ 10,000	\$ 10,000	\$ 9,825	\$ (175)
Lease Income	27,000	27,000	29,347	2,347
Miscellaneous Local Sources	10,000	10,000	8,341	(1,659)
Total Revenue	47,000	47,000	47,513	513
Expenditures				
Support Services *	400,000	400,000	58,503	341,497
Facilities Acquisition and Construction *	1,697,000	1,697,000	211,036	1,485,964
Total Expenditures	2,097,000	2,097,000	269,539	1,827,461
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,050,000)	(2,050,000)	(222,026)	1,827,974
Other Financing Sources				
Transfer in	250,000	250,000	250,000	-
Total Other Sources *	250,000	250,000	250,000	-
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(1,800,000)	(1,800,000)	27,974	1,827,974
Fund Balance				
Beginning of Year	1,800,000	1,800,000	1,851,530	51,530
End of Year	\$ -	\$ -	\$ 1,879,504	\$ 1,879,504

* Legally adopted appropriation level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB #54 because there are no restricted or committed revenues.

McMINNVILLE SCHOOL DISTRICT NO. 40
INSURANCE RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2012

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ 7,000	\$ 7,000	\$ 4,296	\$ (2,704)
Miscellaneous Local Sources	15,000	15,000	66,671	51,671
Total Revenue	22,000	22,000	70,967	48,967
Expenditures				
Instruction *	400,000	400,000	-	400,000
Support Services *	322,000	322,000	27,488	294,512
Total Expenditures	722,000	722,000	27,488	694,512
Excess (Deficiency) of Revenues Over (Under) Expenditures	(700,000)	(700,000)	43,479	743,479
Fund Balance				
Beginning of Year	700,000	700,000	735,348	35,348
End of Year	\$ -	\$ -	\$ 778,827	\$ 778,827

* Legally adopted appropriation level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB #54 because there are no restricted or committed revenues.

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OTHER MAJOR GOVERNMENTAL FUNDS

McMINNVILLE SCHOOL DISTRICT NO. 40
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2012

	Budget			Variance with
	Adopted	Final	Actual	Final Budget
Revenues				
Revenues from Local Sources				
Property Taxes	\$ 7,268,000	\$ 7,268,000	\$ 7,431,415	\$ 163,415
Investment Earnings	16,000	16,000	17,516	1,516
Total Revenue	7,284,000	7,284,000	7,448,931	164,931
Expenditures				
Debt Service				
Redemption of Principal	3,955,000	3,955,000	3,955,000	-
Interest	3,374,157	3,374,157	3,374,156	1
Total Expenditures	7,329,157	7,329,157	7,329,156	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	(45,157)	(45,157)	119,775	164,932
Fund Balance				
Beginning of Year	500,000	500,000	574,562	74,562
End of Year	\$ 454,843	\$ 454,843	\$ 694,337	\$ 239,494

* Legally adopted appropriation level

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

Construction Earnings Fund - accounts for revenues and expenditures related acquisition of equipment. The primary sources of revenues are earnings on investments from the proceeds of the 2007 general obligation bond.

McMINNVILLE SCHOOL DISTRICT NO. 40
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue Funds					
	School Nutrition Fund	Student Body Fund	Construction Excise Tax Fund	PERS Debt Service Fund	Construction Earnings Fund	Total
ASSETS						
ASSETS						
Cash and Investments	\$ 397,731	\$ 498,324	\$ 490,316	\$ 715,482	\$ 364,203	\$ 2,466,056
Grants Receivable	99,045	-	-	-	-	99,045
Accounts Receivable	6,000	-	-	-	-	6,000
Restricted Cash and Investments	-	-	-	4,205	-	4,205
Total Assets	<u>\$ 502,776</u>	<u>\$ 498,324</u>	<u>\$ 490,316</u>	<u>\$ 719,687</u>	<u>\$ 364,203</u>	<u>\$ 2,575,306</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 153	\$ -	\$ -	\$ -	\$ 246	\$ 399
Arbitrage Rebate Payable	-	-	-	-	359,649	359,649
Due to Other Funds	-	-	-	-	4,308	4,308
Total Liabilities	<u>153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>364,203</u>	<u>364,356</u>
FUND BALANCES						
Restricted for						
Capital Improvements	-	-	490,316	-	-	490,316
Nutrition Services	502,623	-	-	-	-	502,623
Student Body Activities	-	498,324	-	-	-	498,324
Committed To						
PERS Debt Service	-	-	-	719,687	-	719,687
Total Fund Balances	<u>502,623</u>	<u>498,324</u>	<u>490,316</u>	<u>719,687</u>	<u>-</u>	<u>2,210,950</u>
Total Liabilities and Fund Balances	<u>\$ 502,776</u>	<u>\$ 498,324</u>	<u>\$ 490,316</u>	<u>\$ 719,687</u>	<u>\$ 364,203</u>	<u>\$ 2,575,306</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2012

	Special Revenue Funds			PERS Debt Service Fund	Construction Earnings Fund	Total
	School Nutrition Fund	Student Body Fund	Construction Excise Tax Fund			
Revenues						
Local Sources	\$ 447,764	\$ 965,800	\$ 147,389	\$ 1,516,030	\$ 1,903	\$ 3,078,886
State Sources	27,699	-	-	-	-	27,699
Federal Sources	1,873,830	-	-	-	-	1,873,830
Total Revenues	2,349,293	965,800	147,389	1,516,030	1,903	4,980,415
Expenditures						
Instruction	-	942,459	-	-	-	942,459
Enterprise and Community Services	2,268,707	-	-	-	-	2,268,707
Facilities Acquisition and Construction	-	-	2,038	-	388,937	390,975
Debt Service						
Principal	-	-	-	1,497,976	-	1,497,976
Interest	-	-	-	1,554,941	-	1,554,941
Bond Issuance Costs	-	-	-	17,872	-	17,872
Total Expenditures	2,268,707	942,459	2,038	3,070,789	388,937	6,672,930
Excess (Deficiency) of Revenues Over (Under) Expenditures	80,586	23,341	145,351	(1,554,759)	(387,034)	(1,692,515)
Other Financing Sources (Uses)						
Proceeds from Bonds Issued	-	-	-	1,120,000	-	1,120,000
Discount on Bond Issuance	-	-	-	(15,680)	-	(15,680)
Total Other Sources (Uses)	-	-	-	1,104,320	-	1,104,320
Net Change in Fund Balance	80,586	23,341	145,351	(450,439)	(387,034)	(588,195)
Fund Balances						
Beginning of Year, Restated	422,037	474,983	344,965	1,170,126	387,034	2,799,145
End of Year	\$ 502,623	\$ 498,324	\$ 490,316	\$ 719,687	\$ -	\$ 2,210,950

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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, 2012

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Sales	\$ 669,428	\$ 669,428	\$ 433,920	\$ (235,508)
Investment Earnings	-	-	594	594
Miscellaneous Local Sources	20,500	20,500	13,250	(7,250)
Total Local Sources	689,928	689,928	447,764	(242,164)
Revenue from State Sources				
State School Fund	24,500	24,500	23,805	(695)
State Restricted Grants	-	-	3,894	3,894
Total State Sources	24,500	24,500	27,699	3,199
Revenues from Federal Sources				
National School Lunch Program	1,938,950	1,938,950	1,663,691	(275,259)
U.S.D.A. Donated Commodities	159,730	159,730	158,922	(808)
Federal Restricted Grants	75,000	75,000	51,217	(23,783)
Total Federal Sources	2,173,680	2,173,680	1,873,830	(299,850)
Total Revenues	2,888,108	2,888,108	2,349,293	(538,815)
Expenditures				
Enterprise and Community Services *	3,098,108	3,098,108	2,268,707	829,401
Excess (Deficiency) of Revenues Over (Under) Expenditures	(210,000)	(210,000)	80,586	290,586
Fund Balance				
Beginning of Year	210,000	210,000	422,037	212,037
End of Year	\$ -	\$ -	\$ 502,623	\$ 502,623

* 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, 2012

	Budget			Variance with
	Adopted	Final	Actual	Final Budget
Revenues				
Revenues from Local Sources				
Extracurricular Activities	\$ 1,900,000	\$ 1,900,000	\$ 965,800	\$ (934,200)
Expenditures				
Instruction *	2,400,000	2,400,000	942,459	1,457,541
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(500,000)	(500,000)	23,341	523,341
Fund Balance				
Beginning of Year	500,000	500,000	474,983	(25,017)
End of Year	\$ -	\$ -	\$ 498,324	\$ 498,324

* 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, 2012

	Budget			Variance with
	Adopted	Final	Actual	Final Budget
Revenues				
Revenues from Local Sources				
Excise tax	\$ 80,000	\$ 80,000	\$ 145,189	\$ 65,189
Investment Earnings	2,000	2,000	2,200	200
Total Revenues	82,000	82,000	147,389	65,389
Expenditures				
Facilities Acquisition and Construction*	418,000	418,000	2,038	415,962
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(336,000)	(336,000)	145,351	481,351
Fund Balance				
Beginning of the Year	336,000	336,000	344,965	8,965
End of Year	\$ -	\$ -	\$ 490,316	\$ 490,316

