

McMinnville School District No. 40

McMinnville, Oregon

Comprehensive Annual Financial Report

For the Year Ended June 30, 2010

Prepared by the
Business Office

Marylalice 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, 2010

	<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
Mr. Stan Primozych 1335 Cedar McMinnville, Oregon 97128	June 30, 2011
Dr. Tim Roberts 1069 NW Baker Crest Court McMinnville, Oregon 97128	June 30, 2013

Legal Counsel

Craig, Brand, Lake & Hart
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McMinnville, Oregon 97128

Bond Counsel

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Preston Gates Ellis LLP
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Portland, OR 97201

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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 16, 2010

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, 2010 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, 2010. 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 6,400 children in six elementary schools, two middle schools, and two high schools.

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

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

Transmittal Letter Year Ended June 30, 2010

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. For the 2009-2010 fiscal year, the management staff included a superintendent, six district-level directors, ten principals, five assistant principals, two district program coordinators and four support services supervisors. In addition to management staff, the District employed approximately 375 teachers and 312 support staff including educational assistants, secretarial, custodial, maintenance and technology and other support staff.

ECONOMIC CONDITION

McMinnville School District #40 is located in northwestern Oregon in the northern end of the Willamette Valley, approximately 40 miles southwest of Portland and approximately 25 miles northwest of Salem. The two cities within the District are McMinnville, population approximately 32,930, and Lafayette, population approximately 3,920. 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.

During this recession, unemployment in Yamhill County has been slightly higher than the Oregon average unemployment and as of October 2010 was at 10.7% compared to 11.6% in the prior year. The unemployment rate for Oregon has remained essentially unchanged for the past twelve months, remaining at 10.5% in October. The Oregon Office of Economic Analysis predicts continued job loss during the fourth quarter of 2010 and only mild job growth through 2011.

The real market value of property located in the boundaries of the District decreased from 2009 to 2010 by 2.09 percent, while the assessed property values increased by 3.71 percent. Assessed value as a percentage of real market value was 66.5% compared to 62.8% for 2009. 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 2010, the total real market value of property within the District boundaries is \$4 million and the assessed value is \$2.6 million.

Until this current school year, the District has experienced uninterrupted enrollment growth for more than 20 years. As of October 2010 our enrollment was 6,411, down 156 student or 2.4% from the prior year. 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 compared to an average growth of 2.7% in the past five years.

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.

Transmittal Letter Year Ended June 30, 2010

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 faces a projected revenue shortfall of \$3.5 billion. 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 current biennium; an increase in PERS costs due to reduced investment market earnings and an increase in demand for needs based human services. Early estimates predict the state school fund allocation to not increase for the next 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 unreserved fund balance in the General Fund as of June 30, 2010 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 the 2009-10 budget with the original state school funding allocation, but approved a lower spending plan in order to save money for the second year of the biennium when it was unsure if the original appropriation would be realized. As a result, the District will be able to absorb the 2010-11 state revenue shortfall of \$2.7 million without staff layoffs and program reductions.

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 will be used to develop a District strategic plan for the next 10-15 years.

**Transmittal Letter
Year Ended June 30, 2010**

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, 2009. This was the first 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, 2009. This was the first year that the District received this award.

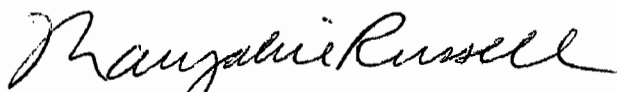
Receiving this award is recognition that the District has met the highest standards of excellence in school financial reporting adopted by ASBO. The District believes that the current *CAFR*, which will be submitted to ASBO for review, will also conform to these standards.

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.

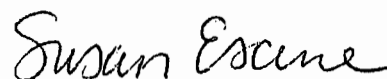
Furthermore, we would like to acknowledge the efforts of all District personnel who conscientiously follow internal controls; and during the *CAFR* preparation, provide additional information that makes the report more meaningful.

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,

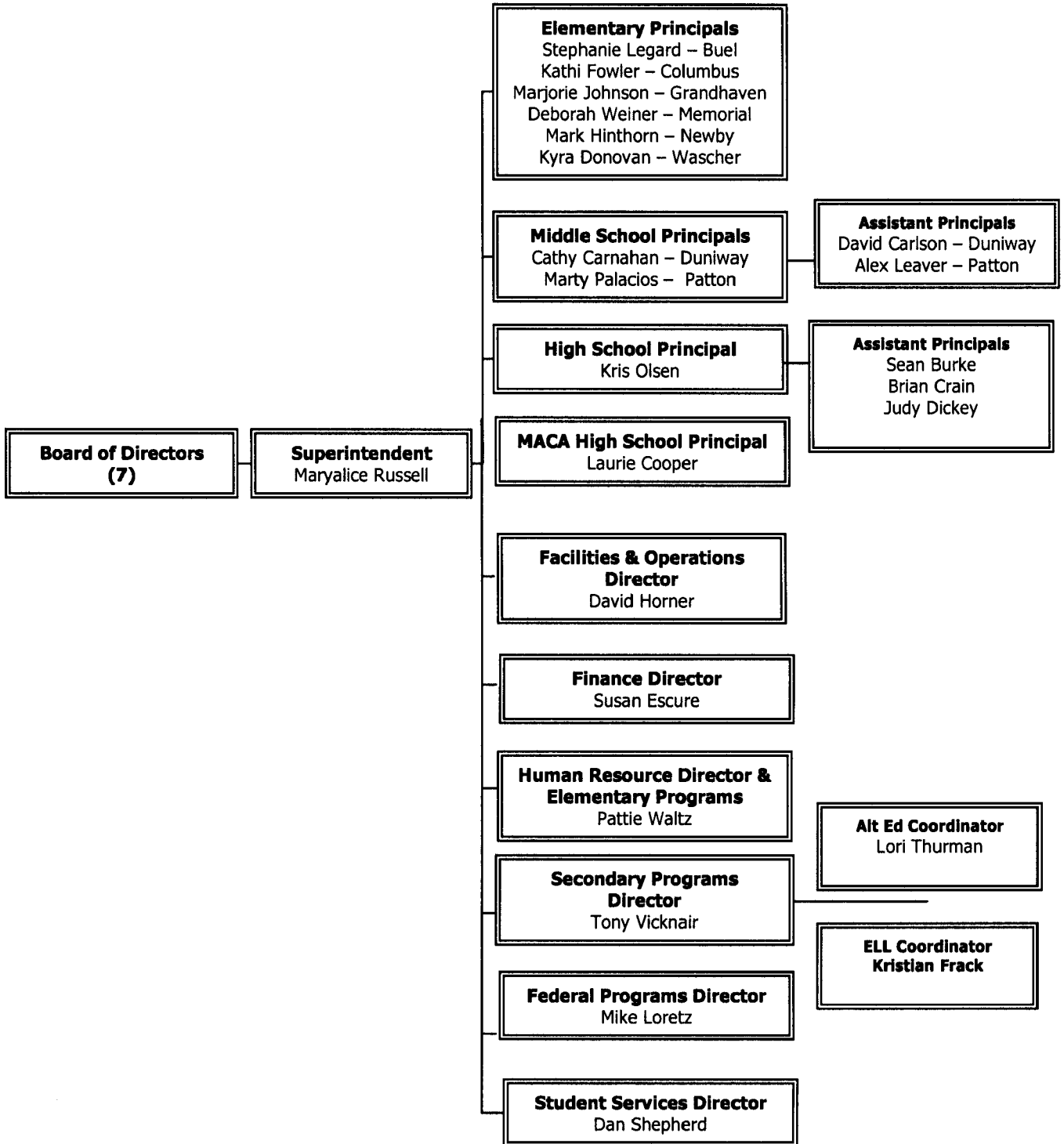


Maryalice Russell
Superintendent



Susan Escure
Director of Finance

McMinnville School District #40
Administrative Organizational Chart
2009-10



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, 2009

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.



President

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, 2009

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

Erin Green

President

John D. Quinn

Executive Director

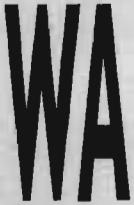
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FINANCIAL SECTION

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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, 2010, 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, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2010, 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.

Management's Discussion and Analysis and the Schedule of Funding Progress for Other Postemployment Benefits, as listed in the Table of Contents, are not required part of the basic financial statements but are a supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information or express no opinion on it.

WA

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 16, 2010

MANAGEMENT'S DISCUSSION **AND ANALYSIS**

**McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

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, 2010. 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, 2010 by \$31.9 million (net assets). Of this amount, \$2 million (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors. \$29.4 million represents the District's investment in capital assets.
- The District's total net assets increased by \$1.8 million for the fiscal year, a 6% improvement in the District's financial position as compared to the prior year.
- The District's governmental funds report a combined ending fund balance of \$11.1 million at June 30, 2010, a decrease of \$161,000 or 1.45% in comparison with the prior year.
- At the end of the fiscal year ended June 30, 2010, unreserved fund balance for the General Fund was \$6.6 million, which represents 13 percent of total general fund revenues.
- The District's total long-term debt decreased by \$3.5 million due to principal payments made during the fiscal year.

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, 2010**

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. Information is presented separately in the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Grants Fund, Debt Service Fund and the Bond Construction Fund, all of which are considered to be major funds. Data from the other six 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 34 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, Grants Fund, Debt Service Fund and the Bond Construction Fund. Required supplementary information can be found on pages 36 through 39 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 44 through 57 of this report.

**McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

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 \$31.9 million as of June 30, 2010, an increase of \$1.8 million or 6 percent over the prior year.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress and equipment, represent about 71 percent of total assets. The remaining assets consist mainly of cash and investments 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 \$3.5 million and represent 93.6 percent of total liabilities at year end. Other liabilities, representing 6.4 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 (92 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, 2010, the District's overall financial position improved by an increase of \$1.8 million in net assets. Unrestricted net assets decreased by \$117,000 while the District's investment in capital assets, net of related debt, increased by \$1.9 million with the completion of the construction bond project and payment of general obligation bonds.

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

	Governmental Activities		Increase (Decrease)
	June 30, 2010	June 30, 2009	
Current and other assets	\$ 40,079,791	\$ 40,627,422	\$ (547,631)
Capital assets	100,430,149	100,495,034	(64,885)
Total Assets	<u>140,509,940</u>	<u>141,122,456</u>	<u>(612,516)</u>
Bonds payable	101,644,880	105,102,341	(3,457,461)
Other liabilities	6,984,283	5,912,266	1,072,017
Total Liabilities	<u>108,629,163</u>	<u>111,014,607</u>	<u>(2,385,444)</u>
Net Assets:			
Invested in capital assets, net of related debt	29,369,762	27,508,292	1,861,470
Restricted for debt service	506,505	477,674	28,831
Unrestricted	<u>2,004,510</u>	<u>2,121,883</u>	<u>(117,373)</u>
Total Net Assets	<u>\$ 31,880,777</u>	<u>\$ 30,107,849</u>	<u>\$ 1,772,928</u>

**McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

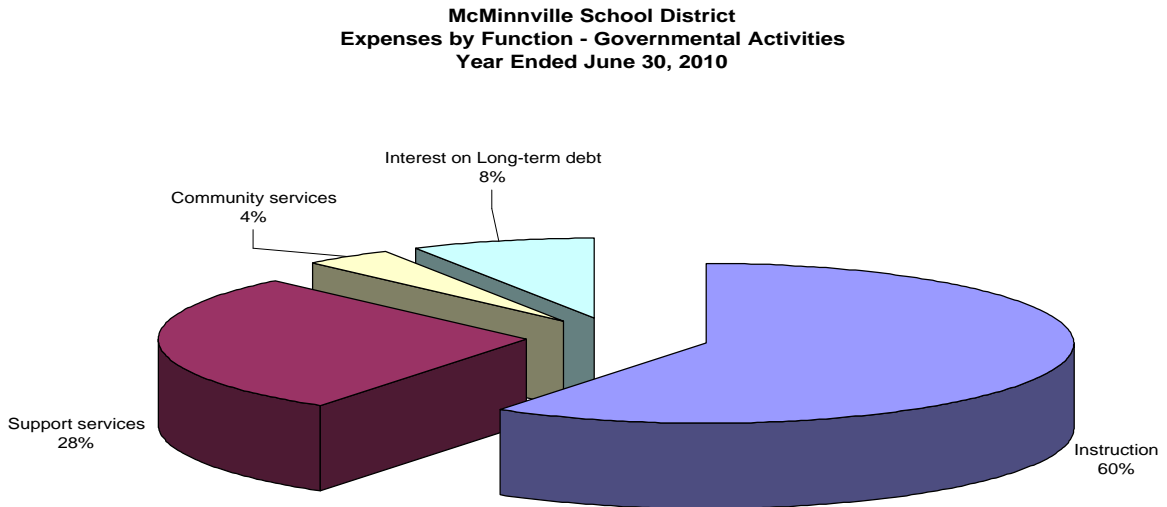
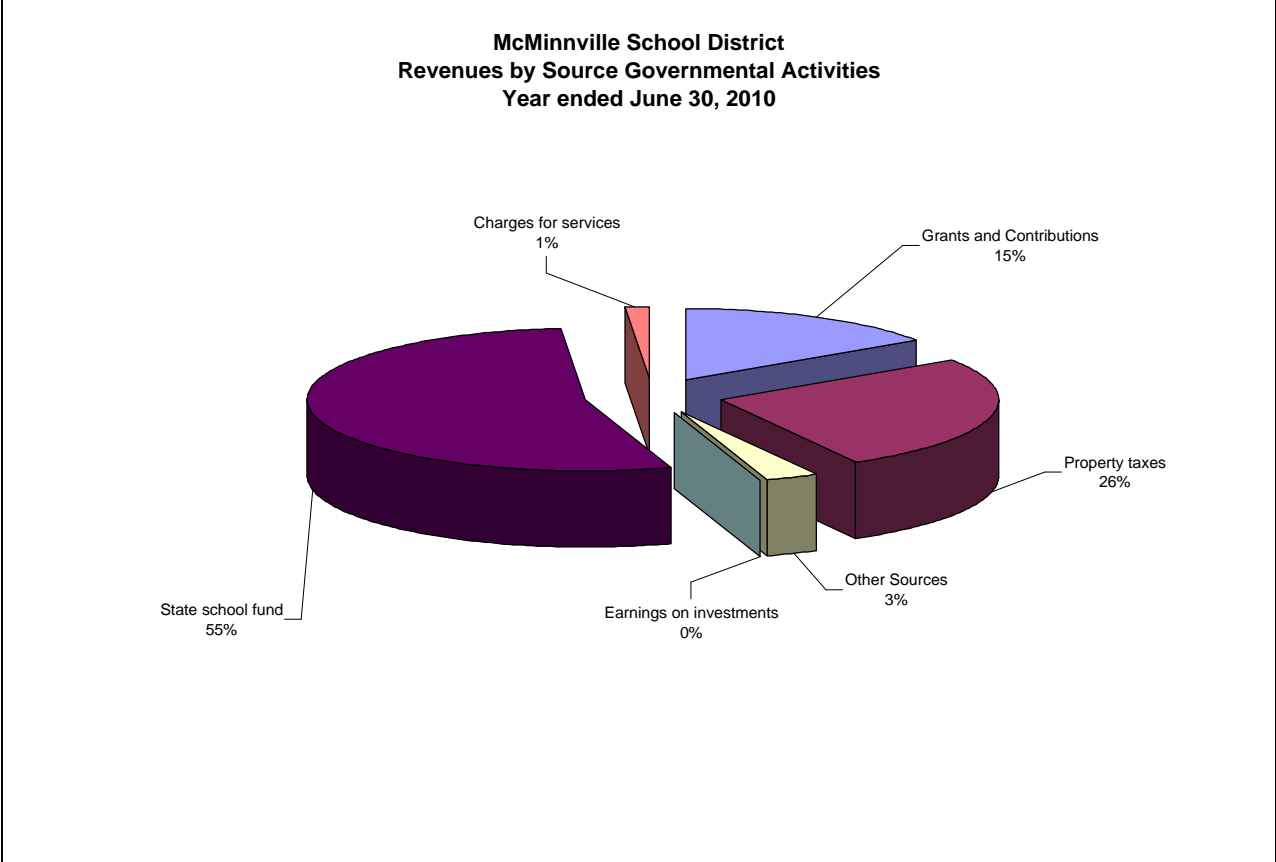
Governmental Activities. During the fiscal year, the District's net assets increased by \$1.8 million. The key elements of the change in the District's net assets for the year ended June 30, 2010 are as follows:

**Changes in Net Assets
For the Year Ended June 30, 2010 and 2009**

	Governmental Activities		Increase (Decrease)
	June 30, 2010	June 30, 2009	
Revenues:			
Program Revenues:			
Charges for services	\$ 809,682	\$ 791,377	\$ 18,305
Operating grants and contributions	10,008,494	7,418,410	2,590,084
Capital grants & contributions	-	962,044	(962,044)
General Revenues:			
Property taxes	17,108,697	16,336,344	772,353
State school fund	34,642,566	36,401,921	(1,759,355)
Other state and local sources	1,638,031	1,691,166	(53,135)
Earnings on investments	158,813	1,143,609	(984,796)
Other	232,878	76,511	156,367
Total Revenues	<u>64,599,161</u>	<u>64,821,382</u>	<u>(222,221)</u>
Expenses:			
Instruction	37,396,228	38,755,656	(1,359,428)
Support services	17,889,253	16,063,542	1,825,711
Community services	2,470,481	2,496,624	(26,143)
Interest on Long-term debt	5,070,271	5,183,486	(113,215)
Total Expenses	<u>62,826,233</u>	<u>62,499,308</u>	<u>326,925</u>
Increase in net assets	1,772,928	2,322,074	(549,146)
Net assets - July 1	<u>30,107,849</u>	<u>27,785,775</u>	<u>2,322,074</u>
Net assets - June 30	<u>\$ 31,880,777</u>	<u>\$ 30,107,849</u>	<u>\$ 1,772,928</u>

- Total revenues decreased slightly by \$222,000, a .3% decrease from the prior year.
- Grants and contributions increased by \$1.6 million. Federal awards increased due to new grants under the American Recovery and Reinvestment Act of 2009 (ARRA) and other competitive grants applied for by the District.
- State School Fund Support decreased by \$1.8 million as a result of the per pupil allocation decreasing from the prior year as a result of the economy and its affect on state resources.
- Earnings on investments decreased by \$985,000 as investments in the construction bond project fund declined due to completed construction, as well as an overall decline in interest rates for all other investments due to the economy.
- Property taxes increased by \$772,000 (4.7%) from the prior year.
- Total expenditures increased by \$327,000, a .5% increase from the prior year. Instruction services decreased by \$1.3 million (3.5%) due to significant reductions in staff and programs due to the reductions in the state school fund per pupil allocation for the 2009-11 state biennial budget. Support services increased by \$1.8 million or (11%) due to an increase in grant funded professional development and other activities that provide direct support to instruction, an increase in maintenance and repairs which included a large roof repair project at an elementary school and increases in utilities and service contracts.

**McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**



**McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

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, 2010, the District's governmental funds reported combined ending fund balances of \$11.1 million, only a small decrease of \$161,000 from the prior year.

General Fund. The General Fund is the primary operating fund of the District. As of June 30, 2010, the unreserved fund balance was \$6.6 million. The fund balance increased by \$1.5 million during the current fiscal year due to a planned effort to reserve funds for an expected revenue shortfall in 2010-11. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund revenues. As of June 30, 2010, the ending fund balance represents 13 percent of total General Fund revenues.

Grant Fund. The Grant Fund accounts for the revenues and expenditures of specific educational programs funded from federal, state and local sources. The ending fund balance in grant funds as of June 30, 2010 was \$50,225.

Debt Service Fund. The Debt Service Fund has a total fund balance of \$506,505, 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, 2010. All General Fund expenditures were within budgetary limits.

General Fund revenues came in very close to budget, although state revenues were \$1.5 million less than budget and federal revenues were \$1.7 million more than budget with federal stabilization funds from the ARRA program taking the place of state revenues due to decreased state tax revenues during the current recession.

Actual expenditures were \$4.7 million less than budgeted. During the budget process, the level of state school funding changed significantly before finally adopted by the state legislature in late June. The District decided to appropriate expenditures at the highest projected levels in case the state economic situation improved significantly during the year, while approving a reduced spending plan due to the economic downturn and high uncertainty of the state school funding level. In addition, the District reduced staff and programs; classified, administrative and confidential employee groups took wage and step freezes and all employees took five furlough days. These savings resulted in a net increase to the general fund balance of \$1.5 million to be reserved for the 2010-2011 fiscal year.

**McMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

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, 2010, the District had invested approximately \$100 million in capital assets, net of depreciation, as shown in the following table:

**McMinnville School District - Capital Assets
June 30, 2010 and 2009**

	Governmental Activities		Increase (Decrease)
	June 30, 2010	June 30, 2009	
Land	\$ 3,972,911	\$ 3,972,911	\$ -
Construction in Progress	-	19,466,070	(19,466,070)
Buildings and Improvements	93,854,112	74,691,377	19,162,735
Equipment	2,603,126	2,364,676	238,450
 Total capital assets, net of accumulated depreciation	 <u>\$ 100,430,149</u>	 <u>\$ 100,495,034</u>	 <u>\$ (64,885)</u>

During fiscal year 2009-10 the District's investment in capital assets did not change significantly. The major capital asset events for the year ended June 30, 2010 included the completion of the high school expansion project – the last of the 2007 construction bond projects. The high school expansion project totaled close to \$20 million. Equipment purchase included upgrades to district technology network equipment and additions to nutrition services and security equipment. 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, 2010 and 2009**

	Governmental Activities		Increase (Decrease)
	June 30, 2010	June 30, 2009	
General obligation bonds	\$ 71,295,000	\$ 74,365,000	\$ (3,070,000)
Pension obligation bonds	28,666,141	28,959,870	(293,729)
Unamortized premium	1,683,739	1,777,471	(93,732)
 Total bonds payable, net	 <u>\$ 101,644,880</u>	 <u>\$ 105,102,341</u>	 <u>\$ (3,457,461)</u>

During the current fiscal year, the District's total debt decreased by \$3.5 million. The net decrease was due to scheduled principal payments. The District maintains an underlying rating of "A2" 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 \$321 million with outstanding general obligation debt of \$71 million, leaving \$250 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, 2010**

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, 2010 the State School Fund – General Support provided 72 percent of the District's General Fund program resources. The District is expecting lower revenue from the State School Fund for the year ending June 30, 2011 due to state budget cuts resulting from a state revenue shortfall. In addition enrollment has come in lower than projected as of October 2010. General fund reserves in addition to furlough days will be used to offset this shortfall in 2010-11.

Currently, the Budget Committee is looking ahead to the next biennium. At first, early forecasts showed a significant recovery in the 2011-13 biennium, but since September of 2009, the quarterly state revenue forecasts have shown a continual decline in state revenues and now the Oregon state legislature is looking at a budget shortfall of approximately \$3.5 billion. Additional challenges for the next biennium include replacing the federal funding provided through the American Recovery and Reinvestment Act of 2009 (ARRA), increased payroll costs due to higher employer retirement contribution rates effective July 1, 2011, and projected flat enrollment.

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, 2010

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 14,160,811
Accounts receivables	
Grants	1,990,038
Undistributed tax collections	350,091
Property taxes	1,575,050
Accounts	295,319
Bond issuance costs	593,611
Restricted cash and investments	5,031
Net pension asset	21,109,840
Capital assets, net	
Land	3,972,911
Buildings and improvements	93,854,110
Equipment	<u>2,603,128</u>
Total Assets	<u>140,509,940</u>
Liabilities	
Accounts payable	556,742
Accrued payroll and payroll liabilities	2,968,223
Accrued interest payable	147,569
Internal balances	2,000
Unearned revenue	2,190,107
Other postemployment benefit obligation	1,119,642
Noncurrent liabilities, net of unamortized premium/discount:	
Due within one year	3,985,216
Due in more than one year	<u>97,659,664</u>
Total Liabilities	<u>108,629,163</u>
Net Assets	
Invested for capital assets, net of related debt	29,369,762
Restricted for debt service	506,505
Unrestricted	<u>2,004,510</u>
Total Net Assets	<u>\$ 31,880,777</u>

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

McMINNVILLE SCHOOL DISTRICT NO. 40
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instructional Programs	\$ 37,396,228	\$ 252,215	\$ 5,633,517	\$ (31,510,496)
Supporting services				
Pupil transportation	2,018,216	-	1,400,000	(618,216)
Other support services	15,871,037	-	1,134,365	(14,736,672)
Community services	2,470,481	557,467	1,840,612	(72,402)
Interest on long-term debt	5,070,271	-	-	(5,070,271)
Total Governmental Activities	\$ 62,826,233	\$ 809,682	\$ 10,008,494	(52,008,057)
General Revenues				
Property taxes levied for general purposes				10,228,799
Property taxes levied for debt service				6,879,898
State school fund - general support				34,642,566
Common school fund				510,915
County common school fund				53,489
Unrestricted state and local sources				1,073,627
Earnings on investments				158,813
Miscellaneous				232,878
Total general revenues				53,780,985
Change in Net Assets				1,772,928
Net Assets				
Beginning of year				30,107,849
End of year				\$ 31,880,777

