

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

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

For the Year Ended June 30, 2009

McMinnville School District No. 40

McMinnville, Oregon

Comprehensive Annual Financial Report

For the Year Ended June 30, 2009

Prepared by the
Business Office

Maryalice Russell
Superintendent

Susan Escure
Director of Finance

McMINNVILLE SCHOOL DISTRICT NO. 40
YAMHILL COUNTY, OREGON

Administrative Office

1500 NE Baker Street
McMinnville, Oregon 97128

Maryalice Russell
Susan Escure
Patty Durfee

Superintendent
Director of Finance
Accounting Supervisor

BOARD OF DIRECTORS AS OF JUNE 30, 2008

	<u>Term Expires</u>
Ms. Janis Braich, Chair 124 Anne Street McMinnville, Oregon 97128	June 30, 2011
Ms. Kathy Cabe, Vice Chair 1654 Bonnie Jean Place McMinnville, Oregon 97128	June 30, 2013
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 Primozich 1335 Cedar McMinnville, Oregon 97128	June 30, 2011
Dr. Tim Roberts 1069 NW Baker Crest Court McMinnville, Oregon 97128	June 30, 2013
Mr. Larry Vollmer 1946 Fir Street McMinnville, Oregon 97128	June 30, 2011

Legal Counsel

Craig, Brand, Lake & Hart
Attorneys at Law
330 N. Evans Street
McMinnville, Oregon 97128

Bond Counsel

Kirkpatrick & Lockhart
Preston Gates Ellis LLP
222 SW Columbia Street
Suite 1400
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

November 20, 2009

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 No. 40 (the District) for the fiscal year ended June 30, 2009 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, 2009. 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.

DISTRICT PROFILE

McMinnville School District was formed around 1876, the year that the District levied a tax to build a public school house. Today the District is responsible for educating approximately 6,500 children in six elementary schools, two middle schools, and 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 No. 40 is Yamhill County's largest school district. It serves residents in the City of McMinnville, the City of Lafayette and surrounding unincorporated areas of Yamhill County. The district boundary encompasses over 140 square miles of land.

The District is a financially independent, special-purpose municipal corporation exercising financial accountability for all K-12 public education within its boundaries. The District is governed by a seven-member Board of Directors, who are 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. A Board-appointed Budget Committee of 14 citizens (including Board members) annually develops and approves the District's budget.

The Board hires all management staff. The management staff includes a superintendent, five district-level directors, 10 principals, five assistant principals, two district program coordinators and four support services supervisors. For the 2008-2009 school year, the District employed approximately 410 teachers and 310 support staff.

ECONOMIC PROFILE

McMinnville School District No. 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 32,760, and Lafayette, population approximately 3,925. 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 recent recession, unemployment in Yamhill County has been slightly higher than the Oregon average unemployment and as of October 2009 was at 11.6 percent. From September 2008 to September 2009, the Yamhill County area has experienced a decline in employment of approximately 6.4 percent per the Oregon Labor Market Information System. Employment has declined in all areas of employment except private sector education and health services in the past year. The December 2009 Oregon Economic Forecast reported that the recession was ending or very close to ending, however, they predicted a "jobless recovery" with unemployment rates continuing to rise into early 2010.

Although the real market value of property located in the boundaries of the District decreased from 2008 to 2009 by 1.4 percent, the assessed property values increased by 4.68 percent. 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. Total real market value of property within the District boundaries was in excess of \$4 billion. The assessed value was \$2.5 billion.

The District has experienced uninterrupted enrollment growth for more than 20 years. According to the October 2008 enrollment forecast prepared by Portland State University, population in the City of McMinnville is forecasted to grow by an average of 2.2 percent annually between 2000 and 2020 and, Yamhill County, by 1.8 percent annually between 2010 and 2020. As of the October 2009, our enrollment was 6,567, an increase of 1.5 percent over the previous year.

STATE SCHOOL FUNDING

The current school finance system is the result of two constitutional property tax measures, Ballot Measure 5 in 1990 and Ballot Measure 50 in 1997. These two measures capped local property taxes and placed more responsibility on the state budget for funding education. The Legislature appropriates money to schools from two main sources: income taxes through the state General Fund and lottery receipts. This money makes up the State School Fund (SSF). The Legislature sets the amount of state dollars schools are to receive for a two-year funding cycle. Federal funds are also available through grants distributed through the Oregon Department of Education. These dollars are tied to specific programs and are restricted in use. Local revenues consist primarily of property taxes, the County School Fund, the Common School Fund and other minor resources.

Once the Legislature has determined the funding level for the State School Fund, the Oregon Department of Education (ODE) is responsible for distributing the funds to districts using a statutory distribution formula. This formula was devised in 1991 following the passage of Ballot Measure 5, with the goal to provide an

equitable method of distributing state dollars to state's schools. 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.

As a result of the current recession, the 2009 Oregon legislature reduced K-12 education funding for 2008-09 fiscal year by \$116 million dollars at the end of the biennium in order to balance the state budget as required. Funding would have been cut by another \$115 million if Federal Stimulus funds had not been used to further offset the revenue shortfall. For the McMinnville School District this was a reduction of approximately \$1 million or a 2 percent decline from our budgeted revenues for 2008-09.

For the 2009-11 biennium, the Oregon legislature appropriated \$6 billion for K-12 education compared to an appropriation of \$6.25 in the previous biennium, a four percent decrease in state funding. \$200 million of this appropriation is contingent upon the state maintaining a projected reserve fund balance of at least \$300 million. The District budgeted conservatively with the assumption of the lower amount of \$5.8 billion in funding over the biennium.

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.

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.

FINANCIAL INFORMATION

Cash Management. Throughout the year, cash not required for current operation was invested in the State of Oregon Local Government Investment Pool, US. Agency securities, demand deposits and time certificates of deposit. All investments were in accordance with the District's Investment Policies. Interest income on pooled cash and investments recorded in the General Fund is allocated to various funds based upon their monthly interfund balances.