* 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, 2012

	Budget			Variance with
	Adopted	Final	Actual	Final Budget
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ 6,000	\$ 6,000	\$ 8,232	\$ 2,232
Services Provided to Other Funds	1,885,000	1,885,000	1,507,798	(377,202)
Total Revenues	1,891,000	1,891,000	1,516,030	(374,970)
Expenditures				
Debt Service *				
Redemption of Principal	427,976	427,976	1,497,976	(1,070,000)
Interest	1,558,894	1,558,894	1,554,941	3,953
Bond Issuance Costs	-	-	17,872	(17,872)
Total Debt Service	1,986,870	1,986,870	3,070,789	(1,083,919) **
Excess (Deficiency) of Revenues Over (Under) Expenditures	(95,870)	(95,870)	(1,554,759)	(1,458,889)
Other Financing Sources (Uses)				
Proceeds from Bonds Issued	-	-	1,120,000	1,120,000
Discount on Bond Issuance	-	-	(15,680)	(15,680)
Total Other Financing Sources (Uses)	-	-	1,104,320	1,104,320
Net Change in Fund Balance	(95,870)	(95,870)	(450,439)	(354,569)
Fund Balance				
Beginning of Year	980,000	980,000	1,170,126	190,126
End of Year	\$ 884,130	\$ 884,130	\$ 719,687	\$ (164,443)

* Legally adopted appropriation level

** Not a budget violation

McMINNVILLE SCHOOL DISTRICT NO. 40
CONSTRUCTION EARNINGS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2012

	Budget			Variance with
	Adopted	Final	Actual	Final Budget
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ 3,000	\$ 3,000	\$ 1,903	\$ (1,097)
Expenditures				
Facilities Acquisition and Construction *	387,000	387,000	388,937	(1,937)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(384,000)	(384,000)	(387,034)	(3,034)
Fund Balance				
Beginning of Year	384,000	384,000	387,034	3,034
End of Year	\$ -	\$ -	\$ -	\$ -

* Legally adopted appropriation level

FIDUCIARY FUNDS

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

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

MCMINNVILLE SCHOOL DISTRICT NO. 40
PRIVATE PURPOSE TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2012

	Budget			Variance
	Adopted	Final	Actual	Favorable (Unfavorable)
Revenues				
Revenues from Local Sources				
Earnings on Investments	\$ 5,000	\$ 5,000	\$ 534	\$ (4,466)
Contributions	10,000	10,000	4,095	(5,905)
Total Revenues	15,000	15,000	4,629	(10,371)
Expenditures				
Community Services *	55,000	55,000	12,100	42,900
Operating Contingencies *	100,000	100,000	-	100,000
Total Expenditures	155,000	155,000	12,100	142,900
Excess (Deficiency) of Revenues Over (Under) Expenditures	(140,000)	(140,000)	(7,471)	132,529
Fund Balances				
Beginning of Year	140,000	140,000	130,925	(9,075)
End of Year	\$ -	\$ -	\$ 123,454	\$ 123,454

* Legally adopted appropriation level

OTHER FINANCIAL SCHEDULES

McMINNVILLE SCHOOL DISTRICT NO. 40
SCHEDULE OF PROPERTY TAX TRANSACTIONS
Year Ended June 30, 2012

Tax Roll Year	Uncollected July 1, 2011 and Tax Levy	Less Discounts	Net Adjustments	Collections	Uncollected June 30, 2012
2011-2012	\$ 18,736,255	\$ 458,296	\$ (87,909)	\$ 17,355,602	\$ 834,448
2010-2011	914,606	-	(90,500)	344,630	479,476
2009-2010	387,638	-	(14,314)	118,629	254,695
2008-2009	186,416	-	(2,156)	108,817	75,443
2007-2008	72,815	-	(345)	44,162	28,308
2006-2007	19,579	-	(153)	4,878	14,548
Prior	86,396	-	(353)	6,217	79,826
	<u>\$ 20,403,705</u>	<u>\$ 458,296</u>	<u>\$ (195,730)</u>	17,982,935	<u>\$ 1,766,744</u>

Interest	145,746
Offsets and other adjustments	64,049
Undistributed tax collections, June 30, 2012	219,458
Undistributed tax collections, June 30, 2011	<u>(117,349)</u>
Revenue Turned Over to Distric	<u>\$ 18,294,839</u>

	General Fund	Debt Sevice Fund	Total Revenue
Current Year's Taxes	\$ 10,358,395	\$ 7,095,429	\$ 17,453,824
Prior Year's Taxes	<u>505,029</u>	<u>335,986</u>	<u>841,015</u>
Revenue Turned Over to Distric	<u>\$ 10,863,424</u>	<u>\$ 7,431,415</u>	<u>\$ 18,294,839</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
SCHEDULE OF BOND, BOND INTEREST
TRANSACTIONS AND BALANCES
Year Ended June 30, 2012

Issue Date	Balance July 1, 2011	Issued	Redeemed	Balance June 30, 2012
September 1, 2001 - Refunding Bonds	\$ 10,005,000	\$ -	\$ 1,775,000	\$ 8,230,000
June 1, 2007 - General Obligation Bonds	57,755,000	-	2,180,000	55,575,000
Total General Obligation Bonds	67,760,000	-	3,955,000	63,805,000
October 31, 2002 - PERS Bonds	14,774,657	-	1,342,976	13,431,681
February 19, 2004 - PERS Bonds	13,535,000	-	155,000	13,380,000
August 11, 2011 - PERS Refunding Bond	-	1,120,000	-	1,120,000
Total Limited Tax Pension Obligation Bonds	28,309,657	1,120,000	1,497,976	27,931,681
Total Bonds Payable	<u>\$ 96,069,657</u>	<u>\$ 1,120,000</u>	<u>\$ 5,452,976</u>	<u>\$ 91,736,681</u>

Issue Date	Matured Bonds and Interest Payable			
	Balance July 1, 2011	Matured	Redeemed or Paid	Balance June 30, 2012
Principal:				
September 1, 2001 - Refunding Bonds	\$ -	\$ 1,775,000	\$ 1,775,000	\$ -
June 1, 2007 - General Obligation Bonds	-	2,180,000	2,180,000	-
October 31, 2002 - PERS Bonds	-	1,342,976	1,342,976	-
February 19, 2004 - PERS Bonds	-	155,000	155,000	-
August 11, 2011 - PERS Refunding Bond	-	-	-	-
Total Principal	-	5,452,976	5,452,976	-
Interest:				
September 1, 2001 - Refunding Bonds	-	550,275	550,275	-
June 1, 2007 - General Obligation Bonds	-	2,823,881	2,823,881	-
October 31, 2002 - PERS Bonds	-	782,695	782,695	-
February 19, 2004 - PERS Bonds	-	731,407	731,407	-
August 11, 2011 - PERS Refunding Bond	-	40,839	40,839	-
Total Interest	-	4,929,097	4,929,097	-
Totals	<u>\$ -</u>	<u>\$ 10,382,073</u>	<u>\$ 10,382,073</u>	<u>\$ -</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
SCHEDULE OF FUTURE REQUIREMENTS
FOR RETIREMENT OF BOND PRINCIPAL AND INTEREST

Total -- All Issues

<u>Fiscal Year</u>	<u>Required For Principal</u>	<u>Required For Interest</u>	<u>Total Requirements</u>
2012 - 2013	\$ 4,906,877	\$ 4,758,551	\$ 9,665,428
2013 - 2014	5,472,120	4,580,984	10,053,104
2014 - 2015	6,068,956	4,371,207	10,440,163
2015 - 2016	6,696,361	4,146,059	10,842,420
2016 - 2017	2,737,628	3,897,173	6,634,801
Thereafter	65,854,739	25,351,371	91,206,110
	<u>\$ 91,736,681</u>	<u>\$ 47,105,345</u>	<u>\$ 138,842,026</u>

September 1, 2001 General Obligation Refunding Bonds

Original Issue: \$ 16,835,000

<u>Fiscal Year</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2012 - 2013	6/15/2013	5.50%	\$ 1,885,000	\$ 452,650	\$ 2,337,650
2013 - 2014	6/15/2014	5.50%	2,000,000	348,975	2,348,975
2014 - 2015	6/15/2015	5.50%	2,110,000	238,975	2,348,975
2015 - 2016	6/15/2016	5.50%	2,235,000	122,925	2,357,925
2016 - 2017			-	-	-
Thereafter			-	-	-
			<u>\$ 8,230,000</u>	<u>\$ 1,163,525</u>	<u>\$ 9,393,525</u>

June 1, 2007 General Obligation Bonds

Original Issue: \$ 62,000,000

<u>Fiscal Year</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2012 - 2013	6/15/2013	4.50 - 5.25%	\$ 2,525,000	\$ 2,725,781	\$ 5,250,781
2013 - 2014	6/15/2014	4.50 - 5.25%	2,900,000	2,612,156	5,512,156
2014 - 2015	6/15/2015	4.50 - 5.25%	3,310,000	2,472,156	5,782,156
2015 - 2016	6/30/2016	4.50 - 5.25%	3,730,000	2,321,956	6,051,956
2016 - 2017	6/30/2017	4.50 - 5.25%	1,925,000	2,152,856	4,077,856
Thereafter		4.50 - 5.25%	41,185,000	14,211,966	55,396,966
			<u>\$ 55,575,000</u>	<u>\$ 26,496,871</u>	<u>\$ 82,071,871</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
SCHEDULE OF FUTURE REQUIREMENTS
FOR RETIREMENT OF BOND PRINCIPAL AND INTEREST (Continued)