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

McMINNVILLE SCHOOL DISTRICT NO. 40
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2010

	General	Grants Fund	Debt Service Fund	Other Governmental Funds	Totals
ASSETS					
ASSETS					
Cash and Investments	\$ 8,685,495	\$ 2,137,069	\$ 344,603	\$ 2,993,644	\$ 14,160,811
Receivables					
Grants	444,218	1,208,659	-	337,161	1,990,038
Undistributed Tax Collections	214,011	-	136,080	-	350,091
Property Taxes	951,487	-	623,563	-	1,575,050
Accounts	295,319	-	-	-	295,319
Due from Other Funds	347,128	-	-	717,698	1,064,826
Restricted Cash and Investments	-	-	-	5,031	5,031
	<u>\$ 10,937,658</u>	<u>\$ 3,345,728</u>	<u>\$ 1,104,246</u>	<u>\$ 4,053,534</u>	<u>\$ 19,441,166</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 458,599	\$ 38,570	\$ -	\$ 59,573	\$ 556,742
Accrued Payroll and Payroll Liabilities	2,968,223	-	-	-	2,968,223
Due to Other Funds	-	1,066,826	-	-	1,066,826
Deferred Revenue	912,384	2,190,107	597,741	-	3,700,232
	<u>4,339,206</u>	<u>3,295,503</u>	<u>597,741</u>	<u>59,573</u>	<u>8,292,023</u>
FUND BALANCES					
Fund Balances					
Unreserved, Reported in:					
General Fund	6,598,452	-	-	-	6,598,452
Special Revenue Funds	-	50,225	-	3,014,644	3,064,869
Debt Service Funds	-	-	506,505	597,135	1,103,640
Capital Projects Fund	-	-	-	382,182	382,182
	<u>6,598,452</u>	<u>50,225</u>	<u>506,505</u>	<u>3,993,961</u>	<u>11,149,143</u>
Total Fund Balances	<u>6,598,452</u>	<u>50,225</u>	<u>506,505</u>	<u>3,993,961</u>	<u>11,149,143</u>
Total Liabilities and Fund Balances	<u>\$ 10,937,658</u>	<u>\$ 3,345,728</u>	<u>\$ 1,104,246</u>	<u>\$ 4,053,534</u>	<u>\$ 19,441,166</u>

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

McMINNVILLE SCHOOL DISTRICT NO. 40
 RECONCILIATION OF GOVERNMENTAL FUNDS
 BALANCE SHEET TO STATEMENT OF NET ASSETS
 June 30, 2010

Total Fund Balances		\$	11,149,143
Capital assets are not financial resources and therefore are not reported in the Governmental funds:			
Cost	\$	124,741,446	
Accumulated depreciation		<u>(24,311,297)</u>	100,430,149
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.			
			1,510,125
The net pension asset is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds.			
			21,109,840
The unamortized portion of issuance costs is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds.			
			593,611
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		(147,569)	
Bonds payable		<u>(101,644,880)</u>	(101,792,449)
The liability for other postemployment benefits obligation due at June 30, 2009 is not recorded in the governmental funds, but it is accrued as an expense and a liability in the government-wide statements.			
			<u>(1,119,642)</u>
Total Net Assets		\$	<u><u>31,880,777</u></u>

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

McMINNVILLE SCHOOL DISTRICT NO. 40
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 Year Ended June 30, 2010

	General	Grants Fund	Debt Service Fund	Other Governmental Funds	Total
Revenues					
Property Taxes	\$ 10,060,604	\$ -	\$ 6,756,625	\$ -	\$ 16,817,229
Construction Excise Tax	-	-	-	131,294	131,294
Intermediate Sources	53,489	200,860	-	-	254,349
State Sources	36,134,861	384,924	-	33,696	36,553,481
Federal Sources	1,806,307	4,372,147	-	1,840,612	8,019,066
Charges for Services	218,454	33,760	-	557,468	809,682
Rentals	16,466	-	-	14,164	30,630
Investment Earnings	105,029	11,075	16,456	26,253	158,813
Contributions and donations	-	119,542	-	-	119,542
Fees Charged to Grants	79,365	-	-	-	79,365
Services to other funds	-	-	-	2,254,848	2,254,848
Miscellaneous	36,507	39,927	-	156,444	232,878
Total Revenues	48,511,082	5,162,235	6,773,081	5,014,779	65,461,177
Expenditures					
Current					
Instruction	31,072,869	3,827,210	-	145	34,900,224
Support Services	16,574,094	1,134,365	-	102,639	17,811,098
Enterprise and Community Services	55,000	72,595	-	2,313,299	2,440,894
Facilities Acquisition and Construction	-	87,389	-	1,849,991	1,937,380
Debt Service					
Principal	-	-	3,070,000	293,729	3,363,729
Interest	-	-	3,674,250	1,495,236	5,169,486
Total Expenditures	47,701,963	5,121,559	6,744,250	6,055,039	65,622,811
Excess (Deficiency) of Revenues Over (Under) Expenditures	809,119	40,676	28,831	(1,040,260)	(161,634)
Other Financing Sources (Uses)					
Transfers In	1,200,000	-	-	500,000	1,700,000
Transfers (Out)	(500,000)	(1,200,000)	-	-	(1,700,000)
Total Other Sources (Uses)	700,000	(1,200,000)	-	500,000	-
Net Change in Fund Balance	1,509,119	(1,159,324)	28,831	(540,260)	(161,634)
Fund Balances					
Beginning of Year	5,089,333	1,209,549	477,674	4,534,221	11,310,777
End of Year	\$ 6,598,452	\$ 50,225	\$ 506,505	\$ 3,993,961	\$ 11,149,143

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, 2010

Net Change in Fund Balance \$ (161,634)

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	\$ 2,361,067	
Less current year depreciation	<u>(2,425,952)</u>	(64,885)

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:

3,363,729

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.

5,483

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.

291,468

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:

(568,004)

Change in Net Assets \$ 1,772,928

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

McMINNVILLE SCHOOL DISTRICT NO. 40
 STATEMENT OF NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2010

	Private Purpose Trust Fund	Agency Fund
	<u> </u>	<u> </u>
Assets		
Cash and investments	\$ 130,216	\$ 529,790
Due from other funds	2,000	-
	<u> </u>	<u> </u>
Total Assets	<u>132,216</u>	<u>529,790</u>
Liabilities		
Due to student groups	<u> -</u>	<u>529,790</u>
	<u> -</u>	<u>529,790</u>
Total Liabilities	<u> -</u>	<u>529,790</u>
Net Assets		
Held in trust for:		
Scholarships	<u>132,216</u>	<u> -</u>
	<u> -</u>	<u> -</u>
Total Net Assets	<u><u>\$ 132,216</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, 2010

	Private Purpose Trust Fund
Additions:	
Investment earnings	\$ 1,920
Contributions	<u>2,050</u>
Total Additions	<u>3,970</u>
Deductions:	
Scholarships	<u>6,500</u>
Total Deductions	<u>6,500</u>
Change in Net Assets	(2,530)
Net Assets	
Beginning of year	<u>134,746</u>
Total Net Assets	<u><u>\$ 132,216</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, 2010

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)

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 and agency funds are used to account for fund-raising and 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 fund-raising agreements.

Measurement Focus and Basis of Accounting

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

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

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

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

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. During the year, the District had one appropriation transfer but no supplemental budget. 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 U. S. agencies and the State of Oregon Treasury's Local Government Investment Pool (LGIP). The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares.

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

Property Taxes Receivable

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

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

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.

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) 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.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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.

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, 2010

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, 2010 consist of the following:

Petty Cash	\$ 1,279
Deposits With Financial Institutions	714,169
Investments	<u>14,110,400</u>
	<u>\$ 14,825,848</u>

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

Statement of Net Assets	
Cash and Investments	\$ 14,160,811
Restricted Cash and Investments	5,031
Statement of Net Assets - Fiduciary Funds	
Cash and Investments - Private Purpose Trust	130,216
Cash and Investments - Agency Fund	<u>529,790</u>
	<u>\$ 14,825,848</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 \$714,169 on June 30, 2010. The bank statement records reflect a balance of \$2,190,781 at year end. Of this amount, \$676,650 is covered by the FDIC's general deposit insurance rules. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of State Treasurer. As a result the District has no exposure to custodial credit risk for deposits with financial institutions.

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2010

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, 2010 and for the year then ended, the District was in compliance with the State of Oregon statutes regarding investments.

	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposit	12 months average	\$ 400,303
Oregon State Treasury Local Government Investment Pool	4.87 months average	13,710,097
		<u>\$ 14,110,400</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, 2009 the weighted average rating of the Fund's holdings was between S&P's AA+/Aa1 and Moody's AA/Aa2 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 \$400,303 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, 2010 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, 2010

3. Capital Assets (Continued)

Capital assets activity for the year was as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:				
Construction in Progress	\$ 19,466,070	\$ -	\$ 19,466,070	\$ -
Land	3,972,911	-	-	3,972,911
Total Capital Assets not being depreciated	23,438,981	-	19,466,070	3,972,911
Capital assets being depreciated:				
Buildings and improvements	95,278,466	21,348,473	-	116,626,939
Equipment	3,662,932	478,664	-	4,141,596
Total capital assets being depreciated	98,941,398	21,827,137	-	120,768,535
Less accumulated depreciation for:				
Buildings and improvements	(20,587,090)	(2,185,737)	-	(22,772,827)
Equipment	(1,298,255)	(240,215)	-	(1,538,470)
Total accumulated depreciation	(21,885,345)	(2,425,952)	-	(24,311,297)
Total capital assets being depreciated, net	77,056,053	19,401,185	-	96,457,238
Total capital assets, net	\$ 100,495,034	\$ 19,401,185	\$ 19,466,070	\$ 100,430,149

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

Program	
Instructional programs	\$ 2,276,450
Supporting services	57,102
Community services	92,400
	<u>92,400</u>
	<u>\$ 2,425,952</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, 2010

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, 2010 is as follows:

<u>Issue Date</u>	<u>Issue Amount</u>	<u>Outstanding July 1, 2009</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding June 30, 2010</u>	<u>Interest Rates</u>
09/01/01	\$ 16,675,000	\$ 13,305,000	\$ -	\$ 1,615,000	\$ 11,690,000	5.00 - 5.50%
06/14/07	62,000,000	61,060,000	-	1,455,000	59,605,000	4.50 - 5.25%
10/31/02	16,044,243	15,259,870	-	233,729	15,026,141	4.82 - 5.55 %
02/19/04	13,715,000	13,700,000	-	60,000	13,640,000	4.40 - 5.53%
		103,324,870	-	3,363,729	99,961,141	
Unamortized premium/(discount)		1,777,471	-	93,732	1,683,739	
Total General Obligation Bonds and Pension Obligation Bonds		\$ 105,102,341	\$ -	\$ 3,457,461	\$ 101,644,880	

Future maturities are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2010-2011	\$ 3,891,484	\$ 5,066,662
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
2015-2020	19,693,728	19,417,075
2020-2025	30,800,000	11,529,509
2025-2028	24,745,000	2,524,591
Total	\$ 99,961,141	\$ 57,219,912

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2010

5. Interfund Receivables & Payables

Due from/to Other Funds amounts are comprised of the following at June 30, 2010:

	Due From Other Funds	Due to Other Funds
Major Government Funds		
General Fund	\$ 347,128	\$ -
Grants Fund	-	1,066,826
Nonmajor Funds		
Asset Reserve Fund	119,960	
Insurance Reserve Fund	3,920	
School Nutrition Fund	1,714	-
PERS Debt Service Fund	592,104	-
Private Purpose Trust Fund	2,000	-
	<u>\$ 1,066,826</u>	<u>\$ 1,066,826</u>

6. Interfund Transfers

An Interfund transfer was made from the General Fund to the Asset Reserve Fund to subsidize asset repair and replacement needs. An Interfund transfer was made from the Grant Fund to the General Fund for classroom equipment and supply startup funds on new classroom construction.

	Transfers In	Transfers Out
Major Government Fund		
General Fund	\$ 1,200,000	\$ 500,000
Grant Fund	-	1,200,000
Nonmajor Funds		
Asset Reserve Fund	500,000	-
	<u>\$ 1,700,000</u>	<u>\$ 1,700,000</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.

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2010

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, 2009 to cover bond payments were estimated to be 8.00% of covered payroll.