Budget Controls. The District is required by the State of Oregon to adopt an annual budget for all funds subject to the requirements of Local Budget Law as outlined in the Oregon Revised Statutes 294.305 through 294.520, inclusive. 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.

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. Also, our continued growth in student enrollment over the past 20 years provides some funding relief during years when state funding has been negatively affected by the economy.

The District's level of funding is determined by student enrollment and the funding levels set by legislative action. 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. This year the board set a policy to maintain a desired ending fund balance of no less than five

percent of the general fund total resources net of the beginning fund balance and encourages a higher reserve when possible, to offset state revenue shortfalls.

During the next five years, the state predicts a slow recovery from this "great recession." In addition to uncertain state revenues, the District will be looking long range at the affect of the funding cliff ahead after receiving one-time funds that were made available from ARRA Federal Stimulus grants. These funds were used primarily to retain positions for elementary reading and math interventions and special education programs. These grants will be spent over the 2009-11 biennium and then the programs funded by these grants will need to be restored in the general fund. It is a goal of the School Board when adding programs that sufficient resources are available in the future to sustain those programs.

The District is aggressively seeking alternative resources such as competitive grants to allow for continued work towards educational innovations and staff development and to help pay for programs such as after-school programs that help fill the achievement gap.

Postemployment Healthcare Benefits. Certain District retirees, hired before the date in which these benefits were discontinued, are eligible to receive district paid postemployment healthcare benefits, an explicit benefit. In addition, continued "self-pay" medical coverage is offered to all the District's eligible retirees and their dependents until Medicare eligibility. The higher premium cost the District pays for allowing retirees to maintain coverage is considered an implicit benefit.

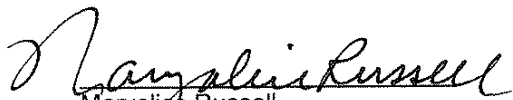
The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2009. This new standard changes the way these other postemployment benefits (OPEB) are accounted for and disclosed in the financial statements. These benefits will now be reported as costs and obligations when they are earned rather when they are paid. An actuarial study was obtained to determine the annual cost and the total unfunded OPEB obligation. Additional information on the District's other postemployment benefits can be found in Note 8 to the basic financial statements.

Risk Management. The District is covered for comprehensive liability, property, auto liability and physical damage, employers' liability through PACE and workers' compensation insurance SAIF Corporation. The District is self-insured for the first \$50,000 of property/fire losses and has established a reserve fund for self-insured losses. More information regarding the district's insurance coverage can be found on page 61.

ACKNOWLEDGEMENTS

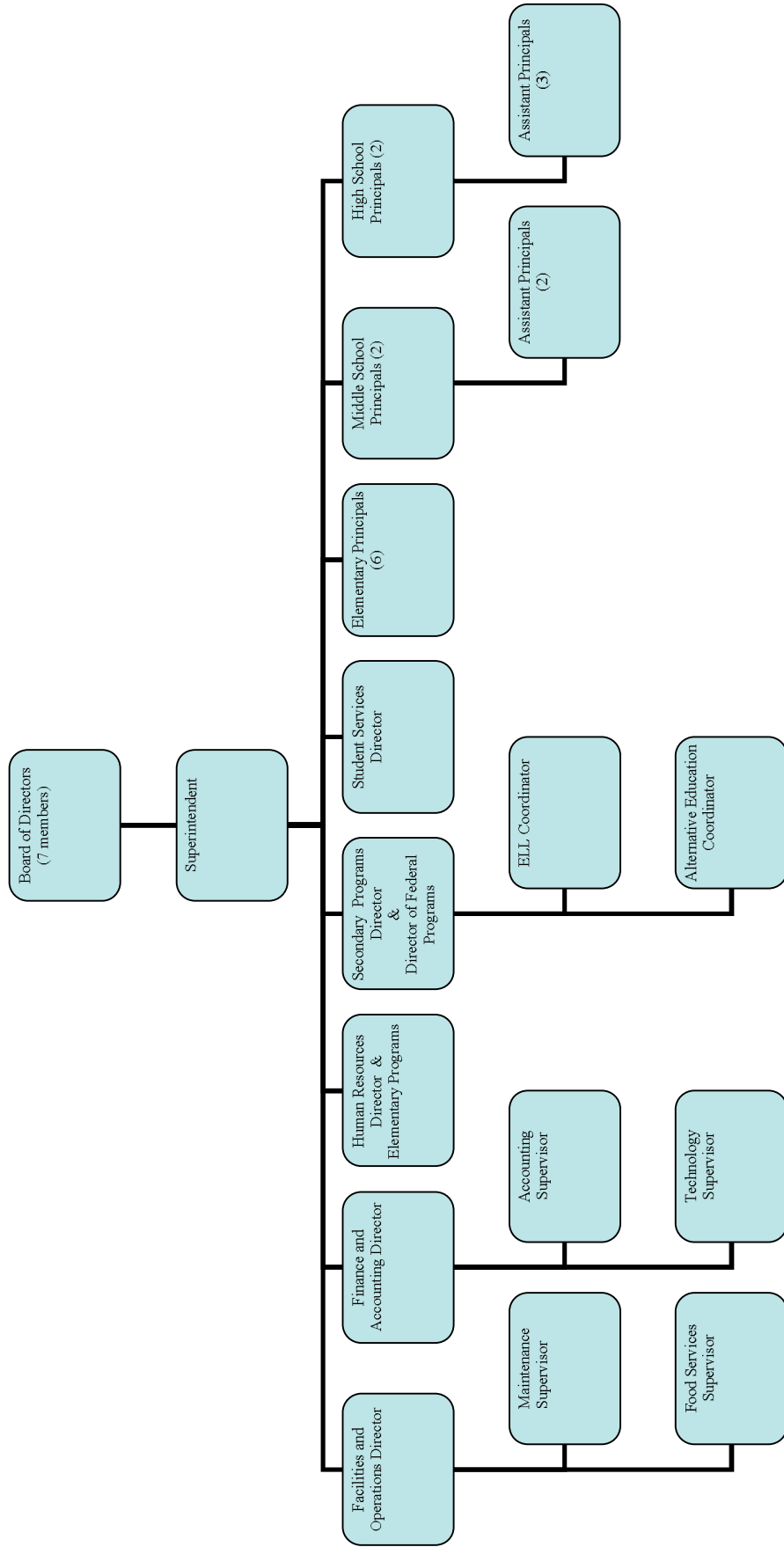
We wish to express our appreciation to the Business Services staff for their efforts and contributions to this comprehensive annual financial report. We would also like to thank the members of the Board of Directors for their continued support and dedication to the educational and financial operations of the District.