October 31, 2002 PERS Bonds

Original Issue: \$ 16,044,243

<u>Fiscal Year</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2012 - 2013	6/30/2013	5.18%	\$ 286,877	\$ 809,736	\$ 1,096,613
2013 - 2014	6/30/2014	5.36%	302,120	859,493	1,161,613
2014 - 2015	6/30/2015	5.51%	313,956	912,657	1,226,613
2015 - 2016	6/30/2016	5.67%	321,361	970,252	1,291,613
2016 - 2017	6/30/2017	5.82%	327,628	1,033,985	1,361,613
Thereafter		5.48 - 6.02%	11,879,739	6,594,791	18,474,530
			<u>\$ 13,431,681</u>	<u>\$ 11,180,914</u>	<u>\$ 24,612,595</u>

February 19, 2004 PERS Bonds

Original Issue: \$ 13,715,000

<u>Fiscal Year</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2012 - 2013	6/30/2013	4.77%	\$ 210,000	\$ 724,296	\$ 934,296
2013 - 2014	6/30/2014	4.79%	270,000	714,272	984,272
2014 - 2015	6/30/2015	4.92%	335,000	701,331	1,036,331
2015 - 2016	6/30/2016	5.02%	410,000	684,838	1,094,838
2016 - 2017	6/30/2017	5.12%	485,000	664,244	1,149,244
Thereafter		5.22 - 5.53%	11,670,000	4,360,262	16,030,262
			<u>\$ 13,380,000</u>	<u>\$ 7,849,243</u>	<u>\$ 21,229,243</u>

August 11, 2011 PERS Bond Refunding

Original Issue: \$ 1,120,000

<u>Fiscal Year</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2012 - 2013	6/30/2013	4.12%	\$ -	\$ 46,088	\$ 46,088
2013 - 2014	6/30/2014	4.12%	-	46,088	46,088
2014 - 2015	6/30/2015	4.12%	-	46,088	46,088
2015 - 2016	6/30/2016	4.12%	-	46,088	46,088
2016 - 2017	6/30/2017	4.12%	-	46,088	46,088
Thereafter		4.12%	1,120,000	184,352	1,304,352
			<u>\$ 1,120,000</u>	<u>\$ 414,792</u>	<u>\$ 1,534,792</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 SUPPLEMENTAL INFORMATION AS REQUIRED
 BY THE OREGON DEPARTMENT OF EDUCATION
 Year Ended June 30, 2012

A. Energy bill for Heating - **All Funds:**

Please enter your expenditures for electricity
 & heating fuel for these Functions & Objects.

	Objects 325 & 326
Function 2540	\$ 921,961
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	4150	Construction
1140	Pre-Kindergarten	2550	Pupil Transportation
1300	Continuing Education	3100	Food Service
1400	Summer School	3300	Community Services

McMINNVILLE SCHOOL DISTRICT NO. 40
YAMHILL COUNTY, OREGON
Schedule of Insurance in Force at June 30, 2012

Company	Policy Number	Expiration Date	Amount	Coverage	Hazards Insured
PACE	27P60119-212	07/01/12	\$ \$246,718,496	Property insurance - all locations. Building and business personal property, valuable papers	Risks of direct physical loss, subject to a \$50,000 deductible per loss. \$5,000 deductible per loss on portable equipment.
			\$ 10,000,000 Occurrence	Comprehensive general liability and wrongful acts covering premises and operations of the district	Bodily injury, property damage, and wrongful acts.
			\$ 20,000,000 Aggregate		
			\$ 10,000,000	School leaders errors and omissions	Faithful performance of Board of Directors
			\$ 100,000	Faithful performance blanket position bond	Employee dishonesty.
			\$ 100,000	Forgery or alteration	Employee dishonesty. Deductible \$1,000
			\$ 500,000	Accounts receivable,	Risk of direct physical loss. Deductible \$25,000.
			\$ 10,000,000	Auto liability and property damage	Auto liability and auto physical damage per schedule on policy
SAIF	486975	07/01/12	Statutory	Boiler and machinery including business interruption and extra expense	Comprehensive form, subject to \$1,000 deductible per loss motors less than 500 hp. \$5,000 deductible motors greater than 500 hp.
				Umbrella liability is included in base policy	
PACE	27P60119-212	07/01/12	\$ 10,000,000	Difference in Condition	Includes Earthquake and Flood Coverage deductible 5% on cover perils \$25,000 minimum and \$100,000 maximum

McMINNVILLE SCHOOL DISTRICT NO. 40
REVENUE SUMMARY - ALL FUNDS
Year Ended June 30, 2012

Local Sources	General Fund 100	Special Revenue Fund 200	Debt Service Fund 300	Capital Projects Fund 400	Trust & Agency Fund 700	Total
1111 Current year taxes	\$ 10,358,395	\$ -	\$ 7,095,429	\$ -	\$ -	\$ 17,453,824
1112 Prior year taxes	505,029	-	335,986	-	-	841,015
1130 Construction Excise Tax	-	145,189	-	-	-	145,189
1300 Tuition	294,728	-	-	-	-	294,728
1500 Earnings on Investments	81,704	-	-	1,903	534	131,777
1600 Food Service	-	21,888	25,748	-	-	433,920
1700 Extra-Curricular Activities	147,166	433,920	-	-	-	1,210,945
1800 Community Service Activities	89,619	1,063,779	-	-	-	89,619
1910 Rentals	15,995	-	-	-	-	45,342
1920 Contributions and Donations	-	29,347	-	-	4,095	106,768
1960 Recovery of Prior Years' Expendit	-	102,673	-	-	-	-
1970 Services Provided Other Funds	-	-	1,507,798	-	-	1,507,798
1980 Fees Charged to Grants	135,958	-	-	-	-	135,958
1990 Miscellaneous	48,639	228,491	-	-	-	277,130
Total Local Sources	11,677,233	2,025,287	8,964,961	1,903	4,629	22,674,013
Intermediate Sources						
2101 County School Fund	26,659	-	-	-	-	26,659
2102 ESD Apportionment	1,264,323	-	-	-	-	1,264,323
2199 Other Intermediate Sources	-	-	-	-	-	-
2200 Restricted Revenue	-	-	-	-	-	-
Total Intermediate Sources	1,290,982	-	-	-	-	1,290,982
State Sources						
3101 State School Fund	34,555,757	-	-	-	-	34,555,757
3102 State School Fund Match	-	23,804	-	-	-	23,804
3103 Common School Fund	567,335	-	-	-	-	567,335
3299 Other Restricted Grants-In-Aid	1,439,956	500,294	-	-	-	1,940,250
Total State Sources	36,563,048	524,098	-	-	-	37,087,146
Federal Sources						
4300 Restricted Direct from Federal	-	892,857	-	-	-	892,857
4500 Restricted Through State	36,860	5,476,383	-	-	-	5,513,243
4700 Restricted Through Intermediate	-	107,957	-	-	-	107,957
4900 Commodities	-	158,922	-	-	-	158,922
Total Federal Sources	36,860	6,636,119	-	-	-	6,672,979
Other Sources						
5100 Bond Proceeds	-	-	1,104,320	-	-	1,104,320
5200 Interfund Transfers In	-	250,000	-	-	-	250,000
Total Other Sources	-	250,000	1,104,320	-	-	1,354,320
TOTAL REVENUES	\$ 49,568,123	\$ 9,435,504	\$ 10,069,281	\$ 1,903	\$ 4,629	\$ 69,079,440

