

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

**Comprehensive Annual
Financial Report**

Year Ended June 30, 2011

Prepared by the
Business Office

Maryalice Russell
Superintendent

Susan Escure
Director of Finance

McMINNVILLE SCHOOL DISTRICT NO. 40
YAMHILL COUNTY, OREGON

Administrative Office

1500 NE Baker Street
McMinnville, Oregon 97128

Maryalice Russell
Susan Escure
Amy Cavinaw

Superintendent
Director of Finance
Accounting Supervisor

BOARD OF DIRECTORS AS OF JUNE 30, 2011

	<u>Term Expires</u>
Ms. Kathy Cabe, Chair 1654 Bonnie Jean Place McMinnville, Oregon 97128	June 30, 2013
Mr. Larry Vollmer, Vice Chair 1946 Fir Street McMinnville, Oregon 97128	June 30, 2011
Ms. Janis Braich 124 Anne Street McMinnville, Oregon 97128	June 30, 2011
Dr. Francis Charbonnier 1655 Michelbook Lane McMinnville, Oregon 97128	June 30, 2011
Ms. Nicole Obrist 2676 NW Mt. Hood Drive McMinnville, Oregon 97128	June 30, 2013
Stan Primozych 475 NW Mt. Bachelor St. McMinnville, Or 97128	June 30, 2011
Dr. Tim Roberts 1069 NW Baker Crest Court McMinnville, Oregon 97128	June 30, 2013

Legal Counsel
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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 15, 2011

To the Board of Directors and Community
McMinnville School District 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, 2011 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 accounting principles generally accepted in the United State 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, 2011. 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.

**Transmittal Letter
Year Ended June 30, 2011**

During the 2010-11 school year, the District was responsible for educating approximately 6,411 students in kindergarten through grade 12. District schools included six elementary schools (grades K-5), two middle schools (grades 6-8) and two high schools (grades 9-12). Information on District school buildings is provided on page 96.

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

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

The 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 658 full-time equivalent personnel, including teachers, educational assistants, secretarial, custodial, maintenance and technology and other support staff. For the 2010-11 school year, the District employed approximately 384 teachers and 313 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 32,240, 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.

As of October 2011, the unemployment rate of 9.4% in Yamhill County is similar to the Oregon average unemployment rate of 9.5% compared to 10.7% in the prior year. The Oregon Office of Economic Analysis predicts slow recovery of employment improving at 1.3 percent in 2012.

The real market value of property located in the boundaries of the District decreased from fiscal year end 2010 to 2011 by 2 percent, while the assessed property values increased by 3.7 percent. Assessed value as a percentage of real market value was 66.50% compared to 62.78% for 2010. 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 percent each year. For fiscal year end 2011, the total real market value of property within the District boundaries was \$4 million and the total assessed value was \$2.6 million.

Last school year 2010-11 the District experienced the first decline in enrollment in more than 20 years. Enrollment dropped from 6,567 to 6,411 from October 2009 to October 2010. This was across all grade levels and believed to be caused by the economy. As of October 2011 our enrollment was back up to 6,508. The District is currently projecting enrollment to remain constant over the next few years due to the economy and population data for the area. Population growth for the City of McMinnville slowed to .5% in 2010 and 2011 compared to an average growth of 2.7% in the past five years.

**Transmittal Letter
Year Ended June 30, 2011**

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.

Once the Legislature has determined the funding level for the State School Fund, 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 and additional weighting is added for students in poverty and foster care.

The 2009-11 Oregon adopted budget included \$5.8 billion for the SSF and an additional \$200 million from reserves if economic conditions stabilized for a total appropriation of \$6.0 billion over the two years. On May 25, 2010, the Oregon June 2010 revenue forecast was released which projected a deficit of \$562.6 million. As a result of this shortfall, the SSF allocation was reduced by \$238 million to \$5.7 billion. For the McMinnville School District, this represented a decrease in SSF revenues of \$2.7 million for the 2010-11 school year. The September 2010 revenue forecast showed a further decline in state resources, however, the state vowed to use the additional federal assistance received in August and reserves to keep school funding from being cut further in the current biennium.

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. With employment slow to recover from the Great Recession, projections for available state resources in this next biennium has continually decreased each quarter. Additional challenges include backfilling reserves and federal stimulus money used in the prior biennium; an increase in PERS costs due to reduced investment market earnings and an increase in demand for needs based human services. As predicted, this lead to the flat funding for the state school fund allocation for the current biennium.

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 three years by looking at a three year projection. During economic downturns, state funding can be decreased below original state estimates used 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, 2011 was higher than the amount set by Board policy of 5% of adopted revenues. The policy encourages a higher fund balance to offset foreseen state revenue shortfalls. The board adopted budget for 2011-12 uses approximately \$2 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

January 2009, the District initiated a strategic planning project called *Vision 2020*. Through mailings, public forums, informal coffees and surveys the District has engaged the community to encourage public input as the District sets priorities for its future. Students enrolled in first grade in 2008-09 will graduate in 2020. The District asked the community to provide input on how the District should equip these students with the knowledge and skills they need to succeed after high school. This information was used to develop a District strategic plan for the next 10-15 years.

Construction bond projects were completed in the Fall of 2009 with the dedication and celebration of McMinnville High School's 100th year anniversary. The \$62 million bond proposal approved by voters in 2006 included a new elementary school and major additions and renovations at Memorial, Newby and Wascher elementary schools, Patton Middle School and McMinnville High School. With the addition of the bond premium and investment earnings, \$67 million was available to spend towards the construction projects. Sue Buel Elementary has received a gold LEED (Leader in Energy and Efficiency Design) certification for schools, a first in Oregon.

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, 2010. This was the second year the District has received this prestigious award. In order to be awarded a Certificate of Achievement, a government 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, 2010. This was the second 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 for their continued support and dedication to the educational and financial operations of the District.

Respectfully submitted,

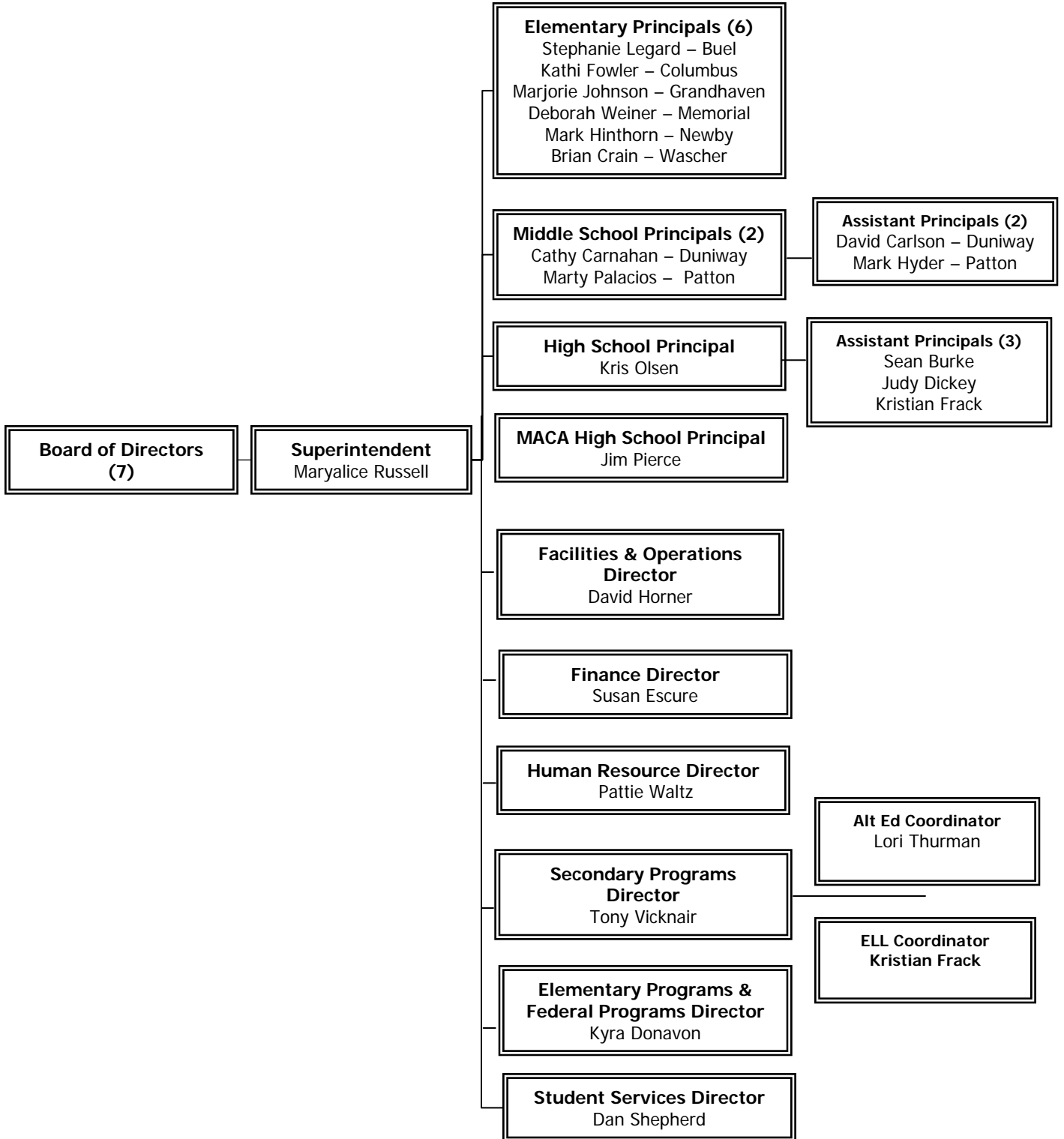


Maryalice Russell
Superintendent



Susan Escure
Director of Finance

McMinnville School District #40
Administrative Organizational Chart
2010-11



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, 2010

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. Davidson

President

Jeffrey R. Emer

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

MCMINNVILLE SCHOOL DISTRICT NO. 40

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2010

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

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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, 2011, 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, 2011, 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.

As described in the notes to the financial statements, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 54, *Fund Balance Reporting and Governmental Fun Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, 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 States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide 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 and other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

Wilcox Arredondo & Co.

Certified Public Accountants
Canby, Oregon
December 15, 2011

MANAGEMENT'S DISCUSSION AND **ANALYSIS**

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011. 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, 2011 by \$31.8 million (net assets). Of this amount, \$1.4 million (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors. \$29.8 million represents the District's investment in capital assets.
- The District's total net assets decreased by \$97,000 for the fiscal year, a .3% change as compared to the prior year.
- The District's governmental funds report a combined ending fund balance of \$10.8 million at June 30, 2011, a decrease of \$331,000 in comparison with the prior year.
- At the end of the fiscal year ended June 30, 2011, unassigned fund balance for the General Fund was \$5.2 million, which represents 10 percent of total general fund revenues.
- The District's total long-term debt decreased by \$3.2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

Statement of Net 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, 2011

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 and Agency 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 37 through 45 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 49 through 62 of this report.

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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 \$31.8 million as of June 30, 2011, a decrease of \$97,000 or .3 percent over the prior year.

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 \$3.2 million and represent 95 percent of total liabilities at year end. Other liabilities, representing 5 percent of the District's total liabilities consist principally of payables on accounts, accrued salaries and benefits and unearned revenue.

The largest portion of the District's net assets (93 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.

During the fiscal year ended June 30, 2011, the District's overall financial position declined slightly by a decrease of \$97,000 in net assets.