Contribution information for the years ending June 30, 2010, 2009, and 2008 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	
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
2008	2,213,381	100%	-	1,743,083	3,956,464

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 \$7,727,263. 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 contributes a monthly amount toward the payment of health insurance premiums. The district is in the process of phasing out the plan and has adopted benefit reduction trigger dates for each class of employee depending on the date of hire of the new employees.

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.

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2010

9. Other Post Employment Benefits (Continued)

Early Retirement (Continued)

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

	2010	2009
Annual required contribution	\$ 1,874,298	\$ 1,810,915
Interest on net OPEB obligation	22,066	-
Adjustment to annual required contribution	(30,527)	-
Annual OPEB cost (expense)	1,865,837	1,810,915
Contributions made	1,297,833	1,259,277
Increase in net OPEB obligation	568,004	551,638
Net OPEB obligation -- beginning of year	551,638	-
Net OPEB obligation -- end of year	<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

Funded Status of and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$13,525,332, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,525,332. The covered payroll (annual payroll of active employees covered by the plan) was \$29,629,265 and the ratio of the UAAL to the covered payroll was 45.6 percent.

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.

9. Other Post Employment Benefits (Continued)

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, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.0 percent investment rate of return (net of administrative expenses) based on the District's own investments and an annual healthcare cost trend rate of 10.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after ten years for medical insurance. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period at July 1, 2008 was 30 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, 2010, 247 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.

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.

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.

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, 2010

<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 Ration</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
7/1/2008	\$ -	\$ 13,525,332	\$ 13,525,332	0%	\$ TBD	TBD

McMINNVILLE SCHOOL DISTRICT NO. 40
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2010

	Budget		Actual	Variance with Final budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Property Taxes	\$ 9,900,000	\$ 9,900,000	\$ 10,060,604	\$ 160,604
Tuition	98,000	98,000	107,004	9,004
Investment Earnings	250,000	250,000	105,029	(144,971)
Extracurricular Activities	119,000	119,000	111,450	(7,550)
Rentals	7,000	7,000	16,466	9,466
Fees Charged to Grants	150,000	150,000	79,365	(70,635)
Miscellaneous Local Sources	5,000	5,000	36,507	31,507
Total Local Revenues	10,529,000	10,529,000	10,516,425	(12,575)
Revenues from Intermediate Sources				
County School Fund	64,000	64,000	53,489	(10,511)
Revenues from State Sources				
State School Fund Support	36,573,691	36,573,691	35,623,946	(949,745)
Other State Sources	552,830	552,830	-	(552,830)
Common School Fund	474,089	474,089	510,915	36,826
Total State Revenues	37,600,610	37,600,610	36,134,861	(1,465,749)
Revenues from Federal Sources				
State Fiscal Stabilization Fund - ARRA	-	-	1,776,874	1,776,874
Child Care and Development Fund	25,000	25,000	24,567	(433)
Child Care Food Program	-	-	4,866	4,866
Total Federal Revenues	25,000	25,000	1,806,307	1,781,307
Total Revenues	48,218,610	48,218,610	48,511,082	292,472
Expenditures				
Instruction *	32,859,920	32,859,920	31,072,869	1,787,051
Support Services *	17,198,690	17,198,690	16,574,094	624,596
Community Services *	55,000	55,000	55,000	-
Facilities Acquisition and Construction *	25,000	25,000	-	25,000
Contingencies *	2,000,000	2,000,000	-	2,000,000
Total Expenditures	52,138,610	52,138,610	47,701,963	4,436,647
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,920,000)	(3,920,000)	809,119	(4,729,119)
Other Financing Sources (Uses):				
Transfers in	1,200,000	1,200,000	1,200,000	-
Transfers out *	(520,000)	(520,000)	(500,000)	20,000
Total Other Financing Sources (Uses)	680,000	680,000	700,000	20,000
Net Change in Fund Balance	(3,240,000)	(3,240,000)	1,509,119	4,749,119
Fund Balance				
Beginning of Year	4,450,000	4,450,000	5,089,333	639,333
End of Year	\$ 1,210,000	\$ 1,210,000	\$ 6,598,452	\$ 5,388,452

* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40
 GRANTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2010

	Budget		Actual	Variance with Final budget
	Adopted	Final		
Revenues				
Local Sources	\$ 377,300	\$ 377,300	\$ 204,304	\$ (172,996)
Intermediate Sources	175,000	175,000	200,860	25,860
State Sources	750,000	750,000	384,924	(365,076)
Federal Sources	5,380,000	5,380,000	4,372,147	(1,007,853)
Total Revenues	6,682,300	6,682,300	5,162,235	(1,520,065)
Expenditures				
Instruction *	7,040,300	6,640,300	3,827,210	2,813,090
Support Services *	1,139,500	1,339,500	1,134,365	205,135
Community Services *	2,500	202,500	72,595	129,905
Facilities Acquisition and Construction *	1,000,000	1,000,000	87,389	912,611
Total Expenditures	9,182,300	9,182,300	5,121,559	4,060,741
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,500,000)	(2,500,000)	40,676	2,540,676
Other Financing Uses				
Transfers Out *	(1,200,000)	(1,200,000)	(1,200,000)	-
Net Change in Fund Balance	(3,700,000)	(3,700,000)	(1,159,324)	2,540,676
Fund Balances				
Beginning of Year	3,700,000	3,700,000	1,209,549	(2,490,451)
End of Year	\$ -	\$ -	\$ 50,225	\$ 50,225

* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2010

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 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. For budget purposes in conformance with Oregon Local Budget Law, outstanding encumbrances at year end are recorded as expenditures, but the District had no outstanding encumbrances at June 30, 2010

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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 and pension obligation bond principal and interest. Primary resources in these funds are property taxes, charges to other funds, 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, 2010

	Budget		Actual	Variance with Final budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Property Taxes	\$ 6,804,250	\$ 6,804,250	\$ 6,756,625	\$ (47,625)
Investment Earnings	40,000	40,000	16,456	(23,544)
Total Revenues	<u>6,844,250</u>	<u>6,844,250</u>	<u>6,773,081</u>	<u>(71,169)</u>
Expenditures				
Debt Service *				
Redemption of Principal	3,070,000	3,070,000	3,070,000	-
Interest	<u>3,674,250</u>	<u>3,674,250</u>	<u>3,674,250</u>	<u>-</u>
Total Expenditures	<u>6,744,250</u>	<u>6,744,250</u>	<u>6,744,250</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>100,000</u>	<u>100,000</u>	<u>28,831</u>	<u>(71,169)</u>
Fund Balance				
Beginning of Year	<u>400,000</u>	<u>400,000</u>	<u>477,674</u>	<u>77,674</u>
End of Year	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 506,505</u>	<u>\$ 6,505</u>

* Legally adopted appropriation level

NONMAJOR GOVERNMENTAL FUNDS

These funds account for revenues and expenditures restricted for specific educational projects, small capital purchase programs, insurance deductible amounts for workers' compensation and unemployment, the District's food service program, and specialized materials for students.

Insurance Reserve Fund - accounts for the revenue and expenditures resulting from property damage and loss up to District deductible levels and excess unemployment and workers compensation claims. The primary sources of revenue are refunds and reimbursements from insurance companies.

Asset Reserve Fund - The Asset Reserve Fund accounts for revenues and expenditures of various small fixed assets sold and purchased by the District. The Primary sources of revenues are sale of fixed assets, and interest on investments.

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.

PERS Debt Service Fund - This fund is used for the accumulation of resources and payment of general obligation bond principal and interest. Primary resources in this fund are property taxes 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 2004 general obligation bond.

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

McMINNVILLE SCHOOL DISTRICT NO. 40
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2010

	Special Revenue Funds						Total
	Insurance Reserve	Asset Reserve	School Nutrition Fund	Construction Excise Tax Fund	PERS Debt Service Fund	Construction Earnings Fund	
ASSETS							
Cash and Investments	\$ 718,314	\$ 1,626,995	\$ 11,762	\$ 254,391	\$ -	\$ 382,182	\$ 2,993,644
Grants Receivable	-	-	337,161	-	-	-	337,161
Due From Other Funds	3,920	119,960	1,714	-	592,104	-	717,698
Restricted Cash and Investments	-	-	-	-	5,031	-	5,031
Total Assets	\$ 722,234	\$ 1,746,955	\$ 350,637	\$ 254,391	\$ 597,135	\$ 382,182	\$ 4,053,534
LIABILITIES AND FUND EQUITY							
Liabilities							
Accounts Payable	\$ -	\$ 59,468	\$ -	\$ 105	\$ -	\$ -	\$ 59,573
Due to Other Funds	-	-	-	-	-	-	-
Total Liabilities	-	59,468	-	105	-	-	59,573
Fund Equity							
Fund Balances							
Unreserved Fund Balance	722,234	1,687,487	350,637	254,286	597,135	382,182	3,993,961
Total Fund Equity	722,234	1,687,487	350,637	254,286	597,135	382,182	3,993,961
Total Liabilities and Fund Equity	\$ 722,234	\$ 1,746,955	\$ 350,637	\$ 254,391	\$ 597,135	\$ 382,182	\$ 4,053,534

McMINNVILLE SCHOOL DISTRICT NO. 40
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2010

	Special Revenue Funds						Total
	Insurance Reserve	Asset Reserve	School Nutrition Fund	Construction Excise Tax Fund	PERS Debt Service Fund	Construction Earnings Fund	
Revenues							
Local Sources	\$ 44,568	\$ 125,747	\$ 573,526	\$ 132,514	\$ 2,259,880	\$ 4,236	\$ 3,140,471
State Sources	-	13,696	20,000	-	-	-	33,696
Federal Sources	-	-	1,840,612	-	-	-	1,840,612
Total Revenues	44,568	139,443	2,434,138	132,514	2,259,880	4,236	5,014,779
Expenditures							
Instruction	145	-	-	-	-	-	145
Support Services	56,010	46,629	-	-	-	-	102,639
Enterprise and Community Services	-	-	2,313,299	-	-	-	2,313,299
Facilities Acquisition and Construction	-	627,204	-	1,673	-	1,221,114	1,849,991
Debt Service							
Principal					293,729		293,729
Interest					1,495,236		1,495,236
Total Expenditures	56,155	673,833	2,313,299	1,673	1,788,965	1,221,114	6,055,039
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,587)	(534,390)	120,839	130,841	470,915	(1,216,878)	(1,040,260)
Other Financing Sources (Uses)							
Operating Transfer In (Out)	-	500,000	-	-	-	-	500,000
Total Other Sources (Uses)	-	500,000	-	-	-	-	500,000
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(11,587)	(34,390)	120,839	130,841	470,915	(1,216,878)	(540,260)
Fund Balances							
Beginning of Year	733,821	1,721,877	229,798	123,445	126,220	1,599,060	4,534,221
End of Year	\$ 722,234	\$ 1,687,487	\$ 350,637	\$ 254,286	\$ 597,135	\$ 382,182	\$ 3,993,961

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BUDGET REPORTS

McMINNVILLE SCHOOL DISTRICT NO. 40
INSURANCE RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2010

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ 7,500	\$ 7,500	\$ 4,952	\$ (2,548)
Recovery of Prior Years' Expenditure	15,000	15,000	-	(15,000)
Miscellaneous	-	-	39,616	39,616
Total Revenues	22,500	22,500	44,568	22,068
Expenditures				
Instruction *	600,000	600,000	145	599,855
Support services *	162,500	162,500	56,010	106,490
Total Expenditures	762,500	762,500	56,155	706,345
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(740,000)	(740,000)	(11,587)	728,413
Fund Balance				
Beginning of Year	740,000	740,000	733,821	(6,179)
End of Year	\$ -	\$ -	\$ 722,234	\$ 722,234

* 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, 2010

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ 20,000	\$ 20,000	\$ 10,813	\$ (9,187)
Lease	12,000	12,000	14,164	2,164
Miscellaneous Local Sources	5,000	5,000	100,770	95,770
Total Local Sources	37,000	37,000	125,747	88,747
State Sources	-	-	13,696	13,696
Total Revenues	37,000	37,000	139,443	102,443
Expenditures				
Support Services *	414,000	414,000	46,629	367,371
Facilities Acquisition and Construction *	1,923,000	1,923,000	627,204	1,295,796
Total Expenditures	2,337,000	2,337,000	673,833	1,663,167
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,300,000)	(2,300,000)	(534,390)	1,765,610
Other Financing Sources				
Operating Transfer in	500,000	500,000	500,000	-
Total Other Sources *	500,000	500,000	500,000	-
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(1,800,000)	(1,800,000)	(34,390)	1,765,610
Fund Balance				
Beginning of Year	1,800,000	1,800,000	1,721,877	(78,123)
End of Year	\$ -	\$ -	\$ 1,687,487	\$ 1,687,487