McMINNVILLE SCHOOL DISTRICT NO. 40
GENERAL FUND (100) EXPENDITURE SUMMARY (BUDGETARY BASIS)
Year Ended June 30, 2012

Instruction	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Transfers Object 700	Total
1110 Elementary Programs	\$ 6,999,451	\$ 3,894,164	\$ 127,354	\$ 412,355	\$ 48,119	\$ -	-	\$ 11,481,443
1121 Middle/Junior High Programs	3,622,602	2,000,823	35,243	141,527	-	-	-	5,800,195
1122 Middle/Junior High School Extracurricular	98,531	29,059	12,956	8,347	-	100	-	148,993
1131 High School Programs	4,626,960	2,479,464	142,737	139,722	-	6,886	-	7,395,769
1132 High School Extra-curricular	232,812	58,833	44,683	33,933	-	-	-	370,261
1140 Pre-kindergarten Programs	1,634	1,974	-	-	-	-	-	3,608
1210 Programs for the Talented and Gifted	133,205	84,031	195	2,762	-	-	-	220,193
1220 Restrictive programs for students with disabilities	923,307	609,421	82,400	3,878	-	-	-	1,619,006
1250 Less restrictive programs for students with disabilities	1,306,597	763,156	30,360	4,870	-	-	-	2,104,983
1280 Alternative Education	555,699	304,777	-	6,952	-	-	-	867,428
1291 English Second Language Programs	1,640,466	974,292	3,618	22,859	-	-	-	2,641,235
1292 Teen Parent Programs	109,209	63,025	-	11,982	-	-	-	184,216
1294 County Corrections	13,982	3,516	-	-	-	-	-	17,498
1299 Other Programs	38,101	3,333	688	-	-	-	-	42,122
1400 Summer School Programs	4,734	1,407	-	217	-	-	-	6,358
Total Instruction	20,307,290	11,271,275	480,234	789,404	48,119	6,986	-	32,903,308
Support Services								
2110 Attendance and Social Work Services	284,452	173,033	-	448	-	-	-	457,933
2120 Guidance Services	971,720	552,651	-	4,350	-	-	-	1,528,721
2130 Health Services	63,749	33,580	54,918	3,285	-	269	-	155,801
2140 Psychological Services	171,519	102,877	1,777	517	-	-	-	276,690
2150 Speech Pathology and Audiology Services	206,829	107,866	1,380	1,005	-	940	-	318,020
2190 Service Direction: Student Support Services	236,742	118,309	9,873	6,829	-	-	-	371,753
2210 Improvement of Instruction Services	302,067	144,988	10,480	9,910	-	-	-	467,445
2220 Educational Media Services	381,133	225,132	1,640	44,112	-	-	-	652,017
2230 Assessment and Testing	703	56	8,992	6,402	-	-	-	16,153
2240 Instructional Staff Development	9,528	1,853	91,008	9,566	-	-	-	111,955
2310 Board of Education Services	-	-	86,433	3,403	-	84,996	-	174,832
2320 Executive Administration Services	207,989	115,278	3,335	5,756	-	2,471	-	334,829
2410 Office of the Principal Services	1,939,803	1,002,146	19,461	41,354	-	855	-	3,003,619
2510 Direction of Business Support Services	108,194	40,996	13,159	2,210	-	740	-	165,299
2520 Fiscal Services	276,697	135,397	9,833	8,015	-	16,430	-	446,372
2540 Operation and Maintenance of Plant Services	1,617,595	971,957	1,486,498	254,557	-	215,620	-	4,526,227
2550 Student Transportation Services	-	-	2,137,182	-	-	-	-	2,137,182
2570 Internal Services	-	-	42,746	21,836	-	2,571	-	67,153
2610 Direction of Central Support Services	196,443	94,951	33,821	2,769	-	14,113	-	342,097
2630 Information Services	20,429	1,635	4,085	921	-	-	-	27,070
2640 Staff Services	-	31,159	-	-	-	-	-	31,159
2660 Technology Services	402,706	184,794	-	5,662	-	-	-	822,939
2700 Supplemental Retirement Program	57,188	631,074	229,777	-	-	-	-	688,262
Total Support Services	7,455,486	4,669,732	4,226,398	432,907	-	339,005	-	17,123,528
Enterprise and Community Services								
3300 Community Services	-	-	55,000	-	-	-	-	55,000
Total Enterprise and Community Services	-	-	55,000	-	-	-	-	55,000
Other Functions								
5200 Transfers of Funds	-	-	-	-	-	-	250,000	250,000
Total Other Functions	-	-	-	-	-	-	250,000	250,000
TOTAL EXPENDITURES	\$ 27,762,776	\$ 15,941,007	\$ 4,761,632	\$ 1,222,311	\$ 48,119	\$ 345,991	\$ 250,000	\$ 50,331,836

McMINNVILLE SCHOOL DISTRICT NO. 40
SPECIAL REVENUE FUNDS (200) EXPENDITURE SUMMARY (BUDGETARY BASIS)
Year Ended June 30, 2012

Instruction	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Transfers Object 700	Total
1110 Elementary Programs	\$ 243	\$ 60	\$ -	\$ 301,882	\$ 27,332	\$ -	\$ -	\$ 329,517
1113 Elementary Extracurricular	-	-	-	102,399	-	-	-	102,399
1121 Middle/Junior High Programs	7,161	1,602	14,005	193,390	-	6,500	-	222,658
1122 Middle/Junior High School Extracurricular	8,071	2,378	-	165,379	-	-	-	175,828
1131 High School Programs	41,034	11,433	30,991	87,684	-	1,031	-	172,173
1132 High School Extra-curricular	4,225	1,232	-	697,793	19,669	-	-	722,919
1140 Pre-kindergarten Programs	10,502	7,459	-	1,350	-	-	-	19,311
1220 Restrictive programs for students with disabilities	242,910	143,144	237,885	3,364	-	-	-	627,303
1250 Less restrictive programs for students with disabilities	151,692	66,028	2,251	25,745	-	-	-	245,716
1271 Remediation	257,459	73,546	9,972	13,549	-	12,145	-	366,671
1272 Title I	776,393	461,760	-	21,567	-	45,063	-	1,304,783
1291 English Second Language Programs	120,131	59,471	29,722	23,282	-	4,652	-	237,258
1292 Teen Parent Programs	331	50	63	2,783	-	-	-	3,227
1400 Summer School Programs	58,351	15,884	-	3,830	-	-	-	78,065
Total Instruction	1,678,503	844,047	324,889	1,643,997	47,001	69,391	-	4,607,828
Support Services								
2110 Attendance and Social Work Services	18,660	9,689	2,096	10,207	-	1,285	30,978	72,915
2120 Guidance Services	6,429	1,389	-	182	-	-	-	8,000
2130 Health Services	-	-	43,691	-	-	-	-	43,691
2150 Speech Pathology and Audiology Services	23,248	18,850	47,132	-	-	-	-	89,230
2190 Service Direction: Student Support Services	60,689	25,278	-	-	-	33,128	-	119,095
2210 Improvement of Instruction Services	557,475	242,601	12,225	81,774	-	28,213	-	922,288
2240 Instructional Staff Development	166,124	58,420	63,989	32,955	-	7,442	-	328,930
2490 Other Support Services-School Administration	50,740	22,927	-	-	-	-	-	73,667
2540 Operation and Maintenance of Plant Services	-	-	71,922	-	-	-	-	71,922
2550 Student Transportation Services	-	-	52,939	-	-	-	-	52,939
2610 Direction of Central Support Services	1,055	231	1,132	1,007	-	-	-	3,425
2620 Planning, Development Services	-	-	3,600	-	-	-	-	3,600
2640 Staff Services	11,426	19,725	-	892	-	-	-	32,043
2660 Technology Services	-	-	-	-	-	-	-	-
Total Support Services	895,846	399,110	298,726	127,017	-	70,068	30,978	1,821,745
Enterprise and Community Services								
3100 Food Services	768,582	440,752	46,864	1,008,808	2,363	1,338	-	2,268,707
3300 Community Services	34,187	11,112	7,326	40,223	-	-	-	92,848
Total Enterprise and Community Services	802,769	451,864	54,190	1,049,031	2,363	1,338	-	2,361,555
Facilities Acquisition and Construction								
4120 Site Acquisition and Development Services	-	-	102,800	-	-	7,029	-	109,829
4150 Building Acquisition, Construction, and Improvement	-	-	2,038	-	101,207	-	-	103,245
Total Facilities Acquisition and Construction	-	-	104,838	-	101,207	7,029	-	213,074
TOTAL EXPENDITURES	\$ 3,377,118	\$ 1,695,021	\$ 782,643	\$ 2,820,045	\$ 150,571	\$ 147,826	\$ 30,978	\$ 9,004,202

McMINNVILLE SCHOOL DISTRICT NO. 40
DEBT SERVICE FUND (300) EXPENDITURE SUMMARY (BUDGETARY BASIS)
Year Ended June 30, 2012

Other Functions	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Total
5100 Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,399,945	\$ 10,399,945
Total Other Functions	-	-	-	-	-	10,399,945	10,399,945
TOTAL EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,399,945	\$ 10,399,945

McMINNVILLE SCHOOL DISTRICT NO. 40
CAPITAL PROJECTS FUND (400) EXPENDITURE SUMMARY (BUDGETARY BASIS)
Year Ended June 30, 2012

	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							
4150 Building Acquisition, Construction, and Improvement	\$ -	\$ -	-	-	\$ 29,288	\$ 359,649	\$ 388,937
Total Facilities Acquisition and Construction	-	-	-	-	29,288	359,649	388,937
TOTAL EXPENDITURES	\$ -	\$ -	-	-	\$ 29,288	\$ 359,649	\$ 388,937

McMINNVILLE SCHOOL DISTRICT NO. 40
FIDUCIARY FUND (700) EXPENDITURE SUMMARY
Year Ended June 30, 2012

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STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	78
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.	82
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.	86
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.	89
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	93