Respectfully submitted,


Maryalice Russell
Superintendent


Susan Escure
Director of Finance

McMinnville School District #40 Administrative Organizational Chart



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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, 2009, 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 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 No. 40, Yamhill County, Oregon, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2009 on our consideration of McMinnville School District No. 40's internal control over financial reporting and 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 the 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.

The management's discussion and analysis and is not a required part of the basic financial statements, but is 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 managements regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, required and supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards are 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 basic financial statements. The required and 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 express no opinion on them.

Wilcox Arredondo & Co.

Certified Public Accountants
Canby, Oregon
November 20, 2009

MANAGEMENT'S DISCUSSION AND
ANALYSIS

**MCMINNVILLE SCHOOL DISTRICT NO. 40
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

As management of McMinnville School District No. 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, 2009. 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, 2009 by \$30.1 million (net assets). Of this amount, \$2.1 million (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors. \$27.5 million represents the District's investment in capital assets.
- The District's total net assets increased by \$2.3 million for the fiscal year, an 8% 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 \$11.3 million at June 30, 2009, a decrease of \$27.7 million in comparison with the prior year. This decrease is primarily due to the expenditure of construction bond proceeds during the fiscal year in the amount of \$26.6 million.
- At the end of the fiscal year ended June 30, 2009, unreserved fund balance for the General Fund was \$5 million, which represents 10 percent of total General Fund expenditures.
- The District's total long-term debt decreased by \$2.9 million.
- Capital Assets increased by \$28.5 million in the second year of the construction bond project.

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.

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 No. 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 40 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 54 of this report.

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 \$30.1 million as of June 30, 2009, an increase of \$2.3 million or 8 percent over the prior year.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress and equipment, represent about 91 percent of total assets. Capital assets increased by \$28.5 million due primarily to the second year of construction bond project expenditures. The remaining assets consist mainly of investments, cash and grants and property taxes receivable.

The District's largest liability is for the repayment of long-term debt (general obligation bonds and limited tax pension bonds). Long-term debt decreased by \$2.9 million and represent 92 percent of total liabilities at year end. Current liabilities, representing 8 percent of the District's total liabilities consist principally of payables on accounts, accrued salaries and benefits and deferred revenue.

The largest portion of the District's net assets (91 percent) reflects its investment in capital assets (e.g. land, buildings, improvements, construction in progress 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, 2009, the District's overall financial position improved by an increase of \$2.3 million in net assets. Unrestricted net assets decreased by \$1.4 million while the District's investment in capital assets, net of related debt, increased by \$3.7 million due to the construction bond projects.

McMinnville School District			
Net Assets at Fiscal Year-End			
	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>June 30, 2009</u>	<u>June 30, 2008</u>	
Current and other assets	\$ 18,350,559	\$ 51,255,634	\$ (32,905,075)
Restricted cash	13,539	29,706	(16,167)
Net pension asset	22,263,324	23,416,808	(1,153,484)
Capital assets	<u>100,495,034</u>	<u>71,973,271</u>	<u>28,521,763</u>
Total Assets	141,122,456	146,675,419	(5,552,963)
Current liabilities	9,369,727	13,746,601	(4,376,874)
Long-term debt	<u>101,644,880</u>	<u>105,143,043</u>	<u>(3,498,163)</u>
Total Liabilities	<u>111,014,607</u>	<u>118,889,644</u>	<u>(7,875,037)</u>
Net Assets:			
Invested in capital assets, net of related debt	27,508,292	23,743,237	3,765,055
Restricted for debt service	477,674	461,167	16,507
Unrestricted	<u>2,121,883</u>	<u>3,581,371</u>	<u>(1,459,488)</u>
Total Net Assets	<u><u>\$ 30,107,849</u></u>	<u><u>\$ 27,785,775</u></u>	<u><u>\$ 2,322,074</u></u>

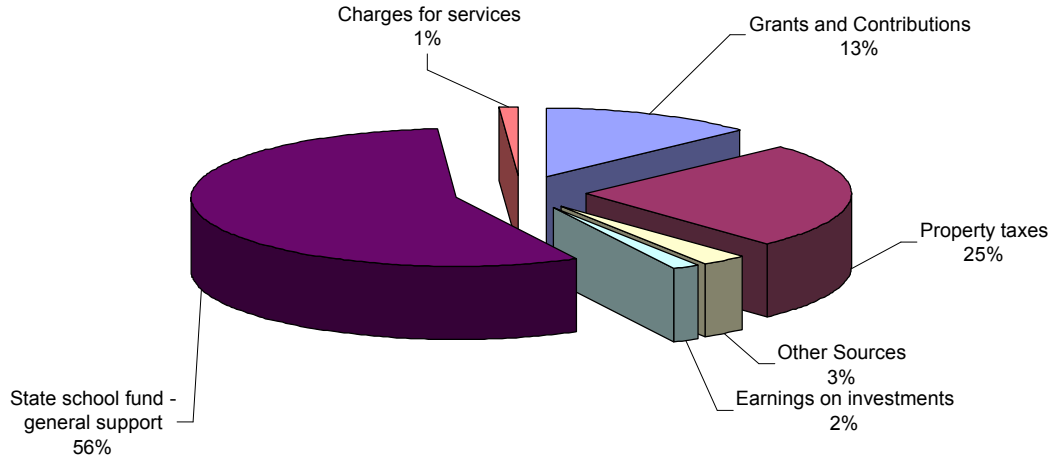
Governmental Activities. During the fiscal year, the District's net assets increased by \$2.3 million. The key elements of the change in the District's net assets for the year ended June 30, 2009 are as follows:

**Changes in Net Assets
For the Year Ended June 30, 2009 and 2008**

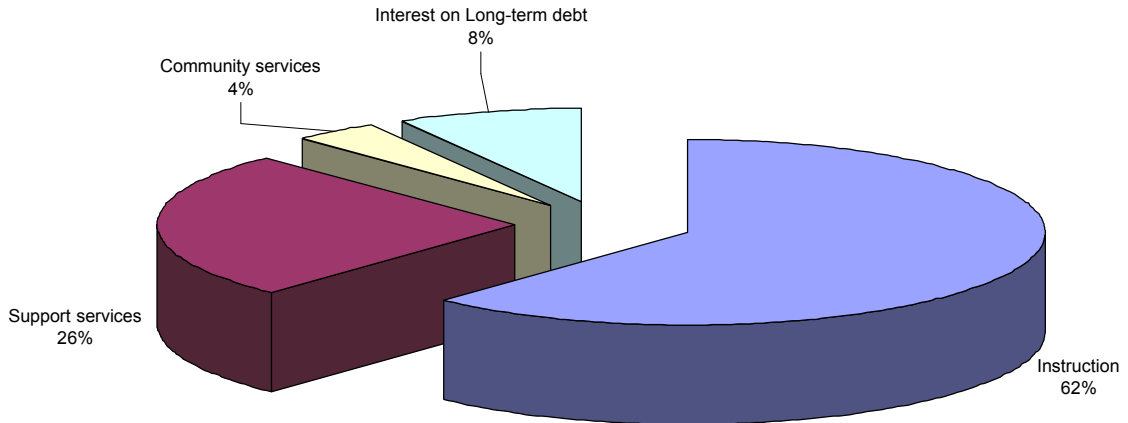
	Governmental Activities		Increase (Decrease)
	June 30, 2009	June 30, 2008	
Revenues:			
Program Revenues:			
Charges for services	\$ 791,377	\$ 937,220	\$ (145,843)
Operating grants and contributions	7,418,410	7,182,064	236,346
Capital Grants & Contributions	962,044	-	962,044
General Revenues:			
Property taxes	16,336,344	15,329,263	1,007,081
State school fund - general support	36,401,921	35,747,765	654,156
Other state and local sources	1,691,166	805,759	885,407
Earnings on investments	1,143,609	3,589,191	(2,445,582)
Other	76,511	60,338	16,173
Total Revenues	64,821,382	63,651,600	1,169,782
Expenses:			
Instruction	38,755,656	35,987,400	2,768,256
Support services	16,063,542	15,715,275	348,267
Community services	2,496,624	2,326,043	170,581
Interest on Long-term debt	5,183,486	5,193,645	(10,159)
Total Expenses	62,499,308	59,222,363	3,276,945
Increase (decrease) in net assets	2,322,074	4,429,237	(2,107,163)
Net assets - July 1	27,785,775	23,356,538	4,429,237
Net assets - June 30	<u>\$ 30,107,849</u>	<u>\$ 27,785,775</u>	<u>\$ 2,322,074</u>

- Total revenues increased by \$1.2 million, a 1.8 percent increase from the prior year.
- State school fund support increased by \$650,000 (1.8 percent) primarily due to enrollment increase.
- Property taxes increased by 1 million (6.6 percent) due to an increase assessed values in the district.
- Earnings on investments decreased by \$2.4 million (68 percent) as a result of the recession and because construction bond proceeds were spent down during the year.
- The increase in program revenues was due to a state capital grant in the amount of \$962,000.
- Expenditures increased by \$3.3 million, a 5.5% increase from the prior year. The largest increase was for instruction services in the amount of \$2.7 million, 7.7 percent as a result of contractual increases in salaries and benefits. Support services only increased by 2.2 percent. Cost cutting measures were taken to reduce supply and services spending to offset the reduction in state school support.

**McMinnville School District
Revenues by Source Governmental Activities
Year ended June 30, 2009**



**McMinnville School District
Expenses by Function - Governmental Activities
Year Ended June 30, 2009**



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, 2009, the District's governmental funds reported combined ending fund balances of \$11.3 million, a decrease of \$27.7 million compared with the prior year. The decrease in ending fund balance was primarily due to the expenditure of \$26.6 million towards construction bond projects.

General Fund. The General Fund is the primary operating fund of the District. As of June 30, 2009, the unreserved fund balance was \$5 million. The fund balance increased by \$201,763 during the current fiscal year. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. As of June 30, 2009, the ending fund balance represents 10 percent of total General Fund expenditures. It should be noted, as a part of the development of the annual budget, a portion of the estimated beginning fund balance is set aside to provide for potential revenue shortfalls may occur during the fiscal year. Spending measures were taken for the fiscal year ended June 30, 2009 after the state economic forecasts warned of a large state funding shortfall. A larger ending fund balance was planned to offset the expected decline in state funding for the 2009-11 biennium.

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, 2009 was \$1,209,549.

Debt Service Fund. The Debt Service Fund has a total fund balance of \$477,674, all of which is reserved for the payment of debt service.

Bond Construction Fund. The Bond Construction Fund accounts expenditures of capital projects of the District. During the 2008-09 fiscal year, the remaining \$26.5 million in construction bond funds were expended.

General Fund Budgetary Highlights

There were no changes to the adopted budget for the fiscal year ended June 30, 2009. All General Fund expenditures were within budgeted amounts.

Actual general fund revenues were \$1.5 million less than budgeted. State funding was lower by \$2.5 million as a result of a state funding cuts resulting from the downturn in the economy and its affect on state resources. Interest income was \$502,344 less than budget. Federal ARRA funds in the amount of \$1.3 million were received to offset the shortfall in state funding.