* Legally adopted appropriation level

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, 2010

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Sales	\$ 786,792	\$ 786,792	\$ 557,467	\$ (229,325)
Miscellaneous Local Sources	20,000	20,000	16,059	(3,941)
Total Local Sources	806,792	806,792	573,526	(233,266)
Revenue from State Sources				
State School Fund	-	-	20,000	20,000
Revenues from Federal Sources				
National School Lunch Program	1,647,000	1,647,000	1,664,232	17,232
U.S.D.A. Donated Commodities	125,000	125,000	127,928	2,928
Federal Restricted Grants	120,000	120,000	48,452	(71,548)
Total Federal Sources	1,892,000	1,892,000	1,840,612	(51,388)
Total Revenues	2,698,792	2,698,792	2,434,138	(264,654)
Expenditures				
Enterprise and Community Services *	3,001,792	3,001,792	2,313,299	688,493
Excess (Deficiency) of Revenues Over (Under) Expenditures	(303,000)	(303,000)	120,839	423,839
Other Financing Sources *				
Transfer in	20,000	20,000	-	(20,000)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(283,000)	(283,000)	120,839	403,839
Fund Balance				
Beginning of Year	283,000	283,000	229,798	(53,202)
End of Year	\$ -	\$ -	\$ 350,637	\$ 350,637

* 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, 2010

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ 6,000	\$ 6,000	\$ 5,032	\$ (968)
Services Provided to Other Funds	1,787,965	1,787,965	2,254,848	466,883
Total Revenues	1,793,965	1,793,965	2,259,880	465,915
Expenditures				
Debt Service *				
Purchased Services	5,000	5,000	-	5,000
Redemption of Principal	293,729	293,729	293,729	-
Interest	1,495,236	1,495,236	1,495,236	-
Total Debt Service	1,793,965	1,793,965	1,788,965	5,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	470,915	470,915
Fund Balance				
Beginning of Year	-	-	126,220	126,220
End of Year	\$ -	\$ -	\$ 597,135	\$ 597,135

* 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, 2010

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ -	\$ -	\$ 4,236	\$ 4,236
Total Revenues	-	-	4,236	4,236
Expenditures				
Facilities Acquisition and Construction *	4,000,000	4,000,000	1,221,114	2,778,886
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,000,000)	(4,000,000)	(1,216,878)	2,783,122
Fund Balance				
Beginning of Year	4,000,000	4,000,000	1,599,060	(2,400,940)
End of Year	\$ -	\$ -	\$ 382,182	\$ 382,182

* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40
 CONSTRUCTION EXCISE TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2010

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Excise tax	\$ 50,000	\$ 50,000	\$ 131,294	\$ 81,294
Investment Earnings	1,200	1,200	1,220	20
Total Revenues	<u>51,200</u>	<u>51,200</u>	<u>132,514</u>	<u>81,314</u>
Expenditures				
Facilities Acquisition and Construction*	<u>131,200</u>	<u>131,200</u>	<u>1,673</u>	<u>129,527</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(80,000)	(80,000)	130,841	210,841
Fund Balance				
Beginning of the Year	<u>80,000</u>	<u>80,000</u>	<u>123,445</u>	<u>43,445</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254,286</u>	<u>\$ 254,286</u>

* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40
 BOND CONSTRUCTION FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2010

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Investment Earnings	\$ -	\$ -	\$ -	\$ -
Lease	-	-	-	-
Miscellaneous Local Sources	-	-	-	-
Total Revenues	-	-	-	-
Expenditures				
Facilities Acquisition and Construction *	2,000,000	2,000,000	-	2,000,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,000,000)	(2,000,000)	-	2,000,000
Fund Balance				
Beginning of Year	2,000,000	2,000,000	-	(2,000,000)
End of Year	\$ -	\$ -	\$ -	\$ -

* Legally adopted appropriation level

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, 2010

	Budget		Actual	Variance with Final Budget
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Earnings on Investments	\$ 5,000	\$ 5,000	\$ 1,920	\$ (3,080)
Contributions	10,000	10,000	2,050	(7,950)
Total Revenues	15,000	15,000	3,970	(11,030)
Expenditures				
Support Services *	20,000	20,000	6,500	13,500
Operating Contingencies *	135,000	135,000	-	135,000
Total Expenditures	155,000	155,000	6,500	148,500
Excess (Deficiency) of Revenues Over (Under) Expenditures	(140,000)	(140,000)	(2,530)	137,470
Fund Balances				
Beginning of Year	140,000	140,000	134,746	(5,254)
End of Year	\$ -	\$ -	\$ 132,216	\$ 132,216

* Legally adopted appropriation level

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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
 AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
ASSETS				
Cash and Investments	\$ 463,108	\$ 990,578	\$ 923,896	\$ 529,790
Total Assets	<u>\$ 463,108</u>	<u>\$ 990,578</u>	<u>\$ 923,896</u>	<u>\$ 529,790</u>
LIABILITIES				
Due to Student Organizations	\$ 463,108	\$ 990,578	\$ 923,896	\$ 529,790
Total Liabilities	<u>\$ 463,108</u>	<u>\$ 990,578</u>	<u>\$ 923,896</u>	<u>\$ 529,790</u>

OTHER FINANCIAL SCHEDULES

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF PROPERTY TAX TRANSACTIONS
 Year Ended June 30, 2010

<u>Tax Roll Year</u>	<u>Uncollected July 1, 1009 and Tax Levy</u>	<u>Less Discounts</u>	<u>Net Adjustments</u>	<u>Collections</u>	<u>Uncollected June 30, 2010</u>
2009-2010	\$ 17,625,301	\$ 418,707	\$ (65,480)	\$ 16,233,698	\$ 907,416
2008-2009	814,334	-	(26,695)	424,291	363,348
2007-2008	268,384	-	(4,382)	93,341	170,661
2006-2007	84,543	-	(1,975)	41,462	41,106
2005-2006	35,528	-	(1,701)	19,115	14,712
2004-2005	12,727	-	(1,215)	1,367	10,145
Prior	75,019	-	(2,299)	5,058	67,662
	<u>\$ 18,915,836</u>	<u>\$ 418,707</u>	<u>\$ (103,747)</u>	16,818,332	<u>\$ 1,575,050</u>

Interest	80,063
Offsets and other adjustments	(77,335)
Undistributed tax collections, June 30, 2010	68,049
Undistributed tax collections, June 30, 2009	<u>(71,880)</u>

Revenue Turned Over to District \$ 16,817,229

	<u>General Fund</u>	<u>Debt Sevice Fund</u>	<u>Total Revenue</u>
Current Year's Taxes	\$ 9,694,178	\$ 6,530,615	\$ 16,224,793
Prior Year's Taxes	<u>366,426</u>	<u>226,010</u>	<u>592,436</u>
Revenue Turned Over to District	<u>\$ 10,060,604</u>	<u>\$ 6,756,625</u>	<u>\$ 16,817,229</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF BOND, BOND INTEREST
 TRANSACTIONS AND BALANCES
 Year Ended June 30, 2010

Issue Date	General Obligation Bonds Payable			Balance June 30, 2,010
	Balance July 1, 2009	Issued	Redeemed	
September 1, 2001 - Refunding Bonds	\$ 13,305,000	\$ -	\$ 1,615,000	\$ 11,690,000
October 31, 2002 - PERS Bonds	15,259,870	-	233,729	15,026,141
February 19, 2004 - PERS Bonds	13,700,000	-	60,000	13,640,000
June 1, 2007 - General Obligation Bonds	61,060,000	-	1,455,000	59,605,000
	<u>\$ 103,324,870</u>	<u>\$ -</u>	<u>\$ 3,363,729</u>	<u>\$ 99,961,141</u>

Issue Date	Matured Bonds and Interest Payable			Balance June 30, 2010
	Balance July 1, 2009	Matured	Redeemed or Paid	
Principal:				
September 1, 2001 - Refunding Bonds	\$ -	\$ 1,615,000	\$ 1,615,000	\$ -
October 31, 2002 - PERS Bonds	-	233,729	233,729	-
February 19, 2004 - PERS Bonds	-	60,000	60,000	-
June 1, 2007 - General Obligation Bonds	-	1,455,000	1,455,000	-
Total Principal	-	3,363,729	3,363,729	-
Interest:				
September 1, 2001 - Refunding Bonds	-	701,144	701,144	-
October 31, 2002 - PERS Bonds	-	756,733	756,733	-
February 19, 2004 - PERS Bonds	-	738,503	738,503	-
June 1, 2007 - General Obligation Bonds	-	2,973,106	2,973,106	-
Total Interest	-	5,169,486	5,169,486	-
Totals	<u>\$ -</u>	<u>\$ 8,533,215</u>	<u>\$ 8,533,215</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>
2010 - 2011	\$ 3,891,484	\$ 5,066,662	\$ 8,958,146
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	4,523,968	10,592,924
Thereafter	75,238,728	33,331,175	108,569,903
	<u>\$ 99,961,141</u>	<u>\$ 57,219,912</u>	<u>\$ 157,181,053</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>
2010 - 2011	6/15/2011	5 - 5.5%	\$ 1,685,000	\$ 634,525	\$ 2,319,525
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
Thereafter		5.50%	2,235,000	122,925	2,357,925
			<u>\$ 11,690,000</u>	<u>\$ 2,348,325</u>	<u>\$ 14,038,325</u>

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>
2010 - 2011	6/30/2011	4.82 - 5.55%	\$ 251,484	\$ 788,979	\$ 1,040,463
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
Thereafter		5.67 - 5.55%	13,598,728	8,952,128	22,550,856
			<u>\$ 15,026,141</u>	<u>\$ 13,327,028</u>	<u>\$ 28,353,169</u>

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

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>
2010 - 2011	6/30/2011	4.400-5.528%	\$ 105,000	\$ 736,027	\$ 841,027
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
Thereafter		5.023-5.528%	<u>12,565,000</u>	<u>5,709,344</u>	<u>18,274,344</u>
			<u>\$ 13,640,000</u>	<u>\$ 9,316,676</u>	<u>\$ 22,956,676</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>
2010 - 2011	6/30/2011	4.50 - 5.25%	\$ 1,850,000	\$ 2,907,131	\$ 4,757,131
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	2,612,156	5,922,156
Thereafter		4.50 - 5.25%	<u>46,840,000</u>	<u>18,546,778</u>	<u>65,386,778</u>
			<u>\$ 59,605,000</u>	<u>\$ 32,227,883</u>	<u>\$ 91,832,883</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 SUPPLEMENTAL INFORMATION AS REQUIRED
 BY THE OREGON DEPARTMENT OF EDUCATION
 Year Ended June 30, 2010

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

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

	Objects 325 & 326
Function 2540	\$ 842,718
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, 2010

Company	Policy Number	Expiration Date	Amount	Coverage	Hazards Insured
PACE	24P60119-184	07/01/10	\$ 234,480,502	Property insurance - all locations. Building and business personal property, valuable papers equipment.	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 and wrongful acts covering premises and operations of the district	Bodily injury, property damage, and wrongful acts.
			\$ 20,000,000	Occurrence	
			\$ 20,000,000	Aggregate	
			\$ 10,000,000	School leaders errors and omissions	Faithful performance of Board of Directors
			\$ 100,000	Faithful performance blanket position bond	Employee dishonesty.
			\$ 100,000	Forgery or alteration	Employee dishonesty. Deductible \$1,000
			\$ 500,000	Accounts receivable,	Risk of direct physical loss. Deductible \$25,000.
			\$ 10,000,000	Auto liability and property damage	Auto liability and auto physical damage per schedule on policy
			\$ 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	07/01/10	Statutory	Worker's Compensation	Injury or death of employees
PACE	24P60119-184	07/01/10	\$ 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, 2010