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 ASSETS BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Governmental Activities										
Invested in capital assets, net of related debt	\$ 31,098,952	\$ 29,772,254	\$ 29,369,762	\$ 27,508,292	\$ 23,743,237	\$ 19,870,935	\$ 17,457,096	\$ 13,482,037	\$ 9,395,412	\$ 6,675,687
Restricted	694,337	574,562	506,505	477,674	461,167	403,670	617,952	972,176	2,946,068	2,426,443
Unrestricted	(282,684)	1,436,885	2,004,510	2,121,883	3,581,371	3,081,933	5,445,282	7,756,415	10,149,454	8,788,344
Total primary government net assets	<u>\$ 31,510,605</u>	<u>\$ 31,783,701</u>	<u>\$ 31,880,777</u>	<u>\$ 30,107,849</u>	<u>\$ 27,785,775</u>	<u>\$ 23,356,538</u>	<u>\$ 23,520,330</u>	<u>\$ 22,210,628</u>	<u>\$ 22,490,934</u>	<u>\$ 17,890,474</u>

McMINNVILLE SCHOOL DISTRICT NO. 40

CHANGES IN NET ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Expenses										
Instructional programs	\$ 39,655,528	\$ 39,732,278	\$ 37,396,228	\$38,755,656	\$35,925,114	\$33,196,685	\$29,885,458	\$25,320,497	\$23,641,508	\$22,486,878
Support services										
Student transportation	2,190,121	2,182,331	2,018,216	1,902,104	1,925,252	1,730,873	1,777,772	1,677,748	1,581,814	1,710,735
Other support services	16,952,859	16,726,376	15,871,037	14,161,438	13,790,023	13,489,944	13,455,913	12,431,323	12,497,472	10,547,432
Community services	2,521,615	2,527,026	2,470,481	2,496,624	2,326,043	2,060,785	1,852,763	2,125,745	2,332,685	2,201,007
Facilities acquisition and construction	472,056	-	-	-	-	1,327,849	16,710	256,477	140,051	42,516
Interest on long-term debt	4,828,778	4,965,950	5,070,271	5,183,486	5,193,645	2,569,833	2,552,782	2,589,883	2,276,186	2,054,803
Total expenses	66,620,957	66,133,961	62,826,233	62,499,308	59,160,077	54,375,969	49,541,398	44,401,673	42,469,716	39,043,371
Program Revenues										
Charges for services										
Instructional programs	1,419,803	623,646	252,215	218,980	237,606	255,707	251,670	215,367	220,663	197,841
Other support services	185,630	38,989	-	-	-	-	-	-	-	-
Community services	447,170	493,052	557,467	572,397	699,614	685,136	629,131	566,911	547,700	528,407
Operating grants and contributions	8,849,537	10,611,941	10,008,494	7,418,410	7,119,778	6,309,348	6,601,118	5,777,258	5,499,929	5,353,534
Capital grants and contributions	-	-	-	962,044	-	-	-	-	-	-
Total program revenues	10,902,140	11,767,628	10,818,176	9,171,831	8,056,998	7,250,191	7,481,919	6,559,536	6,268,292	6,079,782
Net (Expense) Revenue	(55,718,817)	(54,366,333)	(52,008,057)	(53,327,477)	(51,103,079)	(47,125,778)	(42,059,479)	(37,842,137)	(36,201,424)	(32,963,589)
General Revenues										
Property taxes	18,292,024	17,850,725	17,108,697	16,336,344	15,329,263	11,347,556	11,359,276	10,494,648	12,237,849	11,762,747
State school fund - general support	34,490,713	32,795,909	34,642,566	34,481,538	34,342,573	33,812,319	30,259,227	25,998,626	27,395,527	23,659,966
ESD apportionment	1,264,323	1,200,859	-	-	-	-	-	-	-	-
Other state and local sources	739,183	2,025,891	1,638,031	3,671,455	2,210,951	789,580	880,167	519,872	856,827	604,082
Earnings on investments	131,244	123,825	158,813	1,143,609	3,589,191	1,000,422	790,487	514,154	279,589	260,436
Other	53,251	272,048	232,878	16,605	60,338	12,109	80,024	34,531	32,092	309,332
Total general revenues	54,970,738	54,269,257	53,780,985	55,649,551	55,532,316	46,961,986	43,369,181	37,561,831	40,801,884	36,596,563
Change in Net Assets	\$ (748,079)	\$ (97,076)	\$ 1,772,928	\$ 2,322,074	\$ 4,429,237	\$ (163,792)	\$ 1,309,702	\$ (280,306)	\$ 4,600,460	\$ 3,632,974

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

(Prior to GASB 54 implementation)

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
General Fund								
Reserved	\$ -	\$ -	\$ 48,166	\$ 46,278	\$ 48,666	\$ 60,714	\$ 44,257	\$ 49,154
Unreserved	6,598,452	5,089,333	4,887,570	5,749,050	5,551,711	5,513,188	6,199,031	5,083,330
Total general fund	<u>\$ 6,598,452</u>	<u>\$ 5,089,333</u>	<u>\$ 4,935,736</u>	<u>\$ 5,795,328</u>	<u>\$ 5,600,377</u>	<u>\$ 5,573,902</u>	<u>\$ 6,243,288</u>	<u>\$ 5,132,484</u>
All Other Governmental Funds								
Reserved	\$ -	\$ -	\$ 24,726	\$ 23,332	\$ 32,964	\$ 29,183	\$ 19,620	\$ 25,762
Unreserved, reported in:								
Debt Service Funds	1,103,640	603,894	532,710	808,404	1,319,396	1,924,950	3,263,805	1,352,722
Capital Projects Funds	382,182	1,599,060	29,348,894	62,538,908	-	-	856,771	846,734
Special Revenue Funds	3,064,869	4,018,490	4,188,829	2,218,730	1,823,672	2,677,679	3,259,338	2,964,329
Total all other governmental funds	<u>\$ 4,550,691</u>	<u>\$ 6,221,444</u>	<u>\$ 34,095,159</u>	<u>\$ 65,589,374</u>	<u>\$ 3,176,032</u>	<u>\$ 4,631,812</u>	<u>\$ 7,399,534</u>	<u>\$ 5,189,547</u>

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(After GASB 54 implementation)

	2011-12	2010-11
General Fund		
Committed to		
Asset Reserve	\$ 1,879,503	\$ 1,851,530
Insurance Reserve	778,827	735,348
Unassigned	4,455,113	5,218,825
Total general fund	<u>\$ 7,113,443</u>	<u>\$ 7,805,703</u>
All Other Governmental Funds		
Restricted for		
Grant Activities	\$ 224,579	\$ 114,008
Debt Service	694,337	574,562
Capital Improvements	490,316	732,000
Student Body Funds	498,324	-
Nutrition Services	502,623	422,037
Committed to		
PERS Bond Debt Service	719,687	1,170,126
Total all other governmental funds	<u>\$ 3,129,866</u>	<u>\$ 3,012,733</u>

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

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Revenues										
Property Taxes	\$ 18,294,839	\$ 17,810,749	\$ 16,817,229	\$ 16,054,711	\$ 15,094,606	\$ 11,423,803	\$ 11,408,540	\$ 10,604,598	\$ 12,260,002	\$ 11,908,809
Earnings on Investments	131,243	123,825	158,813	1,159,086	3,589,191	1,000,422	790,487	514,154	279,589	260,436
Other Revenue From Local Sources	2,214,090	3,129,710	2,848,557	2,376,144	1,838,639	1,568,664	1,424,304	1,375,067	1,550,289	811,502
Charges for Services	2,029,211	983,804	809,682	817,383	937,222	940,843	880,801	782,278	768,363	726,248
Intermediate Sources	1,290,982	1,261,691	254,349	248,748	69,265	64,501	63,269	61,186	60,353	88,367
State sources	37,087,147	35,177,714	36,553,481	38,152,294	37,927,838	35,572,205	32,437,765	27,630,437	28,870,810	25,240,044
Federal Sources	6,672,979	8,662,900	8,019,066	6,890,863	5,098,664	4,871,470	5,048,682	4,417,083	4,109,284	3,787,001
Total Revenues	67,720,491	67,150,393	65,461,177	65,697,229	64,555,425	55,441,909	52,053,848	45,384,803	47,898,690	42,822,407
Expenditures										
Instruction	37,511,136	36,901,689	34,900,224	36,603,283	34,359,421	31,463,462	28,326,884	24,358,461	22,441,985	21,524,410
Support Services	18,945,273	18,862,222	17,811,098	16,253,386	15,620,227	15,075,368	14,579,473	13,119,221	13,603,821	12,049,361
Enterprise and Community Services	2,416,555	2,455,359	2,440,894	2,401,551	2,294,868	2,021,733	1,847,542	2,120,949	2,261,913	2,186,738
Capital Outlay	-	-	-	-	738,329	1,057,084	1,910,381	1,590,638	1,091,632	315,987
Facilities Acquisition and Construction	602,012	303,885	1,937,380	29,971,912	36,123,248	2,447,006	984,710	1,873,802	140,051	42,516
Debt Service:										
Principal	5,452,976	3,891,484	3,363,729	2,832,628	2,485,268	2,353,090	3,256,133	3,103,766	3,263,488	3,405,000
Interest	4,929,097	5,066,661	5,169,486	5,281,695	5,291,153	2,456,819	2,569,763	2,681,094	2,302,082	2,072,271
Bond Issuance Costs	17,872	-	-	-	-	-	-	-	-	-
Total Expenditures	69,874,921	67,481,100	65,622,811	93,344,455	96,912,514	56,874,562	53,474,886	48,847,931	45,104,972	41,596,283
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,154,430)	(330,707)	(161,634)	(27,647,226)	(32,357,089)	(1,432,653)	(1,421,038)	(3,463,128)	2,793,718	1,226,124
Other Financing Sources (Uses)										
Transfers In	250,000	500,000	1,700,000	20,000	2,170,000	120,000	120,000	230,000	230,000	246,237
Transfers (Out)	(250,000)	(500,000)	(1,700,000)	(20,000)	(2,170,000)	(120,000)	(120,000)	(230,000)	(230,000)	(246,237)
Bonds Issued and Premiums	-	-	-	-	-	64,052,966	-	-	-	-
Refunding Bonds Issued	1,104,320	-	-	-	-	-	-	-	17,117,394	16,023,367
Payments of Escrow for Refunding	-	-	-	-	-	-	-	-	(16,579,279)	(16,021,206)
Total Other Sources (Uses)	1,104,320	-	-	-	-	64,052,966	-	-	538,115	2,161
Net Change in Fund Balance	(1,050,110)	(330,707)	(161,634)	(27,647,226)	(32,357,089)	62,620,313	(1,421,038)	(3,463,128)	3,331,833	1,228,285
Fund Balance										
Beginning of Year	11,293,419	11,149,143	11,310,777	39,030,895	71,384,702	8,776,409	10,205,714	13,642,822	10,322,028	9,087,730
Increase (decrease) in Reserve for Inventory	-	-	-	(72,892)	3,282	(12,020)	(8,267)	26,020	(11,039)	6,016
End of year	\$ 10,243,309	\$ 10,818,436	\$ 11,149,143	\$ 11,310,777	\$ 39,030,895	\$ 71,384,702	\$ 8,776,409	\$ 10,205,714	\$ 13,642,822	\$ 10,322,031
Debt service as a percentage of noncapital expenditures	15.01%	13.34%	13.40%	12.80%	12.95%	9.01%	11.52%	12.75%	12.69%	13.28%