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

	Governmental Activities		Increase (Decrease)
	June 30, 2011	June 30, 2010	
Current and other assets	\$ 38,344,108	\$ 40,079,791	\$ (1,735,683)
Capital assets	98,583,411	100,430,149	(1,846,738)
Total Assets	<u>136,927,519</u>	<u>140,509,940</u>	<u>(3,582,421)</u>
Long-term debt	99,544,146	102,764,522	(3,220,376)
Other liabilities	5,599,672	6,984,283	(1,384,611)
Total Liabilities	<u>105,143,818</u>	<u>109,748,805</u>	<u>(4,604,987)</u>
Net Assets:			
Invested in capital assets, net of related debt	29,772,254	29,369,762	402,492
Restricted for debt service	574,562	506,505	68,057
Unrestricted	1,436,885	2,004,510	(567,625)
Total Net Assets	<u>\$ 31,783,701</u>	<u>\$ 31,880,777</u>	<u>\$ (97,076)</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Governmental Activities. During the fiscal year, the District's net assets decreased by \$97,000. The key elements of the change in the District's net assets for the year ended June 30, 2011 are as follows:

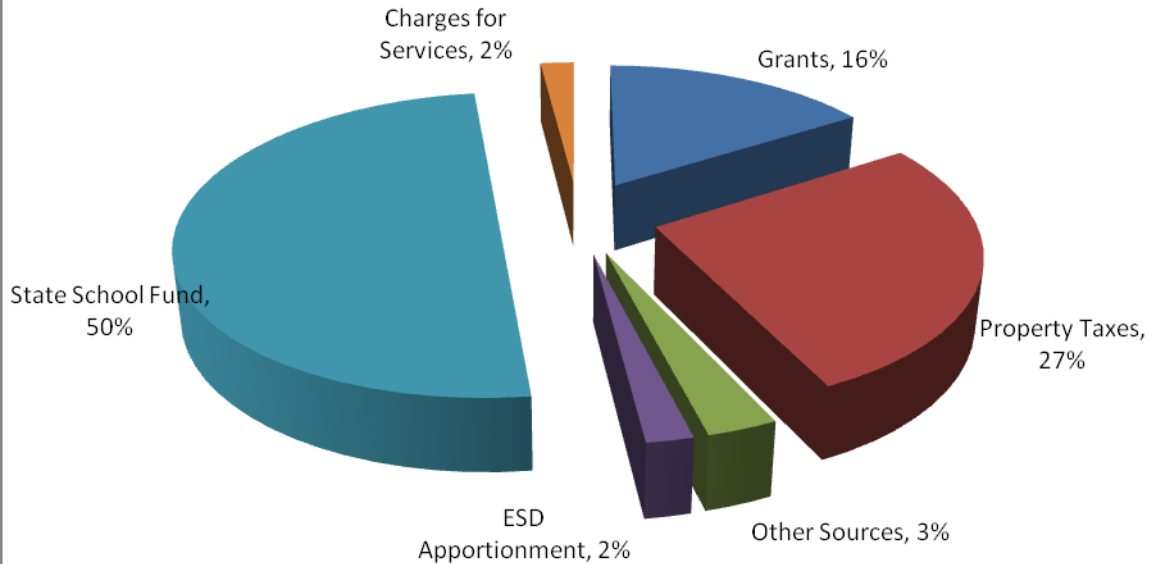
**Changes in Net Assets
For the Year Ended June 30, 2011 and 2010**

	Governmental Activities		Increase (Decrease)
	June 30, 2011	June 30, 2010	
Revenues:			
Program Revenues:			
Charges for services	\$ 1,155,687	\$ 809,682	\$ 346,005
Operating grants and contributions	10,611,941	10,008,494	603,447
General Revenues:			
Property taxes	17,850,725	17,108,697	742,028
State school fund	32,795,909	34,642,566	(1,846,657)
ESD apportionment	1,200,859	-	1,200,859
Other state and local sources	2,025,891	1,638,031	387,860
Earnings on investments	123,825	158,813	(34,988)
Other	272,048	232,878	39,170
Total Revenues	<u>66,036,885</u>	<u>64,599,161</u>	<u>1,437,724</u>
Expenses:			
Instruction	39,732,278	37,396,228	2,336,050
Support services	18,908,707	17,889,253	1,019,454
Community services	2,527,026	2,470,481	56,545
Interest on Long-term debt	4,965,950	5,070,271	(104,321)
Total Expenses	<u>66,133,961</u>	<u>62,826,233</u>	<u>3,307,728</u>
Increase in net assets	(97,076)	1,772,928	(1,870,004)
Net assets - July 1	<u>31,880,777</u>	<u>30,107,849</u>	<u>1,772,928</u>
Net assets - June 30	<u>\$ 31,783,701</u>	<u>\$ 31,880,777</u>	<u>\$ (97,076)</u>

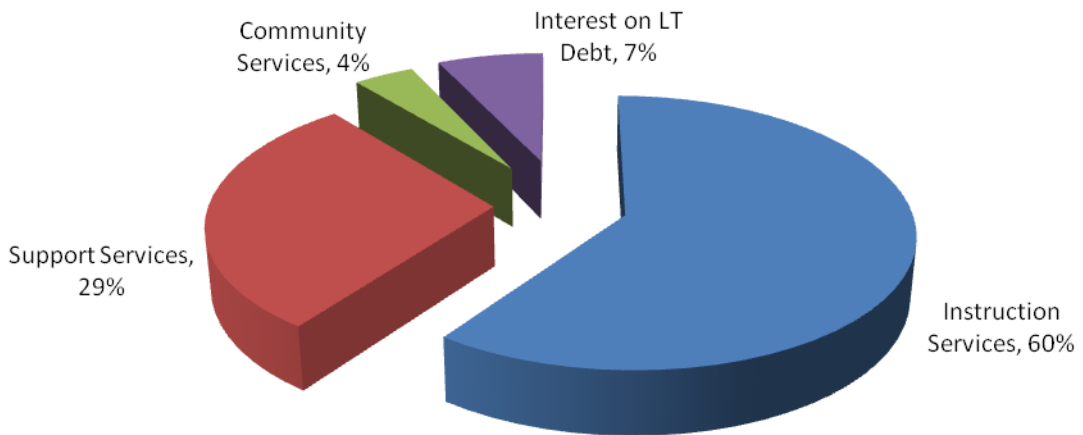
- Total revenues increased by \$1.4 million (2.2 percent) from the prior year.
- Charges for services increased with tuition from other district within the state for special education program services.
- Grants and contributions increased by \$603,000 due in part to the increase in federal grant revenue from the Educations Jobs Fund under the American Recovery and Reinvestment Act of 2009 (ARRA) and other competitive grants applied for by the District.
- Property taxes increased by \$742,000 (4.34 percent) from the prior year.
- State School Fund Support decreased by \$1.8 million (5.3 percent) as a result of the per pupil allocation decreasing from the prior year as a result of the economy and its effect on state resources.
- Revenue from ESD apportionment was new this year in the amount of \$1.2 million dollars. The district elected to receive an amount in transit dollars versus spending resolution dollars at the regional education school district.
- Total expenditures increased by \$3.3 million, a 5 percent increase from the prior year. The district brought certain special education programs in-house (\$1.2 million) that were previously ran by the regional education service district. Other increases (\$2.1 million or 3 percent) were primarily due to increases in wages, benefits and utility cost increases.

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011

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, 2011, the District's governmental funds reported combined ending fund balances of \$10.8 million, a decrease of \$331,000 from the prior year.

General Fund. The General Fund is the primary operating fund of the District. As of June 30, 2011, the unassigned fund balance was \$5.2 million. As of June 30, 2011, the unassigned general fund balance represents 10 percent of total General Fund revenues. With the implementation of GASB 54, the Asset Reserve Fund and Insurance Reserve Fund are reclassified in the governmental funds statement as general funds. Fund balances of \$1.8 million for asset reserve and \$735,000 for insurance reserve are committed funds for asset maintenance and improvements and uninsured losses. These are separate budgetary funds for purposes of local budget appropriations.

The total General Fund balance includes a prior period restatement of \$2,409,721 for the restatement of the beginning fund balance for the Asset Reserve and Insurance Reserve. These funds were classified as non-major other special revenue funds in the prior year.

General Fund as stated June 30, 2010, as previously reported	\$ 6,598,452
Prior Period Fund Reclassification (GASB 54)	<u>2,409,721</u>
Restated beginning fund balance	<u>\$ 9,008,173</u>

Within the General Fund for the year ended June 30, 2011, the net change in fund balance from the prior year was a decrease of \$1.2 million. Due to reduced state school funding, reserves were budgeted to be spent to fill a portion of the gap between resources and educational program costs.

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 \$114,000 compared to \$50,000 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 \$507,505 compared to \$478,000 in the prior year. There was not significant change in 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, 2011. All General Fund expenditures were within budgetary limits.

General Fund. Revenues were only \$195,000 less than budget. Actual property tax revenue was \$480,000 (4.7 percent) higher than budget. Assessed values and collections were higher than estimated. State revenues were \$1.6 million (4.7% percent) lower than budget and federal revenues were \$1.4 million (65 percent) more than budget. State funding decreased due to the state budget shortfalls while additional federal revenues were provided through the Education Jobs Fund.

Actual expenditures were \$4.2 million less than budgeted in part due to planned savings to offset expected future school funding declines and in part due to the District not needing to appropriate the contingency of \$2 million to fund operations during the year.

McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011, the District had invested approximately \$98.6 million in capital assets, net of depreciation, as shown in the following table:

**McMinnville School District - Capital Assets
June 30, 2011 and 2010**

	Governmental Activities		Increase (Decrease)
	June 30, 2011	June 30, 2010	
Land	\$ 3,972,911	\$ 3,972,911	\$ -
Buildings and Improvements	91,817,613	93,854,112	(2,036,499)
Equipment	2,792,890	2,603,126	189,764
 Total capital assets, net of accumulated depreciation	 <u>\$ 98,583,414</u>	 <u>\$ 100,430,149</u>	 <u>\$ (1,846,735)</u>

During fiscal year 2010-11 net capital assets decreased by \$1.8 million. This decrease was primarily due to depreciation expense of \$2.5 million. Major capital asset events for the year ended June 30, 2011 included the replacement of network and phone system infrastructure equipment \$226,000; moving and remodeling a modular classroom \$94,000, parking lot improvements \$92,000 and security cameras installed at all elementary schools \$90,000. 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 bonded debt outstanding of \$101.6 million consisting of general obligation debt and limited tax pension bonds net of unamortized premium/discount.

**McMinnville School District - Outstanding Debt
June 30, 2011 and 2010**

	Governmental Activities		Increase (Decrease)
	June 30, 2011	June 30, 2010	
General obligation bonds	\$ 67,760,000	\$ 71,295,000	\$ (3,535,000)
Pension obligation bonds	28,309,657	28,666,141	(356,484)
Unamortized premium	1,590,007	1,683,739	(93,732)
OPEB obligation	1,884,482	1,119,642	764,840
 Total long-term debt	 <u>\$ 99,544,146</u>	 <u>\$ 102,764,522</u>	 <u>\$ (3,220,376)</u>

During the current fiscal year, the District's total debt decreased by \$3.2 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 \$315 million with outstanding general obligation debt of \$68 million, leaving \$247 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, 2011

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, 2011 the State School Fund – General Support provided 69 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, 2012 based on current projections for the 2011-13 biennium and taking into consideration that federal stimulus funds provided through the American Recovery and Reinvestment Act of 2009 (ARRA) ended as of June 30, 2011.

The costs of salaries are expected to decrease due to reductions in positions. Licensed staff will receive no increase to their salary schedule but those who are eligible will receive a step increases. Classified staff will receive a .5% increase to their salary schedules but no step increase. Benefit costs are expected to increase due to an increase to the employer retirement contribution rate of 4.59 percentage points and negotiated increases in health insurance contributions from 4% to 7%.

The district expects flat enrollment over the next two years due to birth rates and a slowing of in-migration compared to historical standards. The October 2011 enrollment was higher than estimated, so the District is optimistic that enrollment will be at least stable going into the next biennium.

The District budgeted conservatively for the 2009-11 biennium expecting a slow economic recovery for the state of Oregon, so \$2 million in reserves are available for 2011-12 to offset the gap between general fund resources and educational program costs.

School Board policy mandates that the District budget with the goal to maintain a minimum 5 percent fund balance.