Actual expenditures including transfers out were \$5.7 million less than budgeted. The District curtailed hiring and trimmed spending budgets early in the year after receiving news of the economic downturn and its potential affect on state funding. Additionally, the District did not make the budgeted transfer of \$400,000 to asset reserve fund to help offset the revenue shortfall for the current and future years and the District did not need to appropriate the contingency of \$2.5 million to fund operations during the year.

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, 2009, 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, 2009 and 2008

	Governmental Activities		Increase (Decrease)
	June 30, 2009	June 30, 2008	
Land	\$ 3,972,911	\$ 3,967,196	\$ 5,715
Construction in Progress	19,466,070	36,621,980	(17,155,910)
Buildings and Improvements	74,691,374	30,401,656	44,289,721
Equipment	2,364,679	982,439	1,382,237
Total capital assets, net of accumulated depreciation	<u>\$ 100,495,034</u>	<u>\$ 71,973,271</u>	<u>\$ 28,521,763</u>

During fiscal year 2008-09 the District's investment in capital assets increased by \$28.5 million. The major capital asset events for the year ended June 30, 2009 included the completion of the majority of the construction bond projects which included a new elementary school, expansions and remodeling of three other elementary schools. As of June 30, 2009, the expansion of the high school was the remaining bond construction project in progress.

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 \$105 million consisting of general obligation debt and limited tax pension bonds net of unamortized premium/discount.

McMinnville School District - Outstanding Debt June 30, 2009 and 2008

	Governmental Activities		Increase (Decrease)
	June 30, 2009	June 30, 2008	
General obligation bonds	\$ 74,365,000	\$ 76,975,000	\$ (2,610,000)
Pension obligation bonds	28,959,870	29,182,498	(222,628)
Unamortized premium	1,777,471	1,871,203	(93,732)
Total bonds payable, net	<u>\$ 105,102,341</u>	<u>\$ 108,028,701</u>	<u>\$ (2,926,360)</u>

During the current fiscal year, the District's total debt decreased by \$2.9 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 \$326 million with outstanding general obligation debt of \$74 million, leaving \$252 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.

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, 2009 the State School Fund – General Support provided 75 percent of the District's General Fund program resources. Oregon's K-12 education budget for the 2009-11 biennium was set at a total of \$6.0 Billion compared to the original 2007-09 biennium budget of \$6.25 Billion, a four percent decrease. Of the \$6.0 billion state-wide appropriation, \$200 million is conditional upon the state achieving reserve targets. For the immediate future, state funding depends on two tax measures that will be put to vote in January of 2010. If these tax measures fail, the state will need to reconvene to rebalance the state budget.

The District budgeted conservatively for the 2009-10 school year expecting a slow economic recovery for the state of Oregon and its affect on K12 education. The spending plan for the 2009-10 fiscal year was based on the assumption that the state would not meet the reserve trigger and we would be funded at \$5.8 billion over the biennium. Concessions from employee groups were negotiated for cost of living freezes and step freezes with all but the teachers union. All employees will be paid five less days for 2009-10. There were significant cuts to licensed staff and class sizes were increased in order to balance the budget for 2009-10.

The District's Budget Committee and School Board have considered all these factors while preparing the District budget for the 2009-10 fiscal year. Additional consideration was taken to consider the possible effect of less funding in the second year of the biennium with additional costs when employee groups that took concessions would be restored for cost of living and step. The Board set a minimum of five percent for its General Fund as a contingency with the understanding that more reserve will be needed in the first year of the biennium to fund a possible decrease in revenues in the second year of the biennium.

Student enrollment is expected to grow slowly with at least a one percent to two percent annual growth. So far the downturn in the economy has not affected our student 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 No. 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, 2009

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 14,377,652
Accounts receivables	
Grants	1,501,579
Undistributed tax collections	338,338
Property taxes	1,290,536
Accounts	215,366
Bond issuance costs	627,088
Restricted cash and investments	13,539
Net pension asset	22,263,324
Capital assets, net	
Land	3,972,911
Construction in progress	19,466,070
Buildings and improvements	74,691,374
Equipment	<u>2,364,679</u>
Total Assets	<u><u>141,122,456</u></u>
Liabilities	
Accounts payable	60,345
Accrued payroll and payroll liabilities	3,082,636
Accrued interest payable	153,052
Deferred revenue	2,064,595
Other postemployment benefit obligation	551,638
Noncurrent liabilities, net of unamortized premium/discount:	
Due within one year	3,457,461
Due in more than one year	<u>101,644,880</u>
Total Liabilities	<u><u>111,014,607</u></u>
Net Assets	
Invested for capital assets, net of related debt	27,508,292
Restricted for debt service	477,674
Unrestricted	<u>2,121,883</u>
Total Net Assets	<u><u>\$ 30,107,849</u></u>

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

McMINNVILLE SCHOOL DISTRICT NO. 40
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instructional Programs	\$ 38,755,656	\$ 218,980	\$ 4,204,526	\$ -
Supporting services				
Pupil transportation	1,902,104	-	1,274,000	-
Other support services	14,161,438	-	276,004	-
Community services	2,496,624	572,397	1,663,880	962,044
Interest on long-term debt	5,183,486	-	-	-
Total Governmental Activities	\$ 62,499,308	\$ 791,377	\$ 7,418,410	\$ 962,044
General Revenues				
Property taxes levied for general purposes				9,817,089
Property taxes levied for debt service				6,519,255
State school fund - general support				34,481,538
State school fund - school improvement grant				1,920,383
Common school fund				408,543
County common school fund				59,906
Unrestricted state and local sources				1,282,623
Earnings on investments				1,143,609
(Loss) on disposition of fixed assets				(2,296)
Miscellaneous				18,901
Total general revenues				55,649,551
Change in Net Assets				2,322,074
Net Assets				
Beginning of year				27,785,775
End of year				\$ 30,107,849