	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	\$ 9,694,178	\$ -	\$ 6,530,615	\$ -	\$ -	\$ 16,224,793
1112 Prior year taxes	366,426	-	226,009	-	-	592,435
1130 Construction Excise Tax	-	131,294	-	-	-	131,294
1300 Tuition	107,005	-	-	-	-	107,005
1500 Earnings on Investments	105,029	28,059	21,486	4,237	1,920	160,731
1600 Food Service	-	557,468	-	-	-	557,468
1700 Extra-Curricular Activities	111,450	33,760	-	-	-	145,210
1910 Rentals	16,466	14,164	-	-	-	30,630
1920 Contributions and Donations	1,917	119,542	-	-	2,050	123,509
1960 Recovery of Prior Years' Expenditure	16,352	-	-	-	-	16,352
1970 Services Provided Other Funds	-	-	2,254,849	-	-	2,254,849
1980 Fees Charged to Grants	79,365	-	-	-	-	79,365
1990 Miscellaneous	18,238	196,371	-	-	-	214,609
Total Local Sources	10,516,426	1,080,658	9,032,959	4,237	3,970	20,638,250
Intermediate Sources						
2101 County School Fund	53,489	-	-	-	-	53,489
2199 Other Intermediate Sources	-	192,254	-	-	-	192,254
2200 Restricted Revenue	-	8,606	-	-	-	8,606
Total Intermediate Sources	53,489	200,860	-	-	-	254,349
State Sources						
3101 State School Fund	35,623,946	-	-	-	-	35,623,946
3102 State School Fund Match	-	20,000	-	-	-	20,000
3103 Common School Fund	510,915	-	-	-	-	510,915
3199 Other Unrestricted Grants-In-Aid	-	2,875	-	-	-	2,875
3299 Other Restricted Grants-In-Aid	-	395,745	-	-	-	395,745
Total State Sources	36,134,861	418,620	-	-	-	36,553,481
Federal Sources						
4300 Restricted Direct from Federal	-	192,244	-	-	-	192,244
4500 Restricted Through State	1,806,306	5,892,587	-	-	-	7,698,893
4900 Commodities	-	127,928	-	-	-	127,928
Total Federal Sources	1,806,306	6,212,759	-	-	-	8,019,065
Other Sources						
5200 Interfund Transfers In	1,200,000	500,000	-	-	-	1,700,000
Total Other Sources	1,200,000	500,000	-	-	-	1,700,000
TOTAL REVENUES	\$ 49,711,082	\$ 8,412,897	\$ 9,032,959	\$ 4,237	\$ 3,970	\$ 67,165,145

McMINNVILLE SCHOOL DISTRICT NO. 40
GENERAL FUND (100) EXPENDITURE SUMMARY
Year Ended June 30, 2010

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	\$ 7,037,547	\$ 3,491,027	\$ 91,512	\$ 1,047,317	\$ 149,366	\$ -	\$ 11,816,769
1121 Middle/Junior High Programs	3,342,826	1,652,548	75,715	146,192	8,949	645	5,226,875
1122 Middle/Junior High School Extracurricular	71,019	15,612	4,861	19,797	-	-	111,289
1131 High School Programs	4,430,802	2,153,785	139,269	405,599	-	2,179	7,131,633
1132 High School Extra-curricular	247,068	55,303	55,247	126,011	15,000	6,455	505,084
1140 Pre-kindergarten Programs	9,202	7,131	-	-	-	-	16,332
1210 Programs for the Talented and Gifted	159,094	76,986	2,644	7,602	-	-	246,326
1220 Restrictive programs for students with disabilities	348,913	192,266	459	2,317	-	-	543,955
1250 Less restrictive programs for students with disabilities	1,363,884	724,647	-	23,721	-	-	2,112,252
1280 Alternative Education	338,657	178,505	37,106	3,433	-	-	557,701
1291 English Second Language Programs	1,606,830	890,531	2,047	37,658	-	-	2,537,066
1292 Teen Parent Programs	112,525	61,806	-	12,459	-	-	186,790
1294 Youth Corrections Education	6,938	1,118	1,555	-	-	-	9,611
1299 Other Programs	46,176	14,138	462	49	-	-	60,825
1400 Summer School Programs	4,037	904	4,799	621	-	-	10,360
Total Instruction	19,125,517	9,516,306	415,677	1,832,775	173,315	9,279	31,072,869
Support Services							
2110 Attendance and Social Work Services	355,995	206,217	-	1,849	-	-	564,060
2120 Guidance Services	885,409	440,395	-	3,118	-	-	1,328,921
2130 Health Services	62,971	33,324	1,015	3,941	-	135	101,386
2140 Psychological Services	71,021	37,743	1,615	930	-	-	111,310
2150 Speech Pathology and Audiology Services	176,319	84,276	1,745	799	-	750	263,889
2190 Service Director: Student Support Services	194,228	88,177	18,004	7,914	-	-	308,323
2210 Improvement of Instruction Services	380,969	151,589	12,834	26,121	-	-	571,513
2220 Educational Media Services	515,237	255,731	1,361	57,381	-	-	829,710
2230 Assessment and Testing	-	-	11,126	430	-	-	11,556
2240 Instructional Staff Development	12,651	2,191	117,387	9,224	-	-	141,453
2310 Board of Education Services	-	-	106,835	6,180	-	97,592	210,606
2320 Executive Administration Services	212,644	104,604	4,639	5,785	-	1,863	329,535
2410 Office of the Principal Services	1,959,512	921,740	22,761	50,332	-	921	2,955,267
2510 Director of Business Support Services	114,033	51,671	4,273	9,314	6,809	740	186,840
2520 Fiscal Services	280,517	132,654	20,654	6,859	-	17,814	458,497
2540 Operation and Maintenance of Plant Services	1,439,415	843,686	1,389,699	274,399	-	211,979	4,159,178
2550 Student Transportation Services	-	-	2,058,902	-	-	-	2,058,902
2570 Internal Services	-	-	36,382	17,618	-	-	54,000
2610 Direction of Central Support Services	185,309	79,556	43,697	3,576	-	13,469	325,607
2630 Information Services	18,839	1,506	24,601	1,262	-	-	46,207
2640 Staff Services	-	29,550	-	-	-	-	29,550
2660 Technology Services	354,856	152,389	246,234	9,067	-	-	762,545
2700 Supplemental Retirement Program	23,757	741,484	-	-	-	-	765,241
Total Support Services	7,243,682	4,358,483	4,123,761	486,098	6,809	345,262	16,574,094
Enterprise and Community Services							
3300 Community Services	-	-	55,000	-	-	-	55,000
Total Enterprise and Community Services	-	-	55,000	-	-	-	55,000
TOTAL EXPENDITURES	\$ 26,369,199	\$ 13,874,789	\$ 4,594,439	\$ 2,328,873	\$ 180,124	\$ 354,540	\$ 47,701,963

McMINNVILLE SCHOOL DISTRICT NO. 40
SPECIAL REVENUE FUNDS (200) EXPENDITURE SUMMARY
Year Ended June 30, 2010

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	\$ 5,219	\$ 457	\$ -	\$ 14,610	\$ -	\$ -	\$ 20,286
1121 Middle/Junior High Programs	4,369	1,000	1,223	136,791	-	-	143,384
1131 High School Programs	73,062	25,727	54,677	143,164	-	-	296,630
1140 Pre-kindergarten Programs	11,247	8,753	-	-	-	-	20,000
1220 Restrictive programs for students with disabilities	341,271	191,172	194,139	741	-	-	727,322
1250 Less restrictive programs for students with disabilities	94,304	60,446	843	40,243	-	20,324	195,836
1271 Remediation	373,945	91,014	3,902	79,738	-	-	568,923
1272 Title I	1,033,215	508,656	20,797	30,035	-	30,175	1,622,878
1280 Alternative Education	221	42	22,160	1,436	-	-	23,858
1291 English Second Language Programs	98,997	47,943	26,571	15,711	-	-	189,221
1400 Summer School Programs	9,151	1,983	2,297	5,587	-	-	19,018
Total Instruction	2,044,999	937,194	326,608	468,055	-	50,499	3,827,355
Support Services							
2110 Attendance and Social Work Services	18,107	8,354	-	4,092	-	722	31,275
2120 Guidance Services	6,708	539	10,900	-	-	-	18,146
2140 Psychological Services	-	-	48,384	-	-	-	48,384
2150 Speech Pathology and Audiology Services	-	-	98,918	-	-	-	98,918
2190 Service Director; Student Support Services	-	-	-	-	-	19,560	19,560
2210 Improvement of Instruction Services	29,001	13,852	7,513	47,076	-	-	97,442
2240 Instructional Staff Development	219,817	82,858	161,568	14,580	-	8,584	487,407
2490 Other Support Services-School Administration	39,703	3,171	834	-	-	-	43,708
2520 Fiscal Services	-	-	5,500	-	-	-	5,500
2540 Operation and Maintenance of Plant Services	-	-	79,409	-	226,479	-	305,888
2550 Student Transportation Services	-	-	21,708	-	-	-	21,708
2620 Planning and Development Services	-	-	3,600	-	-	-	3,600
Total Support Services	313,336	108,774	438,333	116,563	226,479	33,519	1,237,005
Enterprise and Community Services							
3100 Food Services	717,189	430,986	37,108	1,031,356	91,331	5,329	2,313,299
3300 Community Services	27,983	7,107	11,877	25,628	-	-	72,595
Total Enterprise and Community Services	745,172	438,094	48,984	1,056,984	91,331	5,329	2,385,895
Facilities Acquisition and Construction							
4120 Site Acquisition and Development Services	-	-	5,230	403	180	-	5,813
4150 Building Acquisition, Construction, and Improvement	-	-	1,673	-	708,780	-	710,453
Total Facilities Acquisition and Construction	-	-	6,903	403	708,960	-	716,266
TOTAL EXPENDITURES	\$ 3,103,507	\$ 1,484,061	\$ 820,829	\$ 1,642,006	\$ 1,026,770	\$ 89,347	\$ 8,166,521

McMINNVILLE SCHOOL DISTRICT NO. 40
 DEBT SERVICE FUND (300) EXPENDITURE SUMMARY
 Year Ended June 30, 2010

Other Functions	Wages Object 100	Payroll Costs Object 200	Services Object 300	Supplies Object 400	Capital Outlay Object 500	Other Object 600	Total
5100 Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,533,216	\$ 8,533,216
Total Other Functions	-	-	-	-	-	8,533,216	8,533,216
TOTAL EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,533,216	\$ 8,533,216

McMINNVILLE SCHOOL DISTRICT NO. 40
 CAPITAL PROJECTS FUND (400) EXPENDITURE SUMMARY
 Year Ended June 30, 2010

	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	\$ -	\$ -	\$ -	\$ -	\$ 1,221,114	\$ -	\$ 1,221,114
Total Facilities Acquisition and Construction	\$ -	\$ -	\$ -	\$ -	1,221,114	\$ -	1,221,114
TOTAL EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ 1,221,114	\$ -	\$ 1,221,114

McMINNVILLE SCHOOL DISTRICT NO. 40
 FIDUCIARY FUND (700) EXPENDITURE SUMMARY
 Year Ended June 30, 2010

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

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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.	76
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.	80
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.	84
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.	87
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	89

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

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

	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	\$ 29,369,762	\$ 27,508,292	\$ 23,743,237	\$ 19,870,935	\$ 17,457,096	\$ 13,482,037	\$ 9,395,412	\$ 6,675,687
Restricted	506,505	477,674	461,167	403,670	617,952	972,176	2,946,068	2,426,443
Unrestricted	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>\$ 31,880,777</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 Eight Fiscal Years
(accrual basis of accounting)

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Expenses								
Instructional programs	\$ 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								
Pupil Transportation	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	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	2,470,481	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	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	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	252,215	218,980	237,606	255,707	251,670	215,367	220,663	197,841
Enterprise and Community Services	557,467	572,397	699,614	685,136	629,131	566,911	547,700	528,407
Operating grants and contributions	10,008,494	7,418,410	7,119,778	6,309,348	6,601,118	5,777,258	5,499,929	5,353,534
Capital grants and contributions		962,044						
Total program revenues	10,818,176	9,171,831	8,056,998	7,250,191	7,481,919	6,559,536	6,268,292	6,079,782
Net (Expense) Revenue	(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	17,108,697	16,336,344	15,329,263	11,347,556	11,359,276	10,494,648	12,237,849	11,762,747
State school fund - general support	34,642,566	34,481,538	34,342,573	33,812,319	30,259,227	25,998,626	27,395,527	23,659,966
Other state and local sources	1,638,031	3,671,455	2,210,951	789,580	880,167	519,872	856,827	604,082
Earnings on investments	158,813	1,143,609	3,589,191	1,000,422	790,487	514,154	279,589	260,436
Other	232,878	16,605	60,338	12,109	80,024	34,531	32,092	309,332
Total general revenues	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	\$ 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. 40
 FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
General Fund										
Reserved	\$ -	\$ -	\$ 48,166	\$ 46,278	\$ 48,666	\$ 60,714	\$ 44,257	\$ 49,154	\$ 48,122	\$ 44,374
Unreserved	6,598,452	5,089,333	4,887,570	5,749,050	5,551,711	5,513,188	6,199,031	5,083,330	4,433,415	1,939,182
Total general fund	<u>\$ 6,598,452</u>	<u>\$ 5,089,333</u>	<u>\$ 4,935,736</u>	<u>\$ 5,795,328</u>	<u>\$ 5,600,377</u>	<u>\$ 5,573,902</u>	<u>\$ 6,243,288</u>	<u>\$ 5,132,484</u>	<u>\$ 4,481,537</u>	<u>\$ 1,983,556</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ 24,726	\$ 23,332	\$ 32,964	\$ 29,183	\$ 19,620	\$ 25,762	\$ 20,779	\$ 15,296
Unreserved, reported in:										
Debt Service Funds	1,103,640	603,894	532,710	808,404	1,319,396	1,924,950	3,263,805	1,352,722	940,464	2,795,536
Capital Projects Funds	382,182	1,599,060	29,348,894	62,538,908	-	-	856,771	846,734	835,757	1,491,558
Special Revenue Funds	3,064,869	4,018,490	4,188,829	2,218,730	1,823,672	2,677,679	3,259,338	2,964,329	2,945,803	2,726,091
Total all other governmental funds	<u>\$ 4,550,691</u>	<u>\$ 6,221,444</u>	<u>\$ 34,095,159</u>	<u>\$ 65,589,374</u>	<u>\$ 3,176,032</u>	<u>\$ 4,631,812</u>	<u>\$ 7,399,534</u>	<u>\$ 5,189,547</u>	<u>\$ 4,742,803</u>	<u>\$ 7,028,481</u>