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, 2011

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 14,028,610
Accounts receivables	
Grants	1,539,142
Undistributed tax collections	336,680
Property taxes	1,667,451
Accounts	251,702
Bond issuance costs	560,134
Restricted cash and investments	4,033
Net pension asset	19,956,356
Capital assets, net	
Land	3,972,911
Buildings and improvements	91,817,608
Equipment	<u>2,792,892</u>
Total Assets	<u><u>136,927,519</u></u>
Liabilities	
Accounts payable	150,530
Accrued payroll and payroll liabilities	3,189,441
Accrued interest payable	140,590
Due to Fiduciary Funds	2,000
Unearned revenue	2,117,111
Long-term debt	
Due within one year	4,382,976
Due in more than one year	<u>95,161,170</u>
Total Liabilities	<u><u>105,143,818</u></u>
Net Assets	
Invested for capital assets, net of related debt	29,772,254
Restricted for debt service	574,562
Unrestricted	<u>1,436,885</u>
Total Net Assets	<u><u>\$ 31,783,701</u></u>

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

McMINNVILLE SCHOOL DISTRICT NO. 40
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Functions/Programs				
Governmental activities:				
Instructional services	\$ 39,732,278	\$ 623,646	\$ 5,245,481	\$ (33,863,151)
Supporting services				
Student transportation	2,182,331	-	1,414,000	(768,331)
Other support services	16,726,376	38,989	2,051,327	(14,636,060)
Community services	2,527,026	493,052	1,901,133	(132,841)
Interest on long-term debt	4,965,950	-	-	(4,965,950)
	<u>\$ 66,133,961</u>	<u>\$ 1,155,687</u>	<u>\$ 10,611,941</u>	<u>(54,366,333)</u>
Total Governmental Activities				
General Revenues				
Property taxes levied for general purposes				10,701,998
Property taxes levied for debt service				7,148,727
State school fund - general support				32,795,909
Common school fund				488,211
County common school fund				50,152
ESD Apportionment				1,200,859
Unrestricted state and local sources				1,487,528
Earnings on investments				123,825
Miscellaneous				272,048
				<u>54,269,257</u>
Total general revenues				
Change in Net Assets				(97,076)
Net Assets				
Beginning of year				<u>31,880,777</u>
End of year				<u>\$ 31,783,701</u>

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

McMINNVILLE SCHOOL DISTRICT NO. 40
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Grants Fund	Debt Service Fund	Other Governmental Funds	Totals
ASSETS					
ASSETS					
Cash and Investments	\$ 10,829,076	\$ 2,036,825	\$ 392,947	\$ 769,762	\$ 14,028,610
Receivables					
Grants	486,878	939,514	-	112,750	1,539,142
Undistributed Tax Collections	202,231	-	134,449	-	336,680
Property Taxes	1,004,765	-	662,686	-	1,667,451
Accounts	251,702	-	-	-	251,702
Due from Other Funds	-	-	-	1,438,107	1,438,107
Restricted Cash and Investments	-	-	-	4,033	4,033
Total Assets	\$ 12,774,652	\$ 2,976,339	\$ 1,190,082	\$ 2,324,652	\$ 19,265,725
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 85,058	\$ 64,983	\$ -	\$ 489	\$ 150,530
Accrued Payroll and Payroll Liabilities	3,189,441	-	-	-	3,189,441
Due to Other Funds	759,869	680,237	-	-	1,440,106
Deferred Revenue	934,581	2,117,111	615,520	-	3,667,212
Total Liabilities	4,968,949	2,862,331	615,520	489	8,447,289
FUND BALANCES					
Restricted for					
Grant Activities	-	114,008	-	-	114,008
Debt Service	-	-	574,562	-	574,562
Capital Improvements	-	-	-	732,000	732,000
Nutrition Services	-	-	-	422,037	422,037
Committed to					
Asset Reserve	1,851,530	-	-	-	1,851,530
Insurance Reserve	735,348	-	-	-	735,348
PERS Bond Debt Service	-	-	-	1,170,126	1,170,126
Unassigned	5,218,825	-	-	-	5,218,825
Total Fund Balances	7,805,703	114,008	574,562	2,324,163	10,818,436
Total Liabilities and Fund Balances	\$ 12,774,652	\$ 2,976,339	\$ 1,190,082	\$ 2,324,652	\$ 19,265,725

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, 2011

Total Fund Balances \$ 10,818,436

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

Cost	\$	125,433,710	
Accumulated depreciation		<u>(26,850,299)</u>	98,583,411

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. 1,550,100

The net pension asset is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds. 19,956,356

The unamortized portion of issuance costs is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds. 560,134

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		(140,590)	
Bonds Payable		(97,659,664)	
Net OPEB obligations		<u>(1,884,482)</u>	<u>(99,684,736)</u>

Total Net Assets \$ 31,783,701

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, 2011

	General	Grants Fund	Debt Service Fund	Other Governmental Funds	Total
Revenues					
Property Taxes	\$ 10,679,801	\$ -	\$ 7,130,948	\$ -	\$ 17,810,749
Construction Excise Tax	-	-	-	90,676	90,676
Intermediate Sources	1,251,011	10,680	-	-	1,261,691
State Sources	34,859,414	289,564	-	28,736	35,177,714
Federal Sources	2,097,351	4,693,152	-	1,872,397	8,662,900
Charges for Services	468,272	36,308	-	479,224	983,804
Rentals	38,988	-	-	-	38,988
Investment Earnings	92,754	9,730	13,765	7,576	123,825
Contributions and Donations	-	44,768	-	-	44,768
Fees Charged to Grants	99,889	-	-	-	99,889
Services to Other Funds	-	-	-	2,450,448	2,450,448
Miscellaneous	149,905	182,799	-	72,237	404,941
Total Revenues	49,737,385	5,267,001	7,144,713	5,001,294	67,150,393
Expenditures					
Current					
Instruction	33,023,489	3,878,200	-	-	36,901,689
Support Services	17,614,203	1,248,019	-	-	18,862,222
Enterprise and Community Services	55,000	76,999	-	2,323,360	2,455,359
Facilities Acquisition and Construction	247,163	-	-	56,522	303,685
Debt Service					
Principal	-	-	3,535,000	356,484	3,891,484
Interest	-	-	3,541,656	1,525,005	5,066,661
Total Expenditures	50,939,855	5,203,218	7,076,656	4,261,371	67,481,100
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,202,470)	63,783	68,057	739,923	(330,707)
Other Financing Sources (Uses)					
Operating Transfers In	500,000	-	-	-	500,000
Operating Transfers (Out)	(500,000)	-	-	-	(500,000)
Total Other Sources (Uses)	-	-	-	-	-
Net Change in Fund Balance	(1,202,470)	63,783	68,057	739,923	(330,707)
Fund Balances					
Beginning of Year, Restated	9,008,173	50,225	506,505	1,584,240	11,149,143
End of year	\$ 7,805,703	\$ 114,008	\$ 574,562	\$ 2,324,163	\$ 10,818,436

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, 2011

Net Change in Fund Balance \$ (330,707)

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	\$ 692,264	
Less current year depreciation	<u>(2,539,002)</u>	(1,846,738)

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: 3,891,484

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)	93,732	
Amortization of issuance costs	<u>(33,477)</u>	60,255

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. 6,979

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. 39,975

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: (764,840)

Change in Net Assets \$ (97,076)

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

McMINNVILLE SCHOOL DISTRICT NO. 40
 STATEMENT OF NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2011

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash and investments	\$ 128,925	\$ 474,985
Due from other funds	2,000	-
	<u>130,925</u>	<u>474,985</u>
Total Assets	<u>130,925</u>	<u>474,985</u>
Liabilities		
Due to student groups	-	474,985
	<u>-</u>	<u>474,985</u>
Total Liabilities	<u>-</u>	<u>474,985</u>
Net Assets		
Held in trust for:		
Scholarships	130,925	-
	<u>130,925</u>	<u>-</u>
Total Net Assets	<u><u>\$ 130,925</u></u>	<u><u>\$ -</u></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, 2011

	Private Purpose Trust Fund
Additions:	
Investment earnings	\$ 634
Contributions	<u> 500</u>
Total Additions	<u> 1,134</u>
Deductions:	
Scholarships	<u> 2,425</u>
Total Deductions	<u> 2,425</u>
Change in Net Assets	(1,291)
Net Assets	
Beginning of year	<u> 132,216</u>
Total Net Assets	<u><u> \$ 130,925</u></u>

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

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2011

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.

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.

The Agency Fund is used to account for student body accounts held by the District for student activities.

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.

The Agency Fund has no measurement focus and reports only assets and liabilities.

1. Summary of Significant Accounting Policies (Continued)

Budget

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

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

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

Cash and Investments

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

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

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

Property Taxes Receivable

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

1. Summary of Significant Accounting Policies (Continued)

Property Taxes Receivable (Continued)

Uncollected property taxes are recorded on the Statement of Net 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, 2011. 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.

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 except the agency fund. 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

The District has implemented GASB 54 for the year ended June 30, 2011. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

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

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

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

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, 2011.

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 that 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, 2011

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, 2011 consist of the following:

Petty Cash	\$	300
Deposits With Financial Institutions		1,019,773
Investments		13,616,480
	<u>\$</u>	<u>14,636,553</u>

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

Statement of Net Assets		
Cash and Investments	\$	14,028,610
Restricted Cash and Investments		4,033
Statement of Net Assets - Fiduciary Funds		
Cash and Investments - Private Purpose Trust		128,925
Cash and Investments - Agency Fund		474,985
	<u>\$</u>	<u>14,636,553</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 \$1,019,773 on June 30, 2011. The bank statement records reflect a balance of \$2,172,508 at year end. Of this amount, \$250,000 is covered by the FDIC's general deposit insurance rules. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of State Treasurer. As a result the District has no exposure to custodial credit risk for deposits with financial institutions.

2. Cash and Investments (Continued)

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, 2011 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	\$ 35,980
Oregon State Treasury Local Government Investment Pool	<u>6.45 months average</u>	<u>13,580,500</u>
		<u>\$ 13,616,480</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, 2011 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 \$35,980 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, 2011 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, 2011

3. Capital Assets (Continued)

Capital assets activity for the year was as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
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	116,626,939	212,299	-	116,839,238
Equipment	4,141,596	479,965	-	4,621,561
Total capital assets being depreciated	120,768,535	692,264	-	121,460,799
Less accumulated depreciation for:				
Buildings and improvements	(22,772,827)	(2,248,801)	-	(25,021,628)
Equipment	(1,538,470)	(290,201)	-	(1,828,671)
Total accumulated depreciation	(24,311,297)	(2,539,002)	-	(26,850,299)
Total capital assets being depreciated, net	96,457,238	(1,846,738)	-	94,610,500
Total capital assets, net	\$ 100,430,149	\$ (1,846,738)	\$ -	\$ 98,583,411

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

Program	
Instructional programs	\$ 2,352,451
Supporting services	92,209
Community services	94,341
	<u>\$ 2,539,001</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, 2011

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.

Long-Term Liability Activity for the year ended June 30, 2011 is as follows:

<u>Issue Date</u>	<u>Issue Amount</u>	<u>Outstanding July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2011</u>	<u>Interest Rates</u>
09/01/01	\$ 16,835,000	\$ 11,690,000	\$ -	\$ 1,685,000	\$ 10,005,000	5.00 - 5.50%
06/14/07	62,000,000	59,605,000	-	1,850,000	57,755,000	4.50 - 5.25%
10/31/02	16,044,243	15,026,141	-	251,484	14,774,657	4.82 - 5.55 %
02/19/04	13,715,000	13,640,000	-	105,000	13,535,000	4.40 - 5.53%
Total bonds		99,961,141	-	3,891,484	96,069,657	
Unamortized premium/(discount)		1,683,739	-	93,732	1,590,007	
Total bonds payable		101,644,880	-	3,985,216	97,659,664	
Net OPEB Obligation		1,119,642	-	764,840	1,884,482	
Total long-term debt		\$ 102,764,522	\$ -	\$ 4,750,056	\$ 99,544,146	

Future maturities are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2011-2012	\$ 4,382,976	\$ 4,933,049
2012-2013	4,906,877	4,771,312
2013-2014	5,472,120	4,593,746
2014-2015	6,068,956	4,383,968
2015-2016	6,696,361	4,158,821
2016-2021	17,922,367	18,137,690
2021-2026	34,115,000	9,936,530
2026-2028	16,505,000	1,238,134
Total	\$ 96,069,657	\$ 52,153,250

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2011

5. Interfund Receivables & Payables

Due from/to Other Funds amounts are comprised of the following at June 30, 2011:

	Due From Other Funds	Due to Other Funds
Major Government Funds		
General Fund	\$ -	\$ 759,870
Grants Fund	-	680,237
Nonmajor Funds		
School Nutrition Fund	272,013	-
PERS Debt Service Fund	1,166,094	-
Private Purpose Trust Fund	2,000	-
	<u>\$ 1,440,107</u>	<u>\$ 1,440,107</u>

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 as either Cash and Investments or Due to/from Other Funds. Interfund receivables and payables arise during normal processing of receipts and disbursements for all funds through a single checking account and do not represent interfund loans

6. Interfund Transfers

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

	Transfers In	Transfers Out
Major Government Fund		
General Fund - Unassigned	\$ -	\$ 500,000
General Fund - Committed to Asset Reserve	500,000	-
	<u>\$ 500,000</u>	<u>\$ 500,000</u>

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.

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, 2009 for Tier I / Tier II and OPSRP employees are 3.83% and 4.35%.

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, 2011 to cover bond payments were estimated to be 8.00% of covered payroll.

Contribution information for the years ending June 30, 2011, 2010, and 2009 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	
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
2009	2,345,053	100%	1,321,147	467,624	4,133,824

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 \$8,880,747. 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.