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

McMINNVILLE SCHOOL DISTRICT NO. 40
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Grants Fund	Debt Service Fund	Bond Construction Fund	Other Governmental Funds	Totals
ASSETS AND OTHER DEBITS						
ASSETS						
Cash and Investments	\$ 9,064,951	\$ 1,578,721	\$ 317,659	\$ -	\$ 3,416,321	\$ 14,377,652
Receivables						
Grants	-	1,228,552	-	-	273,027	1,501,579
Undistributed Tax Collections	207,443	-	130,895	-	-	338,338
Property Taxes	787,348	-	503,188	-	-	1,290,536
Accounts	215,366	-	-	-	-	215,366
Due from Other Funds	-	1,690,193	400	21,275	930,617	2,642,485
Restricted Cash and Investments	-	-	-	-	13,539	13,539
	<u>\$ 10,275,108</u>	<u>\$ 4,497,466</u>	<u>\$ 952,142</u>	<u>\$ 21,275</u>	<u>\$ 4,633,504</u>	<u>\$ 20,379,495</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 35,795	\$ -	\$ -	\$ 21,275	\$ 3,275	\$ 60,345
Accrued Payroll and Payroll Liabilities	3,082,636	-	-	-	-	3,082,636
Due to Other Funds	1,323,155	1,223,322	-	-	96,008	2,642,485
Deferred Revenue	744,189	2,064,595	474,468	-	-	3,283,252
	<u>5,185,775</u>	<u>3,287,917</u>	<u>474,468</u>	<u>21,275</u>	<u>99,283</u>	<u>9,068,718</u>
FUND BALANCES						
Fund Balances						
Reserved for Debt Service	-	-	477,674	-	-	477,674
Reserved for Special Revenue Funds	-	1,209,549	-	-	4,534,221	5,743,770
Unreserved and Undesignated	5,089,333	-	-	-	-	5,089,333
	<u>5,089,333</u>	<u>1,209,549</u>	<u>477,674</u>	<u>-</u>	<u>4,534,221</u>	<u>11,310,777</u>
Total Fund Equity and Other Credits	<u>5,089,333</u>	<u>1,209,549</u>	<u>477,674</u>	<u>-</u>	<u>4,534,221</u>	<u>11,310,777</u>
Total Liabilities and Fund Equity	<u>\$ 10,275,108</u>	<u>\$ 4,497,466</u>	<u>\$ 952,142</u>	<u>\$ 21,275</u>	<u>\$ 4,633,504</u>	<u>\$ 20,379,495</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, 2009

Total Fund Balances \$ 11,310,777

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

Cost	\$ 122,380,379	
Accumulated depreciation	<u>(21,885,345)</u>	100,495,034

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. 1,218,657

The net pension asset is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds. 22,263,324

The unamortized portion of issuance costs is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds. 627,088

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	(153,052)	
Bonds payable	<u>(105,102,341)</u>	(105,255,393)

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. (551,638)

Total Net Assets \$ 30,107,849

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, 2009

	General	Grants Fund	Debt Service Fund	Bond Construction Fund	Other Governmental Funds	Total
Revenues						
Property Taxes	\$ 9,655,420	\$ -	\$ 6,399,291	\$ -	\$ -	\$ 16,054,711
Local Sources	1,485	358,630	-	-	1,995,429	2,355,544
Intermediate Sources	59,906	186,842	-	-	-	246,748
State Sources	37,133,390	951,074	-	-	67,829	38,152,293
Federal Sources	1,320,362	3,900,359	-	-	1,670,142	6,890,863
Charges for Services	218,980	26,005	-	-	572,398	817,383
Investment Earnings	247,656	15,477	42,023	-	853,930	1,159,086
Miscellaneous	20,601	-	-	-	-	20,601
Total Revenues	48,657,800	5,438,387	6,441,314	-	5,159,728	65,697,229
Expenditures						
Current						
Instruction	32,384,250	4,204,526	-	-	14,507	36,603,283
Support Services	15,945,800	276,004	-	-	31,581	16,253,385
Community Services	50,000	-	-	-	2,351,551	2,401,551
Facilities Acquisition and Construction	55,987	962,044	-	26,579,632	2,374,250	29,971,913
Debt Service						
Principal	-	-	2,610,000	-	222,628	2,832,628
Interest	-	-	3,814,807	-	1,466,888	5,281,695
Total Expenditures	48,436,037	5,442,574	6,424,807	26,579,632	6,461,405	93,344,455
Excess (Deficiency) of Revenues Over (Under) Expenditures	221,763	(4,187)	16,507	(26,579,632)	(1,301,677)	(27,647,226)
Other Financing Sources (Uses)						
Operating Transfers In	-	-	-	-	20,000	20,000
Operating Transfers (Out)	(20,000)	-	-	-	-	(20,000)
Total Other Sources (Uses)	(20,000)	-	-	-	20,000	-
Net Change in Fund Balance	201,763	(4,187)	16,507	(26,579,632)	(1,281,677)	(27,647,226)
Fund Balances						
Beginning of Year	4,935,736	1,219,394	461,167	26,579,632	5,834,966	39,030,895
Increase (Decrease) in Reserve for Inventory	(48,166)	(5,658)	-	-	(19,068)	(72,892)
End of Year	\$ 5,089,333	\$ 1,209,549	\$ 477,674	\$ -	\$ 4,534,221	\$ 11,310,777

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
June 30, 2009

Net Change in Fund Balance \$ (27,647,226)

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	\$ 30,456,569	
Less current year depreciation	<u>(1,930,810)</u>	28,525,759

A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net assets. However, only the sale proceeds are included in the change of fund balances. (3,996)

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: 2,832,628

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. 5,937

Change in Inventory is reserved in directly to fund balance in the governmental funds. In the statement of activities it expenses as used. (72,892)

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. 281,633

Early retirement incentives are recognized as an expenditure in the governmental fund when they are paid. In the Statement of Activities early retirement incentives are recognized as expenditures when earned. 45,098

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: (551,638)

Change in Net Assets \$ 2,322,074

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

McMINNVILLE SCHOOL DISTRICT NO. 40
 STATEMENT OF NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2009

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash and investments	\$ 134,746	\$ 463,108
Total Assets	<u>134,746</u>	<u>463,108</u>
Liabilities		
Due to student groups	<u>-</u>	<u>463,108</u>
Total Liabilities	<u>-</u>	<u>463,108</u>
Net Assets		
Held in trust for:		
Scholarships	<u>134,746</u>	<u>-</u>
Total Net Assets	<u><u>\$ 134,746</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
 June 30, 2009

	Private Purpose Trust Fund
Additions:	
Investment earnings	\$ 5,891
Contributions	468
	<hr/>
Total Additions	6,359
	<hr/>
Deductions:	
Scholarships	5,050
	<hr/>
Total Deductions	5,050
	<hr/>
Change in Net Assets	1,309
Net Assets	
Beginning of year	133,437
	<hr/>
Total Net Assets	<u>\$ 134,746</u>

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

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.