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

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Revenues										
Property Taxes	\$ 16,817,229	\$ 16,054,711	\$ 15,094,808	\$ 11,423,803	\$ 11,408,540	\$ 10,604,588	\$ 12,280,002	\$ 11,908,809	\$ 10,910,666	\$ 11,235,704
Earnings on Investments	158,813	1,159,086	3,589,181	1,000,422	790,487	514,154	278,589	280,436	-	-
Other Revenue From Local Sources	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	1,731,135
Charges for Services	808,682	817,383	937,222	940,843	880,801	782,278	768,363	726,248	-	-
Intermediate Sources	254,349	248,748	69,285	64,501	63,269	61,186	60,353	88,367	42,128	-
State sources	36,553,481	38,152,284	37,927,838	35,572,205	32,437,765	27,630,437	28,870,810	25,240,044	28,546,525	25,414,440
Federal Sources	8,019,066	6,890,863	5,098,664	4,871,470	5,048,682	4,417,083	4,108,284	3,787,001	3,160,982	2,038,618
Total Revenues	65,461,177	65,697,229	64,555,425	55,441,909	52,053,848	45,384,803	47,898,690	42,822,407	43,691,230	40,419,897
Expenditures										
Instruction	34,900,224	36,603,283	34,359,421	31,463,462	28,326,864	24,358,461	22,441,985	21,524,410	21,554,803	19,898,967
Support Services	17,811,098	16,253,366	15,620,227	15,075,368	14,579,473	13,119,221	13,603,821	12,049,361	12,813,907	12,813,169
Enterprise and Community Services	2,440,694	2,401,551	2,294,868	2,021,733	1,847,542	2,120,949	2,261,913	2,186,738	1,974,071	1,308,076
Capital Outlay	-	-	738,329	1,057,084	1,910,381	1,590,638	1,091,632	315,987	-	-
Facilities Acquisition and Construction	1,937,380	29,871,912	36,123,248	2,447,006	984,710	1,873,802	140,051	42,516	1,167,793	708,532
Debt Service:										
Principal	3,363,728	2,832,628	2,485,268	2,353,090	3,256,133	3,103,766	3,263,488	3,405,000	3,110,000	2,750,000
Interest	5,189,486	5,281,695	5,281,153	2,456,819	2,568,763	2,681,084	2,302,082	2,072,271	1,635,159	2,107,203
Total Expenditures	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	39,584,947
Excess (Deficiency) of Revenues Over (Under) Expenditures	(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	834,950
Other Financing Sources (Uses)										
Operating Transfers In	1,700,000	20,000	2,170,000	120,000	120,000	230,000	230,000	246,237	101,677	240,000
Operating Transfers (Out)	(1,700,000)	(20,000)	(2,170,000)	(120,000)	(120,000)	(230,000)	(230,000)	(246,237)	(101,677)	(240,000)
Sale of Fixed Assets	-	-	-	-	-	-	-	-	310,165	41,710
Lease Purchase Receipts	-	-	-	-	-	-	-	-	-	374,000
Tax Anticipation Note Proceeds	-	-	-	-	-	-	-	-	934,815	-
Tax Anticipation Note Payments	-	-	-	-	-	-	-	-	(840,000)	-
Bonds Issued and Premiums	-	-	-	64,052,966	-	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-	-	17,117,364	16,023,367	17,850,404	-
Payments of Escrow for Refunding	-	-	-	-	-	-	(16,576,279)	(16,021,209)	(19,585,823)	-
Total Other Sources (Uses)	-	-	-	64,052,966	-	-	538,115	2,161	(1,430,439)	415,710
Net Change in Fund Balance	(161,634)	(27,647,226)	(32,357,089)	62,620,313	(1,421,038)	(3,463,128)	3,331,833	1,226,285	205,058	1,250,660
Fund Balance										
Beginning of Year	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	7,648,142
Increase (decrease) in Reserve for Inventory	-	(72,892)	3,282	(12,020)	(8,287)	26,020	(11,039)	6,016	9,230	(25,360)
End of year	\$ 11,149,143	\$ 11,310,777	\$ 39,030,895	\$ 71,384,702	\$ 8,776,409	\$ 10,205,714	\$ 13,642,822	\$ 10,322,031	\$ 9,087,730	\$ 8,873,442
Debit service as a percentage of noncapital expenditures	13.40%	12.80%	12.95%	9.01%	11.52%	12.75%	12.69%	13.28%	11.55%	12.49%

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

Fiscal Year Ended June 30,	Assessed Value				Total Direct Rate (a)	Total Real Market Value	Assessed Value as a percentage of RMV
	Real Property	Personal Property	Manufactured Structures	Utilities			
2001	\$ 1,406,228,749	\$ 55,256,408	\$ 40,895,985	\$ 58,534,330	\$ 7.42	\$ 1,970,283,196	79.22%
2002	1,484,311,056	55,794,123	41,316,930	65,228,697	6.94	2,018,545,950	80.59%
2003	1,547,204,611	54,102,822	38,450,433	61,588,747	7.15	2,132,510,371	79.78%
2004	1,567,378,201	57,242,481	31,973,278	62,399,461	7.29	2,176,725,924	78.97%
2005	1,681,276,660	59,855,432	31,029,350	63,894,756	5.80	2,493,550,887	73.63%
2006	1,794,530,572	59,265,322	30,997,323	64,723,970	6.25	2,731,294,241	71.38%
2007	1,932,922,844	61,359,305	33,176,205	66,175,906	5.53	3,496,194,951	59.88%
2008	2,072,480,787	64,958,793	36,049,145	71,448,818	7.00	3,877,384,914	57.90%
2009	2,241,043,031	71,596,323	38,247,928	75,532,147	6.91	4,101,380,879	59.16%
2010	2,337,138,142	75,381,461	41,282,812	86,109,012	6.94	4,045,707,073	62.78%

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

Source: Yamhill County Assessor's Office.

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

Fiscal Year Ended June 30,	McMinnville School District No. 40		Overlapping Rates (a)											
	Operating	Debt Service	Total District	Yamhill County	City of McMinnville	City of Lafayette	City of Willamette	ESD (c)	Chemeketa Community College	McMinnville RFPD	Carlton RFPD	Sheridan Fire	Amity RFPD	Other Taxing Districts (b)
2001	4.15	3.27	7.42	2.57	5.69	3.49	3.49	0.36	0.76	0.96	0.53	1.12	1.46	0.16
2002	4.15	2.79	6.94	2.57	6.32	3.48	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	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	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	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	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	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	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	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	3.49	0.30	0.71	1.14	1.48	1.47	1.77	0.16

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

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

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

(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 Willmette ESD.

Source: Yamhill County Assessor's Office.

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

Taxpayer	June 2010			June 2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Value
Cascade Steel Rolling Mills (a)	\$ 69,576,709	1	2.74%	\$ 88,516,971	1	5.67%
Willamette Valley Medical Center	57,235,320	2	2.25%	22,614,747	2	1.45%
Verizon Communications	21,139,800	3	0.83%	4		
Hillside Senior Living Community LLC	17,412,733	4	0.69%	-		
Northwest Natural Gas Co	16,528,700	5	0.65%	-		
Lowes HIW Inc.	15,598,025	6	0.61%	-		
Comcast Corporation	12,984,200	7	0.51%	-		
Air Liquide Industrial US LP	10,265,728	8	0.40%	14,881,477	4	0.95%
NBS - McMinnville Plaza	9,878,841	9	0.39%	-		
Homette Corporation	7,428,073	10	0.29%	7,339,886	7	0.47%
General Telephone Company of the NW				18,020,389	3	1.15%
Dianes Foods, Inc.				11,277,110	5	0.72%
Oregon Mutual Insurance				7,349,432	6	0.47%
Yamhill Valley Marketplace				7,034,286	8	0.45%
Fadco, LLC				6,801,941	9	0.44%
Leslie A. Toth				6,387,339	10	0.41%
Subtotal - ten of the District's largest taxpayers:	238,048,129		0.00%	190,223,582		12.19%
All other District taxpayers in Yamhill County	2,301,863,298		9.37%	1,370,691,894		87.81%
Total District taxpayers	\$ 2,539,911,427		90.63%	\$ 1,560,915,476		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		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Original	Adjustments (a)	Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2001	11,580,529	(324,224)	10,706,590	92.45%	539,644	11,246,234	99.91%
2002	11,305,272	(438,456)	10,392,562	91.93%	467,913	10,860,475	99.94%
2003	12,153,676	(509,147)	11,306,241	93.03%	330,253	11,636,494	99.93%
2004	12,523,254	(348,448)	11,708,134	93.49%	458,866	12,167,000	99.94%
2005	10,691,798	(325,278)	9,971,806	93.27%	384,570	10,356,376	99.90%
2006	12,212,383	(562,063)	11,462,675	93.86%	172,933	11,635,608	99.87%
2007	11,635,043	(509,692)	10,774,902	92.61%	309,345	11,084,247	99.63%
2008	15,749,949	(440,871)	14,699,146	93.33%	439,271	15,138,417	98.89%
2009	16,772,551	(496,333)	15,488,579	92.34%	424,292	15,912,871	97.77%
2010	17,625,301	(484,187)	16,233,698	92.10%	-	16,233,698	94.71%

Source: Yamhill County Department of Assessment and Taxation.

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

McMINNVILLE SCHOOL DISTRICT NO. 40
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 June 30, 2010

Governmental Unit	Net General Obligation Debt Outstanding	Percentage Applicable to District	Amount Applicable to District
Direct			
McMinville School District No. 40	\$ 71,295,000	100.0000%	\$ 71,295,000
Overlapping			
Chemeketa Community College	65,355,000	9.67%	6,322,639
City of McMinville	18,620,000	99.97%	18,614,135
New Carlton Fire District	1,225,000	4.73%	57,951
Willamette ESD	2,230,000	8.85%	197,299
Subtotal, overlapping debt			<u>25,192,024</u>
Total direct and overlapping debt			<u>\$ 96,487,024</u>

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

Source: Debt Management Division, Oregon State Treasury.

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

Legal Debt Margin Calculation for Fiscal Year 2010

Real Market Value	\$ 4,045,707,073
Debt limit (7.95% of real market value)	321,633,712
Debt applicable to limit	(71,295,000)
Legal debt margin	<u>\$ 250,338,712</u>

Fiscal Year	Debt Limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to the limit as a percentage of debt limit
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%
2001	124,092,780	36,280,000	87,812,780	29.24%

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

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

Calendar Year	Estimated Population (a)	Per Capita Personal Income (b)		Total Estimated Personal Income	Unemployment Rate (c)
		\$	\$		
1999	35,492	\$	23,451	\$ 832,322,892	4.60%
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		n/a	n/a	11.40%

Sources:

(a) Population estimate for includes population of the City of McMinnville, City of Lafayette and 26% of unincorporated areas of Yamhill County. Population estimate per Portland State University Population Research Center data.

(b) Per Capita Personal Income for Yamhill County per U.S. Department of Commerce, Bureau of Economic Analysis.

(c) Oregon Labor Market Information System, Labor Force Data for Yamhill County, seasonally adjusted.