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:

	2011	2010	2009
Annual required contribution	\$ 1,851,305	\$ 1,874,298	\$ 1,810,915
Interest on net OPEB obligation	44,789	22,066	-
Adjustment to annual required contribution	(87,678)	(30,527)	-
Annual OPEB cost (expense)	1,808,416	1,865,837	1,810,915
Contributions made	1,043,606	1,297,833	1,259,277
Increase in net OPEB obligation	764,810	568,004	551,638
Net OPEB obligation -- beginning of year	1,119,642	551,638	-
Net OPEB obligation -- end of year	<u>\$ 1,884,452</u>	<u>\$ 1,119,642</u>	<u>\$ 551,638</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, 2009	\$ 1,810,915	\$ 1,259,277	70%	\$ 551,638
June 30, 2010	1,865,837	\$ 1,297,833	70%	1,119,642
June 30, 2011	1,808,416	1,043,606	58%	1,884,452

Funded Status of and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability 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 \$28,603,522 and the ratio of the UAAL to the covered payroll was 37 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: a 4.0% interest rate for discounting future liabilities, an overall payroll growth rate of 3.5% per year and an annual health care cost trend rate of 10 percent for the current year, grading down to an annual rate of 5.5 percent after 10 years for medical insurance. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period as of June 30, 2010 was 28 years.

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, 2011, 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.

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.

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2011

12. New Accounting Pronouncement

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, certain funds previously reported as special revenue funds were reclassified as general funds and amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

Due to the implementation of GASB 54, the Asset Reserve Fund and the Insurance Reserve Fund were reclassified from non-major special revenue funds to the major general fund for purposes of fund classification. As a result, the fund balances of the District as of July 1, 2010 were restated as follows:

	Fund Financial Statements	
	General Fund	Other Governmental Fund
Fund Balance as of June 30, 2010, as as Previously Reported	\$ 6,598,452	\$ 3,993,961
Insurance Reserve and Asset Reserve Fund Reclassification	2,409,721	(2,409,721)
Fund Balance as of July 1, 2010, as restated	\$ 9,008,173	\$ 1,584,240

The Asset Reserve and Insurance Reserve funds remain separate funds for purposes of budget appropriation.

REQUIRED **SUPPLEMENTARY INFORMATION**

Includes required supplementary information for Other Postemployment Benefits, including the funding progress.

Also includes required supplementary information for the following Major Funds:

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

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

Grants Fund – this fund accounts for revenue 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.

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF FUNDING PROGRESS FOR
 OTHER POST EMPLOYMENT BENEFITS
 June 30, 2011

<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%

McMINNVILLE SCHOOL DISTRICT NO. 40
 COMBINING BALANCE SHEET
 MAJOR GOVERNMENTAL FUND - GENERAL FUND
 June 30, 2011

	<u>General</u>	<u>Asset Reserve Fund</u>	<u>Insurance Reserve Fund</u>	<u>Totals</u>
ASSETS				
ASSETS				
Cash and Investments	\$ 8,242,198	\$ 1,851,530	\$ 735,348	\$ 10,829,076
Receivables				
Grants	486,878	-	-	486,878
Undistributed Tax Collections	202,231	-	-	202,231
Property Taxes	1,004,765	-	-	1,004,765
Accounts	251,702	-	-	251,702
	<u>\$ 10,187,774</u>	<u>\$ 1,851,530</u>	<u>\$ 735,348</u>	<u>\$ 12,774,652</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 85,058	\$ -	\$ -	\$ 85,058
Accrued Payroll and Payroll Liabilities	3,189,441	-	-	3,189,441
Due to Other Funds	759,869	-	-	759,869
Deferred Revenue	934,581	-	-	934,581
Total Liabilities	<u>4,968,949</u>	<u>-</u>	<u>-</u>	<u>4,968,949</u>
FUND BALANCES				
Fund Balances				
Committed to				
Asset Reserve	-	1,851,530	-	1,851,530
Insurance Reserve	-	-	735,348	735,348
Unassigned	5,218,825	-	-	5,218,825
Total Fund Balances	<u>5,218,825</u>	<u>1,851,530</u>	<u>735,348</u>	<u>7,805,703</u>
Total Liabilities and Fund Balances	<u>\$ 10,187,774</u>	<u>\$ 1,851,530</u>	<u>\$ 735,348</u>	<u>\$ 12,774,652</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, 2011

	General Fund	Asset Reserve	Insurance Reserve	Total
Revenues				
Property Taxes	\$ 10,679,801	\$ -	\$ -	\$ 10,679,801
Intermediate Sources	1,251,011	-	-	1,251,011
State Sources	34,859,414	-	-	34,859,414
Federal Sources	2,097,351	-	-	2,097,351
Charges for Services	468,272	-	-	468,272
Rentals	10,867	28,121	-	38,988
Investment Earnings	79,976	8,863	3,915	92,754
Fees Charged to Grants	99,889	-	-	99,889
Miscellaneous	69,469	42,752	37,684	149,905
Total Revenues	49,616,050	79,736	41,599	49,737,385
Expenditures				
Instruction	33,015,230	-	8,259	33,023,489
Support Services	17,425,447	168,530	20,226	17,614,203
Enterprise and Community Services	55,000	-	-	55,000
Facilities Acquisition and Construction	-	247,163	-	247,163
Total Expenditures	50,495,677	415,693	28,485	50,939,855
Excess (Deficiency) of Revenues Over (Under) Expenditures	(879,627)	(335,957)	13,114	(1,202,470)
Other Financing Sources (Uses)				
Transfer In	-	500,000	-	500,000
Transfers Out	(500,000)	-	-	(500,000)
Total Other Sources (Uses)	(500,000)	500,000	-	-
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(1,379,627)	164,043	13,114	(1,202,470)
Fund Balances				
Beginning of Year	6,598,452	1,687,487	722,234	9,008,173
End of Year	\$ 5,218,825	\$ 1,851,530	\$ 735,348	\$ 7,805,703

McMINNVILLE SCHOOL DISTRICT NO. 40
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
Year Ended June 30, 2011

	Budget		Actual	Variance with Final budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Property Taxes	\$ 10,200,000	\$ 10,200,000	\$ 10,679,801	\$ 479,801
Tuition	488,000	488,000	250,165	(237,835)
Investment Earnings	150,000	150,000	79,976	(70,024)
Extracurricular Activities	119,000	119,000	138,813	19,813
Community Service Activities	70,000	70,000	79,294	9,294
Rentals	7,000	7,000	10,867	3,867
Recovery of Prior Year Expenditures	-	-	20,907	20,907
Fees Charged to Grants	150,000	150,000	99,889	(50,111)
Miscellaneous Local Sources	5,000	5,000	48,562	43,562
Total Local Revenues	11,189,000	11,189,000	11,408,274	219,274
Revenues from Intermediate Sources				
ESD Apportionment	1,323,489	1,323,489	1,200,859	(122,630)
County School Fund	64,000	64,000	50,152	(13,848)
	1,387,489	1,387,489	1,251,011	(136,478)
Revenues from State Sources				
State School Fund Support	35,723,873	35,723,873	34,209,909	(1,513,964)
Other State Sources	250,000	250,000	161,294	(88,706)
Common School Fund	535,619	535,619	488,211	(47,408)
Total State Revenues	36,509,492	36,509,492	34,859,414	(1,650,078)
Revenues from Federal Sources				
State Fiscal Stabilization Fund - ARRA	700,000	700,000	737,142	37,142
Education Jobs Fund - ARRA	-	-	1,337,424	1,337,424
Child Care and Development Fund	25,000	25,000	16,365	(8,635)
Child Care Food Program	-	-	6,420	6,420
Total Federal Revenues	725,000	725,000	2,097,351	1,372,351
Total Revenues	49,810,981	49,810,981	49,616,050	(194,931)
Expenditures				
Instruction *	34,244,343	34,244,343	33,015,230	1,229,113
Support Services *	18,359,961	18,359,961	17,425,447	934,514
Community Services *	55,000	55,000	55,000	-
Facilities Acquisition and Construction *	1,677	1,677	-	1,677
Contingencies *	2,000,000	2,000,000	-	2,000,000
Total Expenditures	54,660,981	54,660,981	50,495,677	4,165,304
Excess (Deficiency) of Revenues Over (Under) Expenditures:	(4,850,000)	(4,850,000)	(879,627)	3,970,373
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out *	(500,000)	(500,000)	(500,000)	-
Total Other Financing Sources (Uses)	(500,000)	(500,000)	(500,000)	-
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(5,350,000)	(5,350,000)	(1,379,627)	3,970,373
Fund Balance				
Beginning of Year	6,700,000	6,700,000	6,598,452	(101,548)
End of Year	\$ 1,350,000	\$ 1,350,000	\$ 5,218,825	\$ 3,868,825

* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40
ASSET RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ 20,000	\$ 20,000	\$ 8,863	\$ (11,137)
Lease Income	12,000	12,000	28,121	16,121
Miscellaneous Local Sources	5,000	5,000	42,752	37,752
Total Revenue	<u>37,000</u>	<u>37,000</u>	<u>79,736</u>	<u>42,736</u>
Expenditures				
Support Services *	414,000	414,000	168,530	245,470
Facilities Acquisition and Construction *	1,923,000	1,923,000	247,163	1,675,837
Total Expenditures	<u>2,337,000</u>	<u>2,337,000</u>	<u>415,693</u>	<u>1,921,307</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,300,000)	(2,300,000)	(335,957)	(1,878,571)
Other Financing Sources				
Transfer in	500,000	500,000	500,000	-
Total Other Sources *	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(1,800,000)	(1,800,000)	164,043	(1,878,571)
Fund Balance				
Beginning of Year	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,687,487</u>	<u>(112,513)</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,851,530</u>	<u>\$ (1,991,084)</u>

* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40
INSURANCE RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ 7,000	\$ 7,000	\$ 3,915	\$ (3,085)
Recovery of Prior Years' Expenditure	15,000	15,000	37,120	22,120
Miscellaneous Local Sources	-	-	564	564
Total Revenues	<u>22,000</u>	<u>22,000</u>	<u>41,599</u>	<u>19,599</u>
Expenditures				
Instruction *	400,000	400,000	8,259	391,741
Support services *	<u>322,000</u>	<u>322,000</u>	<u>20,226</u>	<u>301,774</u>
Total Expenditures	<u>722,000</u>	<u>722,000</u>	<u>28,485</u>	<u>693,515</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(700,000)	(700,000)	13,114	713,114
Fund Balance				
Beginning of Year	<u>700,000</u>	<u>700,000</u>	<u>722,234</u>	<u>22,234</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 735,348</u>	<u>\$ 735,348</u>

* Legally adopted appropriation level

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, 2011

	Budget		Actual	Variance with Final budget
	Adopted	Final		
Revenues				
Local Sources	\$ 633,000	\$ 633,000	\$ 273,605	\$ (359,395)
Intermediate Sources	175,000	175,000	10,680	(164,320)
State Sources	1,703,000	1,703,000	289,564	(1,413,436)
Federal Sources	5,957,666	5,957,666	4,693,152	(1,264,514)
Total Revenues	8,468,666	8,468,666	5,267,001	(3,201,665)
Expenditures				
Instruction *	5,953,059	5,953,059	3,878,200	2,074,859
Support Services *	2,390,607	2,390,607	1,248,019	1,142,588
Community Services *	105,000	105,000	76,999	28,001
Facilities Acquisition and Construction *	50,000	50,000	-	50,000
Total Expenditures	8,498,666	8,498,666	5,203,218	3,295,448
Excess (Deficiency) of Revenues Over (Under) Expenditures	(30,000)	(30,000)	63,783	93,783
Fund Balances				
Beginning of Year	30,000	30,000	50,225	20,225
End of Year	\$ -	\$ -	\$ 114,008	\$ 114,008

* Legally adopted appropriation level

1. Other Postemployment Benefits

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

2. 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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OTHER MAJOR GOVERNMENTAL FUNDS

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

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

McMINNVILLE SCHOOL DISTRICT NO. 40
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2011

	Budget		Actual	Variance with Final budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Property Taxes	\$ 7,002,907	\$ 7,002,907	\$ 7,130,948	\$ 128,041
Investment Earnings	20,000	20,000	13,765	(6,235)
Total Revenues	<u>7,022,907</u>	<u>7,022,907</u>	<u>7,144,713</u>	<u>121,806</u>
Expenditures				
Debt Service *				
Professional Services	1,250	1,250	-	1,250
Redemption of Principal	3,535,000	3,535,000	3,535,000	-
Interest	<u>3,541,656</u>	<u>3,541,656</u>	<u>3,541,656</u>	<u>-</u>
Total Expenditures	<u>7,077,906</u>	<u>7,077,906</u>	<u>7,076,656</u>	<u>1,250</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(54,999)	(54,999)	68,057	123,056
Fund Balance				
Beginning of Year	<u>555,000</u>	<u>555,000</u>	<u>506,505</u>	<u>(48,495)</u>
End of Year	<u>\$ 500,001</u>	<u>\$ 500,001</u>	<u>\$ 574,562</u>	<u>\$ 74,561</u>