Bond Construction Fund - This fund is used for the accumulation of resources from general obligation bonds issued and payment on capital expenditures. Primary resources in this fund are 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.

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, there were no appropriation transfers or 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.

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.

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

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences (Continued)

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.

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.

Change in Accounting Principle

For the year ended June 30, 2009, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions."

This statement provides new guidance on accounting and financial reporting for "other post-employment benefits" (OPEB) accounted for in financial statements of plan sponsors and employers. OPEB refer to non-pension benefits provided after the termination of employment. One example of this type of benefit is healthcare premiums paid by employers on behalf of former employees. Governmental entities have traditionally accounted for OPEB on a pay-as-you-go basis. The guidance in this statement rests on the assumption that OPEB should be accrued as service is provided to employees.

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2009

1. Summary of Significant Accounting Policies (Continued)

Change in Accounting Principles (Continued)

The implementation of this standard did not change the net asset balance as of July 1, 2008 in the District's government-wide statements. The District is implementing this standard prospectively, meaning there is no OPEB liability accrued for past service at the date of transition. More information on these liabilities is included later in these notes.

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, 2009 consist of the following:

Petty Cash	\$ 100
Deposits With Financial Institutions	14,988,945
	<hr/>
	\$ 14,989,045
	<hr/> <hr/>

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

Statement of Net Assets	
Cash and Investments	\$ 14,377,652
Restricted Cash and Investments	13,539
Statement of Net Assets - Fiduciary Funds	
Cash and Investments - Private Purpose Trust	134,746
Cash and Investments - Agency Fund	463,108
	<hr/>
	\$ 14,989,045
	<hr/> <hr/>

Deposits

On June 30, 2009, the District held \$353,439 book balance in deposits with a bank balance of \$1,782,346. Insurance and collateral requirements for the deposits are established by banking regulations and Oregon law. All deposits are with financial institutions participated in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2009, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Coverage under the Transaction Account Guarantee Program is in addition to and separate from the coverage available under the FDIC's general deposit insurance rules. Consequently, the balance of \$1,782,346 is fully insured.

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. Time certificates of deposits (TCDs) are not exposed to custodial credit risk, as they are covered by FDIC insurance of \$151,711. The deposits are also covered by a multiple financial institution collateral pool (ORS 295.015) administered by the Oregon Office of the Treasurer.

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2009

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, 2009 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	9/30/2008	\$ 151,711
Oregon State Treasury Local Government Investment Pool	<u>4.9 months average</u>	<u>14,483,794</u>
		<u>\$ 14,635,505</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 \$151,711 was covered by Federal Depository Insurance.

As of June 30, 2009 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.

3. Capital Assets

Capital assets activity for the year was as follows:

	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
Capital assets not being depreciated:				
Construction in Progress	\$ 36,621,980	\$ 29,372,729	\$ 46,528,639	\$ 19,466,070
Land	<u>3,967,196</u>	<u>5,715</u>	<u>-</u>	<u>3,972,911</u>
Total Capital Assets not being depreciated	<u>40,589,176</u>	<u>29,378,444</u>	<u>46,528,639</u>	<u>23,438,981</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2009

3. Capital Assets (Continued)

Capital assets being depreciated:				
Buildings and improvements	49,306,112	45,972,354	-	95,278,466
Equipment	<u>2,094,112</u>	<u>1,634,410</u>	<u>65,590</u>	<u>3,662,932</u>
Total capital assets being depreciated	51,400,224	47,606,764	65,590	98,941,398
Less accumulated depreciation for:				
Buildings and improvements	(18,904,455)	(1,682,635)	-	(20,587,090)
Equipment	<u>(1,111,674)</u>	<u>(248,174)</u>	<u>(61,593)</u>	<u>(1,298,255)</u>
Total accumulated depreciation	<u>(20,016,129)</u>	<u>(1,930,809)</u>	<u>(61,593)</u>	<u>(21,885,345)</u>
Total capital assets being depreciated, net	<u>31,384,095</u>	<u>45,675,955</u>	<u>3,997</u>	<u>77,056,053</u>
Total capital assets, net	<u>\$ 71,973,271</u>	<u>\$ 75,054,399</u>	<u>\$ 46,532,636</u>	<u>\$ 100,495,034</u>

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

Program	
Instructional programs	\$ 1,814,395
Supporting services	41,750
Community services	<u>74,664</u>
	<u>\$ 1,930,809</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.