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

Fiscal Year Ended June30,	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				
2003	\$ 1,547,204,611	\$ 54,102,822	\$ 38,450,433	\$ 61,588,747	\$ 1,701,346,613	7.15	\$ 2,132,510,371	79.78%
2004	1,567,378,201	57,242,481	31,973,278	62,399,461	1,718,993,421	7.29	2,176,725,924	78.97%
2005	1,681,276,660	59,855,432	31,029,350	63,894,756	1,836,056,197	5.80	2,493,550,887	73.63%
2006	1,794,530,572	59,265,322	30,997,323	64,723,970	1,949,517,187	6.25	2,731,294,241	71.38%
2007	1,932,922,844	61,359,305	33,176,205	66,175,906	2,093,634,260	5.53	3,496,194,951	59.88%
2008	2,072,480,787	64,958,793	36,049,145	71,448,818	2,244,937,543	7.00	3,877,384,914	57.90%
2009	2,241,043,031	71,596,323	38,247,928	75,532,147	2,426,419,429	6.91	4,101,380,879	59.16%
2010	2,337,138,142	75,381,461	41,282,812	86,109,012	2,539,911,427	6.94	4,045,707,073	62.78%
2011	2,428,004,168	76,957,802	40,924,662	88,259,688	2,634,146,320	6.92	3,961,011,054	66.50%
2012	2,488,542,770	73,129,486	36,518,687	88,806,674	2,686,997,617	6.98	3,547,429,517	75.74%

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

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

Source: Yamhill County Assessor's Office.

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

Fiscal Year Ended June 30,	McMinnville School District No. 40			Overlapping Rates (a)									
	Operating	Debt Service	Total District	Yamhill County	City of McMinnville	City of Lafayette	Willamette ESD	Chemeketa					
								Community College	McMinnville RFPD	Carlton RFPD	Sheridan Fire	Amity RFPD	Other Taxing Districts (b)
2003	4.15	3.00	7.15	2.57	6.29	3.49	0.36	0.76	0.96	0.53	1.12	0.84	0.16
2004	4.15	3.14	7.29	2.57	6.27	3.49	0.30	0.77	1.14	0.53	1.12	0.84	0.30
2005	4.15	1.65	5.80	2.58	5.98	3.49	0.30	0.96	1.14	0.53	1.12	0.84	0.31
2006	4.15	2.10	6.25	2.58	5.92	3.49	0.30	0.96	1.14	0.53	1.12	0.84	0.31
2007	4.15	1.38	5.53	2.58	5.93	3.49	0.30	0.94	1.14	0.53	1.12	0.84	0.16
2008	4.15	2.85	7.00	2.58	5.87	3.49	0.30	0.70	1.14	1.05	1.47	0.84	0.16
2009	4.15	2.76	6.91	2.58	5.85	3.49	0.30	0.71	1.14	1.54	1.47	0.84	0.16
2010	4.15	2.79	6.94	2.58	5.84	3.49	0.30	0.71	1.14	1.48	1.47	1.77	0.16
2011	4.15	2.77	6.92	2.58	5.74	3.49	0.30	0.79	1.14	1.48	1.47	1.81	0.16
2012	4.15	2.83	6.98	2.58	5.70	3.49	0.30	0.88	1.14	1.50	1.47	1.85	0.16

Note: Property tax rates listed are per \$1,000 assessed value.

(a) Overlapping rates are those of local and county governments that apply to property owners within the McMinnville School District. Not all overlapping rates apply to all McMinnville School District property owners (example: the rates for special districts apply only to property located within the geographic boundaries of that special district).

(b) Other taxing districts include Yamhill County Extension Service, Yamhill County Soil & Water District and Chemeketa Library .

Source: Yamhill County Assessor's Office.

McMINNVILLE SCHOOL DISTRICT NO. 40
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS PRIOR

Taxpayer	June 2012			June 2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Value
Cascade Steel Rolling Mills (a)	\$ 60,145,861	1	2.24%	\$ 83,186,984	1	4.89%
Willamette Valley Medical Center	57,563,274	2	2.14%	28,247,191	2	1.66%
Frontier (Verizon) Communications	19,859,000	3	0.74%	19,185,608	3	1.13%
Hillside Senior Living Community LLC	17,589,807	4	0.65%	15,567,051	4	0.91%
Evergreen Vintage Aircraft	16,215,625	5	0.60%			
Northwest Natural Gas Co	14,873,800	6	0.55%	7,219,200	9	0.42%
Lowes HIW Inc.	14,788,866	7	0.55%			
Comcast Corporation	14,275,300	8	0.53%			
McMinnville Plaza LLC	10,480,448	9	0.39%			
Air Liquide Industrial US LP	8,692,508	10	0.32%	13,190,385	5	0.78%
Dianes Foods, Inc.				8,071,060	6	0.47%
Homette Corporation				7,908,442	7	0.46%
CEP Investors XV LLC				7,626,545	8	0.45%
Leslie A. Toth				6,702,011	10	0.39%
Subtotal - ten of the District's largest taxpayer	234,484,489		8.73%	196,904,477		11.56%
All other District taxpayers in Yamhill Count	2,452,513,128		91.27%	1,504,442,136		88.44%
Total District taxpayers	\$ 2,686,997,617		100.00%	\$ 1,701,346,613		100.00%

Source: Yamhill County Assessor's Office

(a) Cascade Steel Rolling Mills, Inc appealed their assessed valuation, which is valued by State of Oregon industrial assessors. Due to economic conditions in the steel industry, the Oregon Tax Court lowered their assessed valuation approximately \$44 million, during 2002-2003.

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		Collections in Subsequent Years	Total Collections to Date	
	Original	Adjustments (a)	Total Adjusted	Fiscal Year of the Levy Amount	Percentage of Original Levy	Amount	Percentage of Adjusted Levy
2003	\$ 12,153,676	\$ (509,147)	\$ 11,644,529	\$ 11,306,241	93.03%	\$ 11,636,494	99.93%
2004	12,523,254	(348,448)	12,174,806	11,708,134	93.49%	12,167,000	99.94%
2005	10,691,798	(326,789)	10,365,009	9,971,806	93.27%	10,358,729	99.94%
2006	12,212,383	(563,623)	11,648,760	11,462,675	93.86%	11,642,876	99.95%
2007	11,635,043	(511,022)	11,124,021	10,774,902	92.61%	11,109,475	99.87%
2008	15,749,949	(442,854)	15,307,095	14,699,146	93.33%	15,278,787	99.82%
2009	16,772,551	(508,037)	16,264,514	15,488,579	92.34%	16,189,072	99.54%
2010	17,625,301	(506,443)	17,118,858	16,233,698	92.10%	16,864,164	98.51%
2011	18,226,860	(560,398)	17,666,462	16,842,355	92.40%	17,186,985	97.29%
2012	18,736,255	(546,205)	18,190,050	17,355,602	92.63%	17,355,602	95.41%

Source: Yamhill County Department of Assessment and Taxation.