* Legally adopted appropriation level

NONMAJOR GOVERNMENTAL FUNDS

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

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

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, 2011

	<u>Special Revenue Funds</u>				
	<u>School Nutrition Fund</u>	<u>Construction Excise Tax Fund</u>	<u>PERS Debt Service Fund</u>	<u>Construction Earnings Fund</u>	<u>Total</u>
ASSETS					
Cash and Investments	\$ 37,762	\$ 344,965	\$ -	\$ 387,035	\$ 769,762
Grants Receivable	112,750	-	-	-	112,750
Due From Other Funds	272,014	-	1,166,093	-	1,438,107
Restricted Cash and Investments	-	-	4,033	-	4,033
Total Assets	<u>\$ 422,526</u>	<u>\$ 344,965</u>	<u>\$ 1,170,126</u>	<u>\$ 387,035</u>	<u>\$ 2,324,652</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 489	\$ -	\$ -	\$ -	\$ 489
Due to Other Funds	-	-	-	-	-
Total Liabilities	<u>489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>489</u>
FUND BALANCES					
Restricted for					
Capital Improvements	-	344,965	-	387,035	732,000
Nutrition Services	422,037	-	-	-	422,037
Committed To					
PERS Debt Service	-	-	1,170,126	-	1,170,126
Total Fund Balances	<u>422,037</u>	<u>344,965</u>	<u>1,170,126</u>	<u>387,035</u>	<u>2,324,163</u>
Total Liabilities and Fund Balance	<u>\$ 422,526</u>	<u>\$ 344,965</u>	<u>\$ 1,170,126</u>	<u>\$ 387,035</u>	<u>\$ 2,324,652</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	Special Revenue Funds				Total
	School Nutrition Fund	Construction Excise Tax Fund	PERS Debt Service Fund	Construction Earnings Fund	
Revenues					
Local Sources	\$ 493,627	\$ 92,269	\$ 2,454,480	\$ 59,785	\$ 3,100,161
State Sources	28,736	-	-	-	28,736
Federal Sources	1,872,397	-	-	-	1,872,397
Total Revenues	2,394,760	92,269	2,454,480	59,785	5,001,294
Expenditures					
Enterprise and Community Services	2,323,360	-	-	-	2,323,360
Facilities Acquisition and Construction	-	1,590	-	54,932	56,522
Debt Service					
Principal			356,484		356,484
Interest	-	-	1,525,005	-	1,525,005
Total Expenditures	2,323,360	1,590	1,881,489	54,932	4,261,371
Excess (Deficiency) of Revenues Over (Under) Expenditures	71,400	90,679	572,991	4,853	739,923
Fund Balances					
Beginning of Year	350,637	254,286	597,135	382,182	1,584,240
End of Year	\$ 422,037	\$ 344,965	\$ 1,170,126	\$ 387,035	\$ 2,324,163

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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, 2011

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Sales	\$ 772,000	\$ 772,000	\$ 479,224	\$ (292,776)
Miscellaneous Local Sources	20,000	20,000	14,403	(5,597)
Total Local Sources	792,000	792,000	493,627	(298,373)
Revenue from State Sources				
State School Fund	23,000	23,000	24,058	1,058
State Restricted Grants	-	-	4,678	4,678
Total State Sources	23,000	23,000	28,736	5,736
Revenues from Federal Sources				
National School Lunch Program	1,812,000	1,812,000	1,658,571	(153,429)
U.S.D.A. Donated Commodities	215,000	215,000	158,381	(56,619)
Federal Restricted Grants	85,000	85,000	55,445	(29,555)
Total Federal Sources	2,112,000	2,112,000	1,872,397	(239,603)
Total Revenues	2,927,000	2,927,000	2,394,760	(532,240)
Expenditures				
Enterprise and Community Services *	3,157,000	3,157,000	2,323,360	833,640
Excess (Deficiency) of Revenues Over (Under) Expenditures	(230,000)	(230,000)	71,400	301,400
Other Financing Sources*				
Transfer in	60,000	60,000	-	(60,000)
Net Change in Fund Balance	(170,000)	(170,000)	71,400	241,400
Fund Balance				
Beginning of Year	170,000	170,000	350,637	180,637
End of Year	\$ -	\$ -	\$ 422,037	\$ 422,037

* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 4C
 CONSTRUCTION EXCISE TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Excise tax	\$ 80,000	\$ 80,000	\$ 90,676	\$ 10,676
Investment Earnings	2,000	2,000	1,593	(407)
Total Revenues	<u>82,000</u>	<u>82,000</u>	<u>92,269</u>	<u>10,269</u>
Expenditures				
Facilities Acquisition and Construction	<u>282,000</u>	<u>282,000</u>	<u>1,590</u>	<u>280,410</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(200,000)	(200,000)	90,679	290,679
Fund Balance				
Beginning of the Year	<u>200,000</u>	<u>200,000</u>	<u>254,286</u>	<u>54,286</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 344,965</u>	<u>\$ 344,965</u>

* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40
PERS DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ 6,000	\$ 6,000	\$ 4,032	\$ (1,968)
Services Provided to Other Funds	2,300,000	2,300,000	2,450,448	150,448
Total Revenues	2,306,000	2,306,000	2,454,480	148,480
Expenditures				
Debt Service *				
Redemption of Principal	356,484	356,484	356,484	-
Interest	1,525,005	1,525,005	1,525,005	-
Total Debt Service	1,881,489	1,881,489	1,881,489	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	424,511	424,511	572,991	148,480
Fund Balance				
Beginning of Year	550,000	550,000	597,135	47,135
End of Year	\$ 974,511	\$ 974,511	\$ 1,170,126	\$ 195,615

* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40
 CONSTRUCTION EARNINGS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ 4,000	\$ 4,000	\$ 1,951	\$ (2,049)
Recovery Prior Year Expenditure	-	-	57,834	57,834
Total Revenues	4,000	4,000	59,785	55,785
Expenditures				
Facilities Acquisition and Construction *	386,000	386,000	54,932	331,068
Excess (Deficiency) of Revenues Over (Under) Expenditures	(382,000)	(382,000)	4,853	386,853
Fund Balance				
Beginning of Year	382,000	382,000	382,182	182
End of Year	\$ -	\$ -	\$ 387,035	\$ 387,035

* Legally adopted appropriation level

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FIDUCIARY FUNDS

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

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

MCMINNVILLE SCHOOL DISTRICT NO. 40
PRIVATE PURPOSE TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2011

	Budget		Actual	Variance Favorable (Unfavorable)
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Earnings on Investments	\$ 5,000	\$ 5,000	\$ 634	\$ (4,366)
Contributions	10,000	10,000	500	(9,500)
Total Revenues	15,000	15,000	1,134	(13,866)
Expenditures				
Community Services *	55,000	55,000	2,425	52,575
Operating Contingencies *	100,000	100,000	-	100,000
Total Expenditures	155,000	155,000	2,425	152,575
Excess (Deficiency) of Revenues Over (Under) Expenditures	(140,000)	(140,000)	(1,291)	138,709
Fund Balances				
Beginning of Year	140,000	140,000	132,216	(7,784)
End of Year	\$ -	\$ -	\$ 130,925	\$ 130,925

* Legally adopted appropriation level

AGENCY FUND

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

McMINNVILLE SCHOOL DISTRICT NO. 40
 STUDENT BODY AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 Year Ended June 30, 2011

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
ASSETS				
Cash and Investments	<u>\$ 529,790</u>	<u>\$ 947,704</u>	<u>\$ 1,002,509</u>	<u>\$ 474,985</u>
Total Assets	<u><u>\$ 529,790</u></u>	<u><u>\$ 947,704</u></u>	<u><u>\$ 1,002,509</u></u>	<u><u>\$ 474,985</u></u>
LIABILITIES				
Due to Student Groups	<u>\$ 529,790</u>	<u>\$ 947,704</u>	<u>\$ 1,002,509</u>	<u>\$ 474,985</u>
Total Liabilities	<u><u>\$ 529,790</u></u>	<u><u>\$ 947,704</u></u>	<u><u>\$ 1,002,509</u></u>	<u><u>\$ 474,985</u></u>

OTHER FINANCIAL SCHEDULES

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF PROPERTY TAX TRANSACTIONS
 Year Ended June 30, 2011

Tax Roll Year	Uncollected July 1, 2010 and Tax Levy	Less Discounts	Net Adjustments	Collections	Uncollected June 30, 2011
2010-2011	\$ 18,226,859	\$ 437,852	\$ (32,046)	\$ 16,842,355	\$ 914,606
2009-2010	907,416	-	(7,942)	511,837	387,637
2008-2009	363,348	-	(9,548)	167,384	186,416
2007-2008	170,661	-	(1,638)	96,208	72,815
2006-2007	41,106	-	(1,177)	20,350	19,579
2005-2006	14,712	-	(1,207)	1,051	12,454
Prior	77,807	-	(1,511)	2,353	73,943
	<u>\$ 19,801,909</u>	<u>\$ 437,852</u>	<u>\$ (55,069)</u>	17,641,538	<u>\$ 1,667,450</u>

Interest	125,061
Offsets and other adjustments	(5,150)
Undistributed tax collections, June 30, 2011	117,349
Undistributed tax collections, June 30, 2010	<u>(68,049)</u>
Revenue Turned Over to District	<u>\$ 17,810,749</u>

	General Fund	Debt Sevice Fund	Total Revenue
Current Year's Taxes	\$ 10,155,168	\$ 6,782,186	\$ 16,937,354
Prior Year's Taxes	<u>524,633</u>	<u>348,762</u>	<u>873,395</u>
Revenue Turned Over to District	<u>\$ 10,679,801</u>	<u>\$ 7,130,948</u>	<u>\$ 17,810,749</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
SCHEDULE OF BOND, BOND INTEREST
TRANSACTIONS AND BALANCES
Year Ended June 30, 2011

Issue Date	Balance July 1, 2010	Issued	Redeemed	Balance June 30, 2011
September 1, 2001 - Refunding Bonds	\$ 11,690,000	\$ -	\$ 1,685,000	\$ 10,005,000
June 1, 2007 - General Obligation Bonds	59,605,000	-	1,850,000	57,755,000
Total General Obligation Bonds	71,295,000	-	3,535,000	67,760,000
October 31, 2002 - PERS Bonds	15,026,141	-	251,484	14,774,657
February 19, 2004 - PERS Bonds	13,640,000	-	105,000	13,535,000
Total Limited Tax Pension Obligation Bonds	28,666,141	-	356,484	28,309,657
Total Bonds Payable	<u>\$ 99,961,141</u>	<u>\$ -</u>	<u>\$ 3,891,484</u>	<u>\$ 96,069,657</u>