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

Employer	2009			2001		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Private Employers:						
Manufacturing: beverage, wood products, metal, machinery, plastics, other	5,810	1	19.03%	5,578	1	19.42%
Health Services	3,907	2	12.80%	2,794	4	9.73%
Retail	3,086	3	10.11%	3,160	2	11.00%
Natural Resources: crop production	2,758	4	9.03%	2,816	3	9.81%
Leisure & Hospitality	2,624	5	8.59%	2,317	5	8.07%
Professional and business services	1,474	6	4.83%	1,375	7	4.79%
Education services	1,397	7	4.58%	1,165	8	4.06%
Construction	1,345	8	4.40%	1,492	6	5.20%
Other services	1,111	9	3.64%	870	10	3.03%
Financial activities	1,047	10	3.43%	973	9	3.39%
Transportation	648	11	2.12%	646	11	2.25%
Wholesale	541	12	1.77%	561	12	1.95%
Information	184	13	0.60%	269	13	0.94%
Subtotal Private	25,932		84.93%	24,016		83.63%
Government						
Federal	473		1.55%	483		1.68%
State	410		1.34%	403		1.40%
Local Government						
Education & health services	2,101		6.88%	2,171		7.56%
Public Administration	1,410		4.62%	1,439		5.01%
Other	208		0.68%	206		0.72%
Subtotal Government	4,602		15.07%	4,702		16.37%
Total Employment	30,534		100.00%	28,718		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>
2001	273	5,171	18.94 :1
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

(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>
2001	297	235	22	13	567
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

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 FIVE FISCAL YEARS

Fiscal Year	Average Enrollment	General Fund Expenditures	General Fund Per Student Expenditure	Nutrition Services Program						Student Transportation		
				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					
2010	6,467	\$ 48,201,963	\$ 7,454	13,910	186,286	127,980	468,755	796,931	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

McMINNVILLE SCHOOL DISTRICT NO. 40
 CAPITAL ASSET INFORMATION
 AS OF JUNE 30,2010

<u>Building</u>	<u>Year of Original Building Construction</u>	<u>Square Footage (1)</u>	<u>Capacity (1)</u>	<u>Enrollment 10/1/2009</u>	<u>Percent of Capacity</u>	<u>Average Age of Buildings (in years)</u>
Elementary Schools						
Buel	2008	80,837	600	547	91%	2
Columbus	1994	68,740	600	523	87%	16
Cook	1924	43,464	303	-	0%	86
Grandhaven	1999	69,958	600	521	87%	11
Memorial	1947	67,292	600	545	91%	63
Newby	1960	58,527	532	478	90%	50
Wascher	1979	61,259	517	420	81%	31
Total		<u>450,077</u>	<u>3,752</u>	<u>3,034</u>	<u>81%</u>	<u>37</u>
Middle Schools						
Duniway	1993	119,412	961	684	71%	17
Patton	1976	132,820	971	818	84%	34
Total		<u>252,232</u>	<u>1,932</u>	<u>1,502</u>	<u>78%</u>	<u>26</u>
High Schools						
McMinnville	1955	268,935	1,971	1,765	90%	55
Media Arts	1914	34,052	336	269	80%	96
Total		<u>302,987</u>	<u>2,307</u>	<u>2,034</u>	<u>88%</u>	<u>76</u>
Other Buildings						
District Office	1965	9,081				45
Evans Street	1995	6,418				15
Maintenance	1948	12,395				62
Grounds	1970	2,760				40
Stadium	1980	12,480				30
Total		<u>43,134</u>				

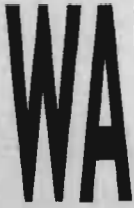
Notes:

Many buildings have undergone remodels since original construction

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

AUDIT COMMENTS AND
DISCLOSURES
REQUIRED BY STATE
REGULATIONS

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MCMINNVILLE SCHOOL DISTRICT NO. 40
AUDIT COMMENTS AND DISCLOSURES REQUIRED
BY STATE REGULATIONS

Oregon Administrative Rules 162-10-050 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding pages of this report. Required comments and disclosures related to our audit of McMinnville School District NO. 40's financial statements which are not presented elsewhere in this report follow.

Accounting Records

The District's accounting records were very well maintained and were adequate for audit purposes.

Accounting and Internal Control Systems

Our reports relating to compliance and internal control over financial reporting are contained in the Single Audit Section of this financial report.

Collateral

Oregon Revised Statutes Chapter 295 requires public fund deposits to be in a Public Funds Collateralization Program (PFCP) approved bank monitored by the Office of the State Treasurer for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of the adequacy of collateral securing depository balances indicated the collateral was sufficient during the year ended June 30, 2010.

Indebtedness

The District has not exceeded its legal debt limitation as provided by ORS 328.245 and is in compliance with all provisions of bond indentures and other agreements.

Budget

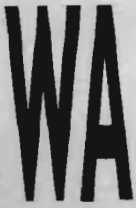
The District appears to have complied with statutory requirements in the preparation and adoption of its budgets and tax levies for years ended June 30, 2010 and June 30, 2011 and execution of its June 30, 2010 budget.

Insurance and Fidelity Bonds

We reviewed the insurance policies and fidelity bonds of the District, which were in force during the year ended June 30, 2010. The District appears to have complied with statutory requirements pertaining to fidelity bond coverage during the year. We do not possess the requisite training to comment on the adequacy of the insurance policies covering District-owned property at June 30, 2010.

Programs Funded From Outside Sources

The District appeared to be in compliance with applicable laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies.



MCMINNVILLE SCHOOL DISTRICT NO. 40
AUDIT COMMENTS AND DISCLOSURES REQUIRED
BY STATE REGULATIONS (Continued)

Investments

Our review of deposit and investment balances indicated that, during the year ended June 30, 2010 the District was in compliance with ORS 294 as it pertains to investment of public funds.

Financial Reporting Requirements

We reviewed reports relating to programs funded wholly or partially by other governmental agencies and found that all required reports were filed and that the reports were in agreement with and were supported by the accounting records.

Public Contracts and Purchasing

The District appeared to be in compliance with ORS Chapter 279 in awarding public contracts.

State School Fund

We have reviewed the District's system for reporting to the Oregon State Department of Education average daily attendance and related items in compliance with ORS 327.013. We found no instances in which the District had not properly reported the required information.

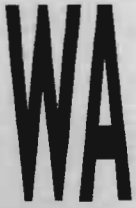
This report is intended solely for the information and use of the Board of Directors, Management, the Oregon Secretary of State Audits Division, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilcox Arredondo & Co.

Certified Public Accountants
December 16, 2010

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 16, 2010. 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*.

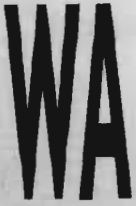
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We noted certain matters that we reported to management of McMinnville School District, in a separate letter dated December 16, 2010.

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 16, 2010



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

REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO 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, 2010. 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, 2010.

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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 10-01. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 16, 2010

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor Program Title	Grant Period	Federal C.F.D.A. Number	Grant Amount	Federal Expenditures
U.S. Department of Education				
Passed through Oregon State Department of Education				
Title I-A	07/01/08-09/30/09	84.010	\$ 1,343,984	\$ 200,558
	07/01/09-09/30/10	84.010	1,367,262	952,785
ARRA Title I-A	02/17/09-09/30/10	84.389	796,920	523,401
	Total		3,508,166	1,676,744
IDEA:				
Special Education Grants to State	07/01/09-12/31/10	84.027	968,796	589,825
Redistribution of 08-09 Funds	07/01/09-09/30/10	84.027	1,938	1,938
SPR&I (System Performance Review and Improvement)	08/01/09-6/30/10	84.027	4,160	4,160
Extended Assessment	09/01/09-06/30/10	84.027	1,800	1,800
Enhancement	10/01/09-09/30/10	84.027	7,725	7,725
ARRA - IDEA Part B, Section 611	02/17/09-06/30/10	84.391	1,140,410	335,074
IDEA - Extended Assessment	02/10/10-06/30/10	84.027	1,335	1,335
	Total		2,128,164	941,857
Title II-D Enhancing Ed through Technology	07/01/08-09/30/09	84.318	12,642	2,041
	07/01/09-09/30/10	84.318	12,018	10,472
Title II-D-Competitive-Enhancing Ed through Technology	7/1/09-09/30/10	84.318	266,920	171,576
ARRA-Title II-D-Competitive-Enhancing Ed through Technology	12/01/09-6/30/11	84.386	274,970	130,022
	Total		566,550	314,111
Title IV-A Safe & Drug Free Schools	07/01/09-09/30/10	84.186	22,313	22,313
Title III English Language Acquisition	07/01/08-09/30/09	84.365	140,826	22,008
	07/01/09-09/30/10	84.365	148,796	98,460
	Total		289,622	120,468
Mentoring for English Learner Success	06/01/09-09/30/09	84.298	6,032	6,032
Moving Math Education Forward	10/01/09-6/30/10	84.367	9,952	9,952
Title IIA Improving Teacher Quality	07/01/08-09/30/09	84.367	241,341	37,509
	07/01/09-09/30/10	84.367	257,042	208,828
	Total		508,335	256,289
ARRA- McKinney Homeless	02/17/09-09/30/10	84.387	4,134	4,134
Learn and Serve	01/01/10-08/31/10	94.004	5,000	2,621
Charter Schools Title V-B Planning	04/17/08-10/17/09	84.282	55,070	22,160
21st Century Learning Centers	07/01/08-09/30/09	84.287	348,470	37,339
	07/01/09-09/30/10	84.287	261,353	209,715
	07/01/09-06/30/10	84.287	403,824	403,824
	Total		1,013,647	650,878
State Fiscal Stabilization Fund - ARRA	02/17/09-09/30/11	84.394	1,776,873	1,776,873
Passed Through Willamette Education Service District				
Title I-C Migrant Education	09/01/09-06/30/10	84.011	103,947	103,947
Passed Through Chemeketa Community College				
Carl Perkins, Career & Technical Education	07/01/09-06/30/10	84.048	56,350	56,350
Passed through Oregon University Systems				
Early Awareness - Undegrad Programs	07/01/09-06/30/10	84.334	2,000	2,000
Direct Federal Grants				
Small Learning Communities Grant	7/01/06-09/30/09	84.215	496,007	23,067
	10/01/09-9/30/11	84.215	303,993	169,177
			800,000	192,244
Total U.S. Department of Education			10,844,203	6,149,021

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
 Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor Program Title	Grant Period	Federal C.F.D.A. Number	Grant Amount	Federal Expenditures
<u>U.S. Department of Agriculture - Special Revenue Fund</u>				
Passed through Oregon State Department of Education				
School Breakfast Program	07/01/09-06/30/10	10.553	327,567	327,567
National School Lunch Program	07/01/09-06/30/10	10.555	1,293,693	1,293,693
Commodities	07/01/09-06/30/10	10.555	127,928	127,928
Summer Food Service Program	07/01/09-06/30/10	10.559	42,972	42,972
Child Care Food Program	07/01/09-06/30/10	10.555	4,224	4,224
			1,796,384	1,796,384
Child Care Food Program-Cash in Lieu Commodities	07/01/09-06/30/10	10.558	642	642
NSLP Equipment	07/01/09-06/30/10	10.579	22,628	22,628
Fresh Fruit and Vegetable Program	10/01/09-06/30/10	10.582	23,445	23,445
Fresh Fruit and Vegetable Program	07/01/09-09/30/09	10.582	2,379	2,379
			1,845,478	1,845,478
<u>U.S. Department of Health and Human Services</u>				
Passed through Oregon Employment Department				
Child Care and Development Fund	07/01/09-06/30/10	93.575	25,000	24,567
Total Federal Awards			\$ 12,714,681	\$ 8,019,066

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	\$ 16,080

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes ___ No

Significant deficiency(ies) identified that are not considered to be material weakness(es) Yes ___ None reported

Noncompliance material to financial statements noted? Yes ___ No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? Yes ___ No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes None reported ___

Type of auditor's report issued on compliance for major programs Unqualified

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

Identification of major programs:

CFDA NUMBER

NAME OF PROGRAM OR CLUSTER

10.553, 10.555, 10.559
 84.394
 84.010, 84.389
 84.027, 84.391
 84.287
 84.318, 84.386

Child Nutrition Cluster
 State Fiscal Stabilization Fund
 Title 1A
 IDEA
 21st Century Community Learning
 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

Finding 10-01:

Federal Program:	IDEA
Federal Agencies:	Department of Education
Award Year:	2009-10
Pass Through Entity:	State of Oregon, Department of Education
Criteria:	Circular A-87 requires employee's payroll hours charged to the above grants to be approved by management semi-annual for those working 100% on the grant and monthly for those working less than 100% on the grant.
Condition:	For the fiscal year 2009-10, grant charges for some payroll hours were based on budgeted hours rather than documented and approved hours.
Context:	The District used employee's budget allocation to charge employees to the above grant.
Effect:	Without the documented payroll hours, The District has no way of documenting time and efforts to the Department of Education. There are no questioned costs, only documentation issues.
Corrective Action Plan:	The employees records noted in this finding were 100% funded by IDEA and were lacking semi annual certifications. The District agrees with the finding and has communicated to schools and departments of the need to certify 100% funded employees.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDING - NONE