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

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

Fiscal Year Ended June 30,	Net General Bonded Debt						Total Debt			
	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Fund (2)	Pension Obligation Bonds	General Bonded Debt	Percentage of		Total Debt Primary Government	Percentage of Taxable Value of Property (3)	Percentage of Personal Income	Per Capita (4)
					Actual Value of	Property (3)				
2003	\$ 28,785,000	\$ 1,348,065	\$ 16,044,243	\$ 27,436,935	1.287%	\$ 746	\$ 44,829,243	2.635%	4.75%	\$ 1,218
2004	25,640,000	2,089,297	29,715,755	23,550,703	1.082%	630	55,355,755	3.220%	5.65%	1,481
2005	22,620,000	972,176	29,631,989	21,647,824	0.868%	573	52,251,989	2.846%	5.02%	1,383
2006	19,480,000	617,952	29,515,856	18,862,048	0.691%	490	48,995,856	2.513%	4.31%	1,274
2007	81,332,966	403,670	29,362,766	80,929,296	2.315%	2,038	110,695,732	5.287%	9.01%	2,787
2008	79,023,681	461,167	29,182,498	78,562,514	2.026%	1,943	108,206,179	4.820%	8.29%	2,676
2009	76,218,161	477,674	28,959,870	75,740,487	1.847%	1,873	105,178,031	4.335%	7.74%	2,601
2010	73,050,401	506,505	28,666,141	72,543,896	1.793%	1,750	101,716,542	4.005%	7.67%	2,454
2011	69,417,641	574,562	28,309,657	68,843,079	1.738%	1,634	97,727,298	3.710%	7.08%	2,320
2012	65,364,881	694,337	27,931,681	64,670,544	1.823%	1,531	93,296,562	3.472%	n/a	2,209

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

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

n/a - Information not available as of printing.

McMINNVILLE SCHOOL DISTRICT NO. 40
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2012

Governmental Unit	Net General Obligation Debt Outstanding	Percentage Applicable to District	Amount Applicable to District
Direct			
McMinnville School District No. 40	\$ 65,364,881	100.00%	\$ 65,364,881
Overlapping			
Chemeketa Community College	88,030,000	8.89%	7,826,219
City of McMinnville	16,515,000	99.96%	16,508,724
New Carlton Fire District	1,160,000	5.58%	64,673
Willamette ESD	1,835,000	8.19%	150,316
Amity RFPD	120,000	9.42%	11,302
Subtotal, overlapping debt			<u>24,561,234</u>
Total direct and overlapping debt			<u>\$ 89,926,115</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business of the District. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: Debt Management Division, Oregon State Treasury.

McMINNVILLE SCHOOL DISTRICT NO. 40
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2012	
Real Market Value	\$ 3,547,429,517
Debt limit (7.95% of real market value)	282,020,647
Debt applicable to limit	(63,805,000)
Legal debt margin	<u>\$ 218,215,647</u>

Fiscal Year	Debt Limit	Total net debt applicable		Legal debt margin	Total net debt applicable to the limit as a percentage of debt limit
		to limit	\$		
2012	\$ 282,020,647	\$ 63,805,000	\$ 218,215,647		22.62%
2011	314,900,379	67,760,000	247,140,379		21.52%
2010	321,633,712	71,295,000	250,338,712		22.17%
2009	326,059,780	74,365,000	251,694,780		22.81%
2008	308,252,101	76,975,000	231,277,101		24.97%
2007	224,416,617	79,280,000	145,136,617		35.33%
2006	217,137,892	19,480,000	197,657,892		8.97%
2005	198,237,296	22,620,000	175,617,296		11.41%
2004	136,659,977	55,355,755	81,304,222		40.51%
2003	135,257,056	44,829,243	90,427,813		33.14%

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

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

Calendar Year	Estimated Population (a)	Per Capita Personal Income (b)	Total		Unemployment Rate (c)
			Estimated Personal Income		
2002	36,797	25,666	944,431,802		7.40%
2003	37,368	26,233	980,274,744		8.20%
2004	37,793	27,566	1,041,801,838		7.20%
2005	38,469	29,553	1,136,874,357		6.10%
2006	39,715	30,936	1,228,623,240		5.10%
2007	40,438	32,290	1,305,743,020		5.00%
2008	41,067	33,081	1,358,537,427		6.30%
2009	41,457	31,991	1,326,250,887		11.40%
2010	42,130	32,768	1,380,515,840		10.50%
2011	42,232	n/a	n/a		9.20%

Sources:

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

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

Employer	2011			2002		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Private Employers:						
Manufacturing: beverage, wood products, metal, machinery, plastics, other	5,900	1	19.19%	5,336	1	19.02%
Health Services	4,070	2	13.24%	3,047	2	10.86%
Retail	3,060	3	9.95%	3,028	3	10.79%
Leisure & Hospitality	2,898	4	9.42%	2,203	5	7.85%
Natural Resources	2,646	5	8.60%	2,898	4	10.33%
Professional and business services	1,654	6	5.38%	1,471	6	5.24%
Education services	1,456	7	4.73%	1,249	8	4.45%
Construction	1,185	8	3.85%	1,334	7	4.76%
Other services	1,128	9	3.67%	899	10	3.20%
Financial activities	992	10	3.23%	994	9	3.54%
Transportation	662	11	2.15%	615	11	2.19%
Wholesale	472	12	1.53%	592	12	2.11%
Information	177	13	0.58%	273	13	0.97%
Subtotal Private	26,300		85.53%	23,939		85.34%
Government						
Federal	465		1.51%	567		2.02%
State	413		1.34%	189		0.67%
Local Government						
Education & health services	2,068		6.72%	1,964		7.00%
Public Administration	1,287		4.19%	1,248		4.45%
Other	218		0.71%	145		0.52%
Subtotal Government	4,451		14.47%	4,113		14.66%
Total Employment	30,751		100.00%	28,052		100.00%

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

Note: Information provided for Yamhill County

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

<u>Fiscal Year Ended June 30,</u>	<u>Full-time Equivalent Teaching Staff (1)</u>	<u>Students (2)</u>	<u>Ratio of Students to Teaching Staff</u>
2003	281	5,451	19.40 :1
2004	289	5,502	19.04 :1
2005	289	5,735	19.84 :1
2006	279	5,842	20.94 :1
2007	354	5,988	16.92 :1
2008	360	6,090	16.92 :1
2009	372	6,205	16.68 :1
2010	335	6,237	18.62 :1
2011	342	6,126	17.91 :1
2012	331	6,151	18.58 :1

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

(2) Average daily membership

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

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

Fiscal Year Ended June 30,	<u>Certificated</u>	<u>Classified</u>	<u>Administrative</u>	<u>Confidential</u>	<u>Total</u>
2003	309	225	21	12	567
2004	312	237	21	12	582
2005	361	281	21	13	676
2006	390	279	22	12	703
2007	395	290	23	14	722
2008	405	297	23	14	739
2009	410	298	24	14	746
2010	375	297	23	14	709
2011	384	313	22	14	733
2012	368	309	22	14	713

Source: McMinnville School District No. 40 personnel records.

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

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

Fiscal Year	General Fund		General Fund Expenditure Per Student	Nutritious Services Program						Student Transportation			
	Average Daily Membership	Expenditures and other financing uses		Breakfast		Lunch		Total Meals	Percent Eligible Free or Reduced	Total		Daily average students transported	
				Paid	Free or Reduced	Paid	Free or Reduced			Bus Routes	Total Miles		
2012	6,405	\$50,331,836	\$ 7,858	9,277	179,134	446,821	84,932	720,164	57.9%	27	651,871	2,212	
2011	6,345	50,995,677	8,037	8,997	180,146	449,484	106,342	744,969	55.6%	27	705,512	2,283	
2010	6,467	48,201,963	7,454	13,190	186,286	451,541	127,980	778,997	54.4%	27	686,080	2,275	
2009	6,441	48,456,037	7,523	14,716	181,648	430,174	128,919	755,457	51.3%	27	653,019	2,208	
2008	6,320	48,794,539	7,721	17,508	179,425	396,521	151,301	744,755	49.6%	27	646,725	2,158	
2007	6,239	44,910,030	7,198	17,730	167,807	371,401	157,236	714,174	47.2%	27	608,191	2,104	
2006	6,068	40,657,416	6,700	15,121	158,927	360,972	150,026	685,046	46.2%	27	620,759	2,026	

Source: McMinnville School District Records

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

McMINNVILLE SCHOOL DISTRICT NO. 40
CAPITAL ASSET INFORMATION
AS OF JUNE 30, 2012

Building	Year of Original Building Construction	Square Footage (1)	Capacity (1)	Enrollment 10/1/2011	Percent of Capacity	Average Age of Buildings (in years)
Elementary Schools						
Buel	2008	80,837	600	492	82%	4
Columbus	1994	68,740	600	501	84%	18
Cook	1924	43,464	303	-	0%	88
Grandhaven	1999	69,958	600	534	89%	13
Memorial	1947	67,292	600	527	88%	65
Newby	1960	58,527	532	494	93%	52
Wascher	1979	61,259	517	400	77%	33
Total		<u>450,077</u>	<u>3,752</u>	<u>2,948</u>	<u>79%</u>	<u>39</u>
Middle Schools						
Duniway	1993	119,412	961	759	79%	19
Patton	1976	132,820	971	780	80%	36
Total		<u>252,232</u>	<u>1,932</u>	<u>1,539</u>	<u>80%</u>	<u>28</u>
High Schools						
McMinnville	1955	268,935	1,971	2,003	102%	57
Cook Modulares						
Adams Campus	1914	34,052	336	-	0%	98
Total		<u>302,987</u>	<u>2,307</u>	<u>2,003</u>	<u>87%</u>	<u>78</u>
Other Buildings						
District Office	1965	9,081				47
Evans Street	1995	6,418				17
Maintenance	1948	12,395				64
Grounds	1970	2,760				42
Stadium	1980	12,480				32
Total		<u>43,134</u>				
		1,048,430	7,991	6,490		