Issue Date	Matured Bonds and Interest Payable			Balance June 30, 2011
	Balance July 1, 2010	Matured	Redeemed or Paid	
Principal:				
September 1, 2001 - Refunding Bonds	\$ -	\$ 1,685,000	\$ 1,685,000	\$ -
June 1, 2007 - General Obligation Bonds	-	1,850,000	1,850,000	-
October 31, 2002 - PERS Bonds	-	251,484	251,484	-
February 19, 2004 - PERS Bonds	-	105,000	105,000	-
Total Principal	-	3,891,484	3,891,484	-
Interest:				
September 1, 2001 - Refunding Bonds	-	634,525	634,525	-
June 1, 2007 - General Obligation Bonds	-	2,907,131	2,907,131	-
October 31, 2002 - PERS Bonds	-	788,978	788,978	-
February 19, 2004 - PERS Bonds	-	736,027	736,027	-
Total Interest	-	5,066,661	5,066,661	-
Totals	<u>\$ -</u>	<u>\$ 8,958,145</u>	<u>\$ 8,958,145</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>
2011 - 2012	\$ 4,382,976	\$ 4,933,049	\$ 9,316,025
2012 - 2013	4,906,877	4,771,312	9,678,189
2013 - 2014	5,472,120	4,593,746	10,065,866
2014 - 2015	6,068,956	4,383,968	10,452,924
2015 - 2016	6,696,361	4,158,821	10,855,182
Thereafter	68,542,367	29,312,354	97,854,721
	<u>\$ 96,069,657</u>	<u>\$ 52,153,250</u>	<u>\$ 148,222,907</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>
2011 - 2012	6/15/2012	5.50%	\$ 1,775,000	\$ 550,275	\$ 2,325,275
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
Thereafter			-	-	-
			<u>\$ 10,005,000</u>	<u>\$ 1,713,800</u>	<u>\$ 11,718,800</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>
2011 - 2012	6/30/2012	4.50 - 5.25%	\$ 2,180,000	\$ 2,823,881	\$ 5,003,881
2012 - 2013	6/30/2013	4.50 - 5.25%	2,525,000	2,725,781	5,250,781
2013 - 2014	6/30/2014	4.50 - 5.25%	2,900,000	2,612,156	5,512,156
2014 - 2015	6/30/2015	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
Thereafter		4.50 - 5.25%	43,110,000	16,364,822	59,474,822
			<u>\$ 57,755,000</u>	<u>\$ 29,320,752</u>	<u>\$ 87,075,752</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>
2011 - 2012	6/30/2012	5.00 - 5.55%	\$ 272,976	\$ 827,487	\$ 1,100,463
2012 - 2013	6/30/2013	5.18- 5.55%	286,877	868,585	1,155,462
2013 - 2014	6/30/2014	5.36 - 5.55%	302,120	918,343	1,220,463
2014 - 2015	6/30/2015	5.51 - 5.55%	313,956	971,506	1,285,462
2015 - 2016	6/30/2016	5.51 - 5.55%	321,361	1,029,102	1,350,463
Thereafter		5.67 - 5.55%	<u>13,277,367</u>	<u>7,923,026</u>	<u>21,200,393</u>
			<u>\$ 14,774,657</u>	<u>\$ 12,538,049</u>	<u>\$ 27,312,706</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>
2011 - 2012	6/30/2012	4.458-5.528%	\$ 155,000	\$ 731,406	\$ 886,406
2012 - 2013	6/30/2013	4.477-5.528%	210,000	724,296	934,296
2013 - 2014	6/30/2014	4.479-5.528%	270,000	714,272	984,272
2014 - 2015	6/30/2015	4.923-5.528%	335,000	701,331	1,036,331
2015 - 2016	6/30/2016	4.923-5.528%	410,000	684,838	1,094,838
Thereafter		5.023-5.528%	<u>12,155,000</u>	<u>5,024,506</u>	<u>17,179,506</u>
			<u>\$ 13,535,000</u>	<u>\$ 8,580,649</u>	<u>\$ 22,115,649</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 SUPPLEMENTAL INFORMATION AS REQUIRED
 BY THE OREGON DEPARTMENT OF EDUCATION
 Year Ended June 30, 2011

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

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

	Objects 325 & 326
Function 2540	\$ 878,542
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
1140	Pre-Kindergarten	2550
1300	Continuing Education	3100
1400	Summer School	3300
		Construction
		Pupil Transportation
		Food Service
		Community Services

McMINNVILLE SCHOOL DISTRICT NO. 40
YAMHILL COUNTY, OREGON
Schedule of Insurance in Force at June 30, 2011

Company	Policy Number	Expiration Date	Amount	Coverage	Hazards Insured
PACE	24P60119-185	07/01/11	\$ \$246,966,347	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	Comprehensive general liability	Bodily injury, property damage, and wrongful acts.
			\$ 20,000,000	Occurrence and wrongful acts covering premises and operations of the district	
			\$ 10,000,000	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			
\$ 50,000,000	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		
SAIF	486975	07/01/11	Statutory	Worker's Compensation	Injury or death of employees
PACE	24P60119-185	07/01/11	\$ 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, 2011

	General Fund 100	Special Revenue Fund 200	Debt Service Fund 300	Capital Projects Fund 400	Trust & Agency Fund 700	Total
Local Sources						
1111 Current year taxes	\$ 10,155,168	\$ -	\$ 6,782,186	\$ -	\$ -	\$ 16,937,354
1112 Prior year taxes	524,633	-	348,762	-	-	873,395
1130 Construction Excise Tax	-	90,675	-	-	-	90,675
1300 Tuition	250,165	-	-	-	-	250,165
1500 Earnings on Investments	79,976	24,101	17,798	1,951	634	124,460
1600 Food Service	-	479,225	-	-	-	479,225
1700 Extra-Curricular Activities	138,813	36,308	-	-	947,704	1,122,825
1800 Community Service Activities	79,294	-	-	-	-	79,294
1910 Rentals	10,867	28,121	-	-	-	38,988
1920 Contributions and Donations	0	44,768	-	-	500	45,268
1960 Recovery of Prior Years' Expenditure	20,907	37,120	-	57,834	-	115,861
1970 Services Provided Other Funds	-	-	2,450,448	-	-	2,450,448
1980 Fees Charged to Grants	99,889	-	-	-	-	99,889
1990 Miscellaneous	48,562	240,518	-	-	-	289,080
Total Local Sources	11,408,274	980,836	9,599,194	59,785	948,838	22,996,927
Intermediate Sources						
2101 County School Fund	50,152	-	-	-	-	50,152
2102 ESD Apportionment	1,200,859	-	-	-	-	1,200,859
2199 Other Intermediate Sources	-	-	-	-	-	-
2200 Restricted Revenue	-	10,680	-	-	-	10,680
Total Intermediate Sources	1,251,011	10,680	-	-	-	1,261,691
State Sources						
3101 State School Fund	34,209,909	-	-	-	-	34,209,909
3102 State School Fund Match	-	24,058	-	-	-	24,058
3103 Common School Fund	488,211	-	-	-	-	488,211
3299 Other Restricted Grants-In-Aid	161,294	294,242	-	-	-	455,536
Total State Sources	34,859,414	318,300	-	-	-	35,177,714
Federal Sources						
4300 Restricted Direct from Federal	-	167,369	-	-	-	167,369
4500 Restricted Through State	2,097,351	6,152,624	-	-	-	8,249,975
4700 Restricted Through Intermediate	-	87,174	-	-	-	87,174
4900 Commodities	-	158,381	-	-	-	158,381
Total Federal Sources	2,097,351	6,565,548	-	-	-	8,662,899
Other Sources						
5200 Interfund Transfers In	0	500,000	-	-	-	500,000
Total Other Sources	0	500,000	-	-	-	500,000
TOTAL REVENUES	\$ 49,616,050	\$ 8,375,364	\$ 9,599,194	\$ 59,785	\$ 948,838	\$ 68,599,231

McMINNVILLE SCHOOL DISTRICT NO. 40
GENERAL FUND (100) EXPENDITURE SUMMARY
Year Ended June 30, 2011

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	\$ 7,187,225	\$ 3,478,550	\$ 88,920	\$ 691,902	\$ -	\$ -	\$ -	\$ 11,446,597
1121 Middle/Junior High Programs	3,690,380	1,802,487	36,812	183,166	-	300	-	5,713,145
1122 Middle/Junior High School Extracurricular	139,183	32,681	18,850	10,303	-	1,160	-	202,177
1131 High School Programs	4,879,782	2,295,662	140,756	390,856	-	1,709	-	7,708,765
1132 High School Extra-curricular	251,401	50,649	49,750	51,707	-	8,445	-	411,962
1210 Programs for the Talented and Gifted	159,042	70,306	1,588	4,136	-	-	-	235,072
1220 Restrictive programs for students with disabilities	927,272	530,500	2,410	23,993	-	-	-	1,484,175
1250 Less restrictive programs for students with disabilities	1,423,423	715,814	1,198	76,777	-	-	-	2,217,212
1280 Alternative Education	457,343	229,310	28,622	12,275	-	-	-	727,550
1291 English Second Language Programs	1,678,017	898,824	1,943	27,192	-	89	-	2,606,065
1292 Teen Parent Programs	109,977	70,964	-	12,087	-	-	-	193,028
1294 Youth Corrections Education	12,612	1,009	1,129	-	-	-	-	14,750
1299 Other Programs	40,523	4,599	830	24	-	-	-	45,976
1400 Summer School Programs	6,833	1,608	-	325	-	-	-	8,766
Total Instruction	20,963,013	10,182,963	372,808	1,484,743	-	11,703	-	33,015,230
Support Services								
2110 Attendance and Social Work Services	366,754	191,533	-	1,577	-	-	-	559,864
2120 Guidance Services	1,024,668	494,357	244	3,709	-	-	-	1,522,978
2130 Health Services	67,896	34,787	42,440	678	-	134	-	145,935
2140 Psychological Services	123,919	64,894	1,604	1,028	-	-	-	191,445
2150 Speech Pathology and Audiology Services	183,599	85,497	45,468	1,319	-	-	-	316,388
2190 Service Direction: Student Support Services	241,686	104,306	13,881	9,513	-	505	-	369,386
2210 Improvement of Instruction Services	384,945	158,994	8,576	67,548	-	-	-	620,063
2220 Educational Media Services	529,903	258,071	3,342	52,892	-	-	-	844,208
2230 Assessment and Testing	-	-	20,254	7,513	-	-	-	27,767
2240 Instructional Staff Development	31,240	5,364	97,365	9,960	-	-	-	143,929
2310 Board of Education Services	-	-	120,510	5,828	-	81,761	-	208,099
2320 Executive Administration Services	219,240	111,887	3,557	6,327	-	1,948	-	342,959
2410 Office of the Principal Services	1,942,823	863,490	21,951	41,694	-	1,273	-	2,871,231
2510 Direction of Business Support Services	103,844	45,370	20,160	1,958	-	540	-	171,872
2520 Fiscal Services	288,010	126,965	9,946	6,140	-	16,238	-	447,299
2540 Operation and Maintenance of Plant Services	1,606,799	882,344	1,454,818	287,880	5,165	208,765	-	4,445,771
2550 Student Transportation Services	-	-	2,128,286	-	-	-	-	2,128,286
2570 Internal Services	-	-	35,105	18,227	-	-	-	53,332
2610 Direction of Central Support Services	193,732	82,471	41,621	4,514	-	23,901	-	346,239
2630 Information Services	19,938	1,589	10,808	689	-	-	-	33,024
2640 Staff Services	-	32,282	-	-	-	-	-	32,282
2660 Technology Services	406,695	174,670	-	6,873	-	-	-	834,979
2700 Supplemental Retirement Program	39,543	728,568	-	-	-	-	-	768,111
Total Support Services	7,775,234	4,447,439	4,288,086	535,867	43,756	335,065	-	17,425,447
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	-	-	-	-	-	-	500,000	500,000
Total Other Functions	-	-	-	-	-	-	500,000	500,000
TOTAL EXPENDITURES	\$ 28,738,247	\$ 14,630,402	\$ 4,715,894	\$ 2,020,610	\$ 43,756	\$ 346,768	\$ 500,000	\$ 50,995,677

McMINNVILLE SCHOOL DISTRICT NO. 40
SPECIAL REVENUE FUNDS (200) EXPENDITURE SUMMARY
Year Ended June 30, 2011

Instruction	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Total
1110 Elementary Programs	\$ 4,810	\$ 6	-	\$ 24,328	\$ 22,550	-	\$ 51,694
1121 Middle/Junior High Programs	10,412	1,723	2,099	37,702	-	-	51,936
1131 High School Programs	60,848	14,359	52,930	52,604	-	779	181,520
1132 High School Extra-curricular	869	181	-	-	40,282	-	41,332
1140 Pre-kindergarten Programs	8,461	6,253	-	227	-	300	15,241
1220 Restrictive programs for students with disabilities	234,043	118,632	368,379	1,504	-	-	722,558
1250 Less restrictive programs for students with disabilities	168,252	75,397	6,370	26,038	-	-	276,057
1271 Remediation	336,915	73,650	11,100	29,275	-	17,157	468,097
1272 Title I	1,147,743	535,351	95	29,924	-	47,193	1,760,306
1291 English Second Language Programs	127,604	60,385	9,229	31,116	-	3,210	231,544
1292 Teen Parent Programs	-	-	5,868	1,002	-	-	6,870
1400 Summer School Programs	63,232	13,775	-	2,297	-	-	79,304
Total Instruction	2,163,189	899,712	456,070	236,017	62,832	68,639	3,886,459
Support Services							
2110 Attendance and Social Work Services	20,384	8,686	150	5,365	-	-	34,585
2120 Guidance Services	5,211	422	-	-	-	-	5,633
2130 Health Services	14,918	1,190	40,704	-	-	-	56,812
2150 Speech Pathology and Audiology Services	-	-	96,391	-	-	-	96,391
2190 Service Direction: Student Support Services	47,818	15,111	-	-	-	24,362	87,291
2210 Improvement of Instruction Services	63,110	15,024	6,972	21,241	-	1,718	108,065
2230 Assessment and Testing	18,898	6,543	-	11,666	-	-	37,107
2240 Instructional Staff Development	192,452	68,770	162,771	40,433	-	5,470	469,896
2490 Other Support Services-School Administration	54,326	21,775	-	-	-	-	76,101
2520 Fiscal Services	-	-	-	-	-	7,022	7,022
2540 Operation and Maintenance of Plant Services	-	-	149,643	7,029	17,834	-	174,506
2550 Student Transportation Services	-	-	54,046	-	-	-	54,046
2610 Direction of Central Support Services	2,472	322	372	490	-	-	3,656
2620 Planning, Development Services	-	-	3,600	-	-	-	3,600
2640 Staff Services	-	7,228	-	-	-	-	7,228
2660 Technology Services	-	-	-	4,000	210,836	-	214,836
Total Support Services	419,589	145,071	514,649	90,224	228,670	38,572	1,436,775
Enterprise and Community Services							
3100 Food Services	774,122	402,385	37,381	1,049,545	55,566	4,360	2,323,359
3300 Community Services	43,353	10,955	7,973	14,718	-	-	76,999
Total Enterprise and Community Services	817,475	413,340	45,354	1,064,263	55,566	4,360	2,400,358
Facilities Acquisition and Construction							
4150 Building Acquisition, Construction, and Improvement	-	-	1,590	-	247,163	-	248,753
Total Facilities Acquisition and Construction	-	-	1,590	-	247,163	-	248,753
TOTAL EXPENDITURES	\$ 3,400,253	\$ 1,458,123	\$ 1,017,663	\$ 1,390,504	\$ 594,231	\$ 111,571	\$ 7,972,345

McMINNVILLE SCHOOL DISTRICT NO. 40
 DEBT SERVICE FUND (300) EXPENDITURE SUMMARY
 Year Ended June 30, 2011

	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Total
Other Functions							
5100 Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,958,146	\$ 8,958,146
Total Other Functions	-	-	-	-	-	8,958,146	8,958,146
TOTAL EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,958,146	\$ 8,958,146

McMINNVILLE SCHOOL DISTRICT NO. 40
 CAPITAL PROJECTS FUND (400) EXPENDITURE SUMMARY
 Year Ended June 30, 2011

	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	\$ -	\$ -	\$ -	\$ -	\$ 54,932	\$ -	\$ 54,932
Total Facilities Acquisition and Construction	\$ -	\$ -	\$ -	\$ -	\$ 54,932	\$ -	\$ 54,932
TOTAL EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ 54,932	\$ -	\$ 54,932

McMINNVILLE SCHOOL DISTRICT NO. 40
 FIDUCIARY FUND (700) EXPENDITURE SUMMARY
 Year Ended June 30, 2011

	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Total
Instruction							
1113 Elementary Extra-curricular	\$ -	\$ -	\$ -	\$ 121,971	\$ -	\$ -	\$ 121,971
1122 Middle/Junior High School Extracurricular	-	-	-	129,630	-	-	129,630
1132 High School Extra-curricular	-	-	-	750,908	-	-	750,908
Total Instruction	-	-	-	1,002,509	-	-	1,002,509
Other Functions							
3390 Other Community Services	-	-	2,425	-	-	-	2,425
Total Other Functions	-	-	2,425	-	-	-	2,425
TOTAL EXPENDITURES	\$ -	\$ -	\$ 2,425	\$ 1,002,509	\$ -	\$ -	\$ 1,004,934

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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.	80
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.	86
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.	88
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.	93
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	95

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

MCMINVILLE SCHOOL DISTRICT NO. 40
NET ASSETS BY COMPONENT
Last Nine Fiscal Years
(accrual basis of accounting)

	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	\$ 29,772,254	\$ 29,369,762	\$ 27,508,292	\$ 23,743,237	\$ 19,870,935	\$ 17,457,096	\$ 13,482,037	\$ 9,395,412	\$ 6,675,667
Restricted	574,562	506,505	477,674	461,167	403,670	617,952	972,176	2,946,068	2,426,443
Unrestricted	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>\$ 31,783,701</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>

Note: The District began to report accrual information when it implemented GASB 34 in 2003, over time, ten years will be presented

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

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Expenses									
Instructional programs	\$ 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	2,182,331	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	16,726,376	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	2,527,026	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	-	-	-	-	1,327,849	16,710	256,477	140,051	42,516
Interest on long-term debt	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	66,133,961	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	623,646	252,215	218,980	237,606	255,707	251,670	215,367	220,663	197,841
Other support services	38,989	-	-	-	-	-	-	-	-
Community services	493,052	557,467	572,397	699,614	685,136	629,131	566,911	547,700	528,407
Operating grants and contributions	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	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	(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	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	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	1,200,859	-	-	-	-	-	-	-	-
Other state and local sources	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	123,825	158,813	1,143,609	3,589,191	1,000,422	790,487	514,154	279,589	260,436
Other	272,048	232,878	16,605	60,338	12,109	80,024	34,531	32,092	309,332
Total general revenues	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	\$ (97,076)	\$ 1,772,928	\$ 2,322,074	\$ 4,429,237	\$ (163,792)	\$ 1,309,702	\$ (280,306)	\$ 4,600,460	\$ 3,632,974

Note: The District began to report accrual information when it implemented GASB 34 in 2003. Over time, ten years will be presented.

McMINNVILLE SCHOOL DISTRICT NO. 4C
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Revenues										
Property Taxes	\$ 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	\$ 10,910,666
Earnings on Investments	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	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	1,230,928
Charges for Services	983,804	809,682	817,383	937,222	940,843	880,801	782,278	768,363	726,248	-
Intermediate Sources	1,261,691	254,349	246,748	69,265	64,501	63,269	61,186	60,353	88,367	42,129
State sources	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	28,546,525
Federal Sources	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	3,160,982
Total Revenues	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	43,891,230
Expenditures										
Instruction	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	21,554,803
Support Services	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	12,813,907
Enterprise and Community Services	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	1,974,071
Capital Outlay	-	-	-	738,329	1,057,084	1,910,381	1,590,638	1,091,632	315,987	-
Facilities Acquisition and Construction	303,685	1,937,380	29,971,912	36,123,248	2,447,006	984,710	1,873,802	140,051	42,516	1,167,793
Debt Service:										
Principal	3,891,484	3,363,729	2,832,628	2,485,268	2,365,090	3,256,133	3,103,766	3,263,488	3,405,000	3,110,000
Interest	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	1,635,159
Total Expenditures	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	42,255,733
Excess (Deficiency) of Revenues Over (Under) Expenditures	(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	1,635,497
Other Financing Sources (Uses)										
Transfers In	500,000	1,700,000	20,000	2,170,000	120,000	120,000	230,000	230,000	246,237	101,677
Transfers (Out)	(500,000)	(1,700,000)	(20,000)	(2,170,000)	(120,000)	(120,000)	(230,000)	(230,000)	(246,237)	(101,677)
Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	310,165
Tax Anticipation Note Proceeds	-	-	-	-	-	-	-	-	-	(940,000)
Tax Anticipation Note Payments	-	-	-	-	-	-	-	-	-	-
Bonds Issued and Premiums	-	-	-	-	64,052,966	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-	-	-	17,117,394	16,023,367	17,850,404
Payments of Escrow for Refunding	-	-	-	-	-	-	-	(16,579,279)	(16,021,206)	(19,585,823)
Total Other Sources (Uses)	-	-	-	-	64,052,966	-	-	538,115	2,161	(1,430,439)
Net Change in Fund Balance	(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	205,058
Fund Balance										
Beginning of Year	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	8,873,442
Increase (decrease) in Reserve for Inventory	-	-	(72,892)	3,282	(12,020)	(8,267)	26,020	(11,039)	6,016	9,230
End of year	\$ 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	\$ 9,087,730
Debt service as a percentage of noncapital expenditures	13.34%	13.40%	12.80%	12.95%	9.01%	11.52%	12.75%	12.69%	13.28%	11.55%

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

Fiscal Year Ended June30,	Assessed Value				Utilities	Assessed Value	Total Direct Rate (a)	Total Real Market Value	Assessed Value as a percentage of RMV
	Real Property	Personal Property	Manufactured Structures						
2002	\$ 1,464,311,056	\$ 55,794,123	\$ 41,316,930	\$ 65,228,697	\$ 1,626,650,806	6.94	\$ 2,018,545,950	80.59%	
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%	

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

Source: Yamhill County Assessor's Office.

McMINNVILLE SCHOOL DISTRICT NO. 4C
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	McMinnville School District No. 4C			Overlapping Rates (a)									
	Operating	Debt Service	Total District	Yamhill County	City of McMinnville	City of Lafayette	Willamette ESD (c)	Chemeketa Community College	McMinnville RFPD	Carlton RFPD	Sheridan Fire	Amity RFPD	Other Taxing Districts (b)
2002	4.15	2.79	6.94	2.57	6.32	3.48	0.36	0.76	0.96	0.53	1.12	1.44	0.16
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

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 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 Librar

(c) The rate in this column for the years 2000 to 2003 represent the taxing district of Yamhill Educational School District. In 2004, Yamhill ESD was merged into Willimette ES

Source: Yamhill County Assessor's Office

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

Taxpayer	June 2011			June 2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Value
Cascade Steel Rolling Mills (a)	\$ 62,871,217	1	2.39%	\$ 83,186,984	1	5.11%
Willamette Valley Medical Center	56,972,351	2	2.16%	28,247,191	2	1.74%
Evergreen Vintage Aircraft	21,190,889	3	0.80%			
Frontier (Verizon) Communications	21,088,700	4	0.80%	19,185,608	3	1.18%
Hillside Senior Living Community LLC	17,536,296	5	0.67%	15,567,051	4	0.96%
Northwest Natural Gas Co	15,102,700	6	0.57%	7,219,200	9	0.44%
Lowes HIW Inc.	14,358,124	7	0.55%			
Comcast Corporation	13,300,700	8	0.50%			
NBS - McMinnville Plaza	10,175,206	9	0.39%			
Air Liquide Industrial US LP	9,098,638	10	0.35%	13,190,385	5	0.81%
Dianes Foods, Inc.				8,071,060	6	0.50%
Hornette Corporation				7,908,442	7	0.49%
CEP Investors XV LLC				7,626,545	8	0.47%
Leslie A. Toth				6,702,011	10	0.41%
Subtotal - ten of the District's largest taxpayers	241,694,821		9.18%	196,904,477		12.11%
All other District taxpayers in Yamhill County	2,392,451,499		90.82%	1,429,746,329		87.89%
Total District taxpayers	\$ 2,634,146,320		100.00%	\$ 1,626,650,806		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 by approximately \$44 million, during 2002-2003

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

Fiscal Year End	Total Tax Levy for Fiscal Year		Total Adjusted		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years		Total Collections to Date	
	Original	Adjustments (a)	Adjusted	Amount	Percentage of Original Levy	Amount	Years	Amount	Percentage of Adjusted Levy	
June 30,										
2002	\$ 11,305,272	\$ (438,456)	\$ 10,866,816	\$ 10,392,562	91.93%	\$	467,913	\$ 10,860,475	99.94%	
2003	12,153,676	(509,147)	11,644,529	11,306,241	93.03%		330,253	11,636,494	99.93%	
2004	12,523,254	(348,448)	12,174,806	11,708,134	93.49%		458,866	12,167,000	99.94%	
2005	10,691,798	(326,789)	10,365,009	9,971,806	93.27%		386,923	10,358,729	99.94%	
2006	12,212,383	(563,270)	11,649,113	11,462,675	93.86%		173,984	11,636,659	99.89%	
2007	11,635,043	(510,869)	11,124,174	10,774,902	92.61%		329,695	11,104,597	99.82%	
2008	15,749,949	(442,509)	15,307,440	14,699,146	93.33%		535,479	15,234,625	99.52%	
2009	16,772,551	(505,881)	16,266,670	15,488,579	92.34%		591,676	16,080,255	98.85%	
2010	17,625,301	(492,129)	17,133,172	16,233,698	92.10%		511,837	16,745,535	97.74%	
2011	18,226,860	(469,898)	17,756,962	16,842,355	92.40%		-	16,842,355	94.85%	

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,	General Obligation Bonds			Pension Obligation Bonds	Capital Leases and Notes Payable	Net General Bonded Debt			Total Debt		
	General Obligation Bonds					General Bonded Debt	Percentage of Estimated Actual Value of Property	Per Capita	Total Debt Primary Government	Percentage of Taxable Value of Property	Percentage of Personal Income
2002	\$ 31,800,000	\$	-	\$ 390,000	\$ 31,800,000	\$	1.575%	\$ 32,190,000	1.979%	3.57%	895
2003	28,785,000		16,044,243	-	28,785,000		1.350%	44,829,243	2.635%	4.75%	1,218
2004	25,640,000		29,715,755	-	25,640,000		1.178%	55,355,755	3.220%	5.65%	1,481
2005	22,620,000		29,631,989	-	22,620,000		0.907%	52,251,989	2.846%	5.02%	1,383
2006	19,480,000		29,515,856	-	19,480,000		0.713%	48,995,856	2.513%	4.31%	1,274
2007	79,280,000		29,362,766	-	79,280,000		2.268%	108,642,766	5.189%	8.84%	2,736
2008	76,975,000		29,182,498	-	76,975,000		1.985%	106,157,498	4.729%	8.13%	2,625
2009	74,365,000		28,959,870	-	74,365,000		1.813%	103,324,870	4.258%	7.69%	2,555
2010	71,295,000		28,666,141	-	71,295,000		1.762%	99,961,141	3.936%	n/a	2,411
2011	67,760,000		28,309,657	-	67,760,000		1.711%	96,069,657	3.647%	n/a	n/a

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

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

See Assessed and Real Market Value of properties for property value data.

n/a - Information not available as of printing.