Notes:

Many buildings have undergone remodels since original construction

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

Source: McMinnville School District Records

AUDIT COMMENTS AND
DISCLOSURES
REQUIRED BY STATE
REGULATIONS

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MCMINNVILLE SCHOOL DISTRICT NO. 40
DISCLOSURES REQUIRED BY
OREGON STATE REGULATIONS

We have audited the basic financial statements of the McMinnville School District No. 40 as of and for the year ended June 30, 2012, and have issued our report thereon dated December 7, 2012. 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 the McMinnville School District No. 40'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 McMinnville School District No. 40 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. Our audit testing revealed expenditures exceeding appropriations by \$1,937 in the Construction Earnings Fund as reported in the notes to the financial statements.
2. We noted two instances where the teacher experience rating was incorrectly reported as required by ORS 327.013.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the McMinnville School District No. 40'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 McMinnville School District No. 40's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the McMinnville School District No. 40's internal control over financial reporting.



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 a 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of directors and management of McMinnville School District No. 40 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 7, 2012

GRANT COMPLIANCE SECTION

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

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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McMinnville School District No. 40 as of and for the year ended June 30, 2012, which collectively comprise McMinnville School District's basic financial statements and have issued our report thereon dated December 7, 2012. 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.

Internal Control Over Financial Reporting

Management of McMinnville School District No. 40 is responsible for establishing and maintaining internal control over financial reporting. In planning and performing our audit, we considered McMinnville School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of McMinnville School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of McMinnville School District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McMinnville School District's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.



This report is intended solely for the information and use of the board, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilcox Arredondo & Co.

Certified Public Accountants
December 7, 2012



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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited McMinnville School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of McMinnville School District's major federal programs for the year ended June 30, 2012. McMinnville School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of McMinnville School District's management. Our responsibility is to express an opinion on McMinnville School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profits Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McMinnville School 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. Our audit does not provide a legal determination on McMinnville School District's compliance with those requirements.

In our opinion, McMinnville School District complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of McMinnville School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered McMinnville School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the McMinnville School 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

McMinnville School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the school board, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilcox Arredondo & Co.

Certified Public Accountants
December 7, 2012

McMINNVILLE SCHOOL DISTRICT NO. 40
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor Program Title	Grant Period	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Amount	Federal Expenditures
<u>U.S. Department of Education</u>					
Passed through Oregon State Department of Education					
Title I-A	07/01/10-06/30/12	84.010	19445	\$ 1,457,995	\$ 260,420
	07/01/11-09/30/12	84.010	22656	1,522,742	1,191,535
	Total			2,980,737	1,451,955
IDEA: Special Education Grants to State	07/01/10-09/30/12	84.027	20323	934,509	457,663
	07/01/11-09/30/13	84.027	23637	898,870	641,544
SPR&I (System Performance Review and Improvement)	08/01/11-06/30/12	84.027	23121	4,160	4,160
Extended Assessment	09/01/11-06/30/12	84.027	24051	1,800	401
IDEA Enhancement	10/01/11-09/30/12	84.027	23842	7,957	7,957
IDEA Part B, Section 619	07/01/09-09/30/11	84.027	21831	15,136	15,136
IDEA Part B, Section 619	07/01/09-09/30/11	84.173	21831	1,928	1,928
IDEA Part B, Section 619	07/01/11-09/30/12	84.173	22004	5,005	2,879
	Total			1,869,365	1,131,668
Title II-D Enhancing Ed through Technology	07/01/09-09/30/12	84.318	17391	266,920	12,488
ARRA-Title II-D Enhancing Ed through Technology	12/01/09-09/30/12	84.386	18357	274,970	14,716
ARRA-Title II-D Technology Rich Learning and Teaching	06/01/11-09/30/12	84.386	22235	225,623	198,798
	Total			767,513	226,002
Title III English Language Acquisition	07/01/10-09/30/11	84.365	20184	155,140	44,982
	07/01/11-09/30/12	84.365	22986	140,361	140,361
	04/01/11-06/30/12	84.365	21810	37,824	37,824
	Total			333,325	223,167
Title II-A Improving Teacher Quality	07/01/10-06/30/12	84.367	19656	253,975	105,171
	07/01/11-09/30/12	84.367	22844	198,136	105,024
	Total			452,111	210,195
McKinney Homeless	07/01/11-09/30/12	84.196	22331	59,942	39,290
21st Century Learning Centers	07/01/10-09/30/11	84.287	19315	174,235	27,022
	07/01/11-06/30/12	84.287	23399	408,824	368,452
21st Century Learning Centers Stem Initiative	11/01/11-06/30/13	84.287	24334	20,000	16,548
	Total			603,059	412,022
Oregon FIRST Robotics	09/01/11-06/30/12	99.998	23960	900	900
ARRA-Education Jobs Fund	08/10/10-09/30/12	84.410	20824	1,357,187	19,763
Passed Through Willamette Education Service District					
Title I-C Migrant Education	07/01/11-06/30/12	84.011	N/A	107,957	107,957
Passed through Oregon University Systems					
College Access Challenge Grant	11/01/11-08/13/12	84.378	SG-2011-23	59,120	59,120
Direct Federal Grants					
Small Learning Communities Grant	10/01/09-9/30/11	84.215	S215L060052-09	303,993	39,525
Teacher Incentive Fund	10/01/10-09/30/13	84.374A	S374A100002	3,569,903	853,332
Total U.S. Department of Education				12,465,112	4,774,896

McMINNVILLE SCHOOL DISTRICT NO. 40
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor Program Title	Grant Period	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Amount	Federal Expenditures
<u>U.S. Department of Agriculture - Special Revenue Fund</u>					
Passed through Oregon State Department of Education					
School Breakfast Program	07/01/11-06/30/12	10.553	N/A	320,374	320,374
National School Lunch Program	07/01/11-06/30/12	10.555	N/A	1,306,978	1,306,978
Commodities - NSLP	07/01/11-06/30/12	10.555	N/A	158,760	158,760
Commodities - SFSP	07/01/11-06/30/12	10.559	N/A	162	162
Summer Food Service Program	07/01/11-06/30/12	10.559	N/A	36,339	36,339
Child Care Food Program	07/01/11-06/30/12	10.558	N/A	4,912	4,912
Child Care Food Program-Cash in Lieu Commodities	07/01/11-06/30/12	10.558	N/A	913	913
Fresh Fruit and Vegetable Program	07/01/11-09/30/11	10.582	23277	2,998	2,998
Fresh Fruit and Vegetable Program	10/01/11-09/30/12	10.582	24444	22,852	22,688
Fresh Fruit and Vegetable Program	07/01/11-09/30/11	10.582	23319	2,813	2,813
Fresh Fruit and Vegetable Program	10/01/11-09/30/12	10.582	24495	22,887	22,718
Total U.S. Department of Agriculture				1,879,988	1,879,655
<u>U.S. Department of Health and Human Services</u>					
Passed through Oregon State Department of Education					
Child Development and Teen Parenting	02/01/12-06/30/12	93.575	24648	381	175
	02/21/12-06/30/12	93.575	24734	500	338
	03/01/12-06/30/12	93.575	24716	2,714	2,714
Total				3,595	3,227
Passed through Oregon Employment Department					
Child Care and Development Fund	07/01/11-06/30/12	93.575	115068	26,000	11,272
Total U.S. Department of Health and Human Services				29,595	14,499
<u>U.S. Corporation for National and Community Service</u>					
Passed through Oregon State Department of Education					
Learn and Serve	09/01/10-08/31/11	94.004	20144	12,250	3,929
Total U.S. Corporation for National and Community Service				12,250	3,929
Total Federal Awards				\$ 14,386,945	\$ 6,672,979

NOTES RELATIVE TO SCHEDULE OF FEDERAL AWARDS

NOTE 1 - Basis of Presentation:

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

NOTE 2 - Sub Recipients:

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

Program Title	Federal CFDA Number	Amount to Sub - Recipients
21st Century Learning Centers	84.287	\$ 9,972
McKinney Homeless	84.196	\$ 30,978

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unqualified

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 Unqualified

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

Identification of major programs:

CFDA NUMBER

NAME OF PROGRAM OR CLUSTER

10.553, 10.555, 10.559
 84.318, 84.386
 84.374A

Child Nutrition Cluster
 Education Technology Grants
 Teacher Incentive Fund

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

Auditee qualified as low-risk auditee? Yes ✓ No____

McMINNVILLE SCHOOL DISTRICT NO. 40
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS - NONE

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS - NONE

SECTION IV - SUMMARY OF PRIOR AUDIT FINDING - NONE