McMINNVILLE SCHOOL DISTRICT NO. 40
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 June 30, 2011

Governmental Unit	Net General Obligation Debt Outstanding	Percentage Applicable to District	Amount Applicable to District
Direct			
McMinnville School District No. 40	\$ 67,760,000	100.00%	\$ 67,760,000
Overlapping			
Chemeketa Community College	90,855,000	9.56%	8,688,918
City of McMinnville	17,710,000	99.97%	17,704,421
New Carlton Fire District	1,195,000	4.73%	56,532
Willamette ESD	1,880,000	8.75%	164,513
Amity RFPD	135,000	8.94%	12,074
Subtotal, overlapping debt			26,626,458
Total direct and overlapping debt			\$ 94,386,458

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 2011	
Real Market Value	\$ 3,961,011,054
Debt limit (7.95% of real market value)	314,900,379
Debt applicable to limit	(67,760,000)
Legal debt margin	<u>\$ 247,140,379</u>

Fiscal Year	Total net debt applicable to the limit		Legal debt margin	Total net debt applicable to the limit as a percentage of debt limit
	Debt Limit	applicable to limit		
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%
2002	129,318,739	32,190,000	97,128,739	24.89%

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

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

Calendar Year	Estimated Population (a)	Per Capita		Total Estimated Personal Income	Unemployment Rate (c)
		Personal Income (b)	Personal Income		
2000	35,357	\$ 24,374	\$ 861,791,518	5.00%	
2001	35,986	25,070	902,169,020	6.10%	
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	32,700	1,342,890,900	6.30%	
2009	41,457	32,894	1,363,686,558	11.40%	
2010	42,130	n/a	n/a	10.80%	

Sources:

- (a) Population estimate for includes population of the City of McMinnville, City of Lafayette and 26% of unincorporated 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	2010			2001		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Private Employers:						
Manufacturing: beverage, wood products, metal, machinery, plastics, other	5,650	1	18.69%	5,578	1	19.86%
Health Services	3,954	2	13.08%	2,794	4	9.95%
Retail	3,048	3	10.08%	3,160	2	11.25%
Leisure & Hospitality	2,701	4	8.94%	2,317	5	8.25%
Natural Resources: crop production	2,600	5	8.60%	2,816	3	10.03%
Professional and business services	1,612	6	5.33%	1,375	7	4.90%
Education services	1,429	7	4.73%	1,165	8	4.15%
Construction	1,185	8	3.92%	1,492	6	5.31%
Other services	1,128	9	3.73%	870	10	3.10%
Financial activities	1,029	10	3.40%	973	9	3.46%
Transportation	636	11	2.10%	646	11	2.30%
Wholesale	501	12	1.66%	561	12	2.00%
Information	184	13	0.61%	269	13	0.96%
Subtotal Private	25,657		84.88%	24,016		85.52%
Government						
Federal	491		1.62%	567		2.02%
State	428		1.42%	192		0.68%
Local Government						
Education & health services	2,062		6.82%	1,939		6.91%
Public Administration	1,384		4.58%	1,250		4.45%
Other	207		0.68%	117		0.42%
Subtotal Government	4,572		15.12%	4,065		14.48%
Total Employment	30,229		100.00%	28,081		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>
2002	288	5,294	18.38 :1
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	6,147	17.97 :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

<u>Fiscal Year Ended June 30,</u>	<u>Certificated</u>	<u>Classified</u>	<u>Administrative</u>	<u>Confidential</u>	<u>Total</u>
2002	306	231	22	12	571
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

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 SIX FISCAL YEARS

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

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, 2011

Building	Original Building Construction	Square Footage (1)	Capacity (1)	Enrollment 10/1/2010	Percent of Capacity	Average Age of Buildings (in years)
Elementary Schools						
Buel	2008	80,837	600	509	85%	3
Columbus	1994	68,740	600	514	86%	17
Cook	1924	43,464	303	-	0%	87
Grandhaven	1999	69,958	600	496	83%	12
Memorial	1947	67,292	600	525	88%	64
Newby	1960	58,527	532	492	92%	51
Wascher	1979	61,259	517	397	77%	32
Total		<u>450,077</u>	<u>3,752</u>	<u>2,933</u>	<u>78%</u>	<u>38</u>
Middle Schools						
Duniway	1993	119,412	961	698	73%	18
Patton	1976	132,820	971	797	82%	35
Total		<u>252,232</u>	<u>1,932</u>	<u>1,495</u>	<u>77%</u>	<u>27</u>
High Schools						
McMinnville	1955	268,935	1,971	1,745	89%	56
Media Arts	1914	34,052	336	238	71%	97
Total		<u>302,987</u>	<u>2,307</u>	<u>1,983</u>	<u>86%</u>	<u>77</u>
Other Buildings						
District Office	1965	9,081				46
Evans Street	1995	6,418				16
Maintenance	1948	12,395				63
Grounds	1970	2,760				41
Stadium	1980	12,480				31
Total		<u>43,134</u>				

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, 2011, and have issued our report thereon dated December 15, 2011. 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.

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 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.

We noted certain matters that we reported to management of McMinnville School District No. 40, in a separate letter dated December 15, 2011.

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 15, 2011

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, 2010, which collectively comprise McMinnville School District's basic financial statements and have issued our report thereon dated December 15, 2011. 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

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*.

We noted certain matters that we reported to management of McMinnville School District, in a separate letter dated December 15, 2011.

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 15, 2011



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, 2011. 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, 2011.

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 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 15, 2011

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2011

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.S. Department of Education					
Passed through Oregon State Department of Education					
Title I-A	07/01/09-06/30/11	84.010	16587	\$ 1,367,262	\$ 414,477
	07/01/10-09/30/11	84.010	19445	1,457,995	1,197,575
ARRA Title I-A	02/17/09-09/30/11	84.389	15686	796,920	273,519
	Total			3,622,177	1,885,571
IDEA:					
Special Education Grants to State	07/01/09-12/31/10	84.027	17780	968,796	378,971
	07/01/10-12/31/12	84.027	20323	934,509	476,846
ARRA - IDEA Part B, Section 611	02/17/09-06/30/10	84.391	15230	1,140,410	364,388
SPR&I (System Performance Review and Improvement)	08/01/10-6/30/11	84.027	20000	4,160	4,160
Extended Assessment	09/01/10-06/30/11	84.027	21504	1,800	1,800
Extended Assessment	09/01/10-06/30/11	84.027	WESD	1,417	1,417
IDEA Enhancement	10/01/10-09/30/11	84.027	21354	7,957	7,957
	Total			3,059,049	1,235,539
Title II-D Enhancing Ed through Technology	07/01/09-09/30/10	84.318	16373	12,018	1,546
	07/1/09-06/30/12	84.318	17391	266,920	82,856
ARRA-Title IID Enhancing Ed through Technology	12/01/09-6/30/12	84.386	18357	274,970	130,232
	Total			553,908	214,634
Title III English Language Acquisition	07/01/09-06/30/11	84.365	16236	148,796	50,336
	07/01/10-09/30/11	84.365	20184	155,140	110,158
	Total			303,936	160,494
Title IIA Improving Teacher Quality	07/01/09-06/30/11	84.367	16784	257,042	48,215
	07/01/10-09/30/11	84.367	19656	253,975	148,804
Moving Science Education Forward	09/14/10-08/30/11	84.367	20550	10,000	10,000
	Total			521,017	207,019
Perkins Non-Traditional	07/10/10-06/30/11	84.048	19863	8,243	8,243
21st Century Learning Centers	07/01/09-09/30/10	84.287	16883	261,353	51,637
	07/01/10-09/30/11	84.287	19315	174,235	147,213
	07/01/09-06/30/10	84.287	19335	402,386	402,386
	Total			837,974	601,236
ARRA-State Fiscal Stabilization Fund	02/17/09-09/30/11	84.394	21035	737,142	737,142
ARRA-Education Jobs Fund	08/10/10-09/30/12	84.410	20824	1,337,424	1,337,424
Passed Through Willamette Education Service District Title I-C Migrant Education	09/01/10-06/30/11	84.011	N/A	87,174	87,174
Passed Through Chemeketa Community College Carl Perkins, Career & Technical Education	07/01/10-06/30/11	84.048	N/A	60,722	60,722
Passed through Oregon University Systems College Access Challenge Grant	10/01/10-08/14/11	84.378	SG-2010-15	48,583	48,583
Direct Federal Grants Small Learning Communities Grant	10/01/09-9/30/11	84.215	S215L060052-09	303,993	102,447
Teacher Incentive Fund	10/01/10-09/30/13	84.374A	S374A100002	1,990,644	64,922
Total U.S. Department of Education				13,471,986	6,751,150

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2011

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.S. Department of Agriculture - Special Revenue Fund					
Passed through Oregon State Department of Education					
School Breakfast Program	07/01/10-06/30/11	10.553		314,605	314,605
National School Lunch Program	07/01/10-06/30/11	10.555		1,317,681	1,317,681
Commodities - NSLP	07/01/10-06/30/11	10.555		158,165	158,165
Commodities - SFSP	07/01/10-06/30/11	10.559		216	216
Summer Food Service Program	07/01/10-06/30/11	10.559		26,285	26,285
Child Care Food Program	07/01/10-06/30/11	10.558		5,578	5,578
Child Care Food Program-Cash in Lieu Commodities	07/01/10-06/30/11	10.558		842	842
Fresh Fruit and Vegetable Program	07/01/10-09/30/10	10.582	19880	2,429	2,429
Fresh Fruit and Vegetable Program	07/01/10-09/30/10	10.582	19882	5,218	5,218
Fresh Fruit and Vegetable Program	10/01/10-06/30/11	10.582	20653	19,583	19,583
Fresh Fruit and Vegetable Program	10/01/10-06/30/11	10.582	20680	28,215	28,215
Total U.S. Department of Agriculture				<u>1,878,817</u>	<u>1,878,817</u>
U.S. Department of Health and Human Services					
Passed through Oregon State Department of Education					
TP Program Safety/Facility Improvement	01/01/11-06/30/11	93.575	21584	5,868	5,868
Passed through Oregon Employment Department					
Child Care and Development Fund	07/01/10-06/30/11	93.575	095068	22,000	16,365
Total U.S. Department of Health and Human Services				<u>27,868</u>	<u>22,233</u>
U.S. Corporation for National and Community Service					
Passed through Oregon State Department of Education					
Learn and Serve	01/01/10-08/31/10	94.004	18658	5,000	2,379
Learn and Serve	09/01/10-08/31/11	94.004	20144	12,250	8,321
Total U.S. Corporation for National and Community Service				<u>17,250</u>	<u>10,700</u>
Total Federal Awards				<u>\$ 15,395,921</u>	<u>\$ 8,662,900</u>

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	\$ 6,675

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2011

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:

<u>CFDA NUMBER</u>	<u>NAME OF PROGRAM OR CLUSTER</u>
84.394	State Fiscal Stabilization Fund
84.410	ARRA – Ed Jobs Fund
84.027, 84.391	IDEA
84.287	21 st Century Community Learning
84.318, 84.386	Education Technology Grants

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

Auditee qualified as low-risk auditee? Yes ✓ No___

SECTION II - FINANCIAL STATEMENT FINDINGS - NONE

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS - NONE

SECTION IV - SUMMARY OF PRIOR AUDIT FINDING - NONE

Finding 10-01:

Audit Finding: Time and Effort documentation for payroll charges to IDEA cluster was not properly documented. Semi-annual certification for an employee was not done.

Corrective Action Plan: The District communicated with departments the need complete semi annual certification for 100% federal funding employees. This was corrected during this year and it was not a finding.