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, 2009 is as follows:

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2009

4. Long-Term Debt (Continued)

General Long-Term Debt (Continued)

Issue Date	Issue Amount	Outstanding July 1, 2008	Issued	Matured and Redeemed	Outstanding June 30, 2009	Interest Rates
06/01/97	\$ 29,760,000	\$ 1,670,000	\$ -	\$ 1,670,000	\$ -	4.00-4.80%
09/01/01	16,675,000	13,305,000	-	-	13,305,000	4.40-5.60%
06/14/07	62,000,000	62,000,000	-	940,000	61,060,000	4.50 -5.55%
10/31/02	16,044,243	15,467,498	-	207,628	15,259,870	2.06 - 6.10%
02/19/04	13,715,000	13,715,000	-	15,000	13,700,000	5.39 - 5.528%
		<u>106,157,498</u>	<u>-</u>	<u>2,832,628</u>	<u>103,324,870</u>	
Unamortized premium/(discount)		<u>1,871,203</u>	<u>-</u>	<u>(93,732)</u>	<u>1,777,471</u>	
Total General Obligation Bonds and Pension Obligation Bonds		108,028,701	-	2,738,896	105,102,341	
Other Post Employment Benefits Payable		<u>45,098</u>	<u>-</u>	<u>45,098</u>	<u>-</u>	
		<u>\$ 108,073,799</u>	<u>\$ -</u>	<u>\$ 2,783,994</u>	<u>\$ 105,102,341</u>	

Future maturities are as follows:

Fiscal Year	Principal	Interest
2009-2010	\$ 3,363,729	\$ 5,169,486
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
2014-2019	21,971,963	20,095,269
2019-2024	27,100,721	13,568,437
2024-2028	<u>32,235,000</u>	<u>4,191,437</u>
Total	<u>\$ 103,324,870</u>	<u>\$ 62,389,398</u>

5. Interfund Receivables & Payables

	Due From Other Funds	Due to Other Funds
Major Government Funds		
General Fund	\$ -	\$ 1,323,155
Grants Fund	1,690,193	1,223,322
Debt Service	400	-
Bond Construction Fund	21,275	-

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2009

5. Interfund Receivables & Payables (Continued)

Nonmajor Funds	
School Nutrition Fund	- 96,008
PERS Debt Service Fund	112,682 -
Construction Earnings Fund	817,935 -
	<u>817,935</u>
	<u>\$ 2,642,485</u>
	<u>\$ 2,642,485</u>

6. 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.

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, 2008 for Tier I / Tier II and OPSRP employees are 6.99% and 9.26%.

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 5.85% of covered payroll.

Contribution information for the years ending June 30, 2009, 2008, and 2007 is as follows:

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2009

6. Pension Plan (Continued)

Year Ended June 30,	Employer Contributions		Employee Contributions		Total Contribution
	Annual Pension Costs (APC)	Percentages of APC Contributed	Paid by Employer	Paid by Employee	
2009	\$ 2,345,053	100%	\$ 1,321,147	\$ 467,624	\$ 4,133,824
2008	2,213,381	100%	-	1,743,083	3,956,464
2007	1,499,793	100%	-	1,628,725	3,128,518

7. Net Pension Asset

As a result of the issuance of the limited tax pension obligations bonds discussed in Notes 4 and 6, 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 \$6,573,779. Annual amortization is being calculated on a straight-line basis over the life of the pension obligation bonds.

8. 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.

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:

Annual required contribution	\$ 1,810,915
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>1,810,915</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2009

8. Other Post Employment Benefits (Continued)

Early Retirement (Continued)

Contributions made	<u>1,259,277</u>
Increase in net OPEB obligation	<u>551,638</u>
Net OPEB obligation -- beginning of year	<u>-</u>
Net OPEB obligation -- end of year	<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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 1,810,915	\$ 1,259,277	70%	\$ 551,638

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.

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.

8. Other Post Employment Benefits (Continued)

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, 2009, 246 employees were participating in the plan.

9. 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.

10. 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

McMINNVILLE SCHOOL DISTRICT NO. 40
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2009

	Budget		Actual	Variance
	Adopted	Final		Favorable (Unfavorable)
Revenue				
Revenues from Local Sources				
Property Taxes				
Current Year	\$ 9,100,000	\$ 9,100,000	\$ 9,352,209	\$ 252,209
Prior Year	350,000	350,000	303,211	(46,789)
Other Interest	11,699	11,699	1,485	(10,214)
Tuition	115,300	115,300	89,903	(25,397)
Earnings on Investments	750,000	750,000	247,656	(502,344)
Extracurricular Activities	97,000	97,000	129,077	32,077
Rentals	7,000	7,000	11,102	4,102
Miscellaneous Local Sources	20,000	20,000	9,499	(10,501)
Total Local Revenues	<u>10,450,999</u>	<u>10,450,999</u>	<u>10,144,142</u>	<u>(306,857)</u>
Revenue from Intermediate Sources				
County School Fund	61,000	61,000	59,906	(1,094)
Revenues from State Sources				
State School Fund Support	37,685,849	37,685,849	34,804,464	(2,881,385)
State School Improvement Grant	1,473,500	1,473,500	1,920,383	446,883
Common School Fund	470,031	470,031	408,543	(61,488)
Total State Revenues	<u>39,629,380</u>	<u>39,629,380</u>	<u>37,133,390</u>	<u>(2,495,990)</u>
Revenues from Federal Sources				
State Fiscal Stabilization Fund - ARRA	-	-	1,270,345	1,270,345
Child Care and Development Fund	25,000	25,000	21,736	(3,264)
Child Care Food Program	-	-	5,456	5,456
Migrant Education Program	-	-	22,825	22,825
Total Federal Revenues	<u>25,000</u>	<u>25,000</u>	<u>1,320,362</u>	<u>1,295,362</u>
Total Revenues	<u>50,166,379</u>	<u>50,166,379</u>	<u>48,657,800</u>	<u>(1,508,579)</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - (Continued)
Year Ended June 30, 2009

	Budget		Actual	Variance Favorable (Unfavorable)
	Adopted	Final		
Expenditures				
Instruction				
Salaries	21,516,467	21,516,467	20,725,065	791,402
Associated Payroll Costs	10,395,613	10,395,613	9,992,942	402,671
Purchased Services	706,616	706,616	423,615	283,001
Supplies and Materials	1,241,184	1,241,184	1,228,513	12,671
Capital Outlay	287,911	287,911	7,519	280,392
Other Objects	5,977	5,977	6,596	(619)
Total Instruction *	<u>34,153,768</u>	<u>34,153,768</u>	<u>32,384,250</u>	<u>1,769,518</u>
Support Services				
Salaries	7,636,533	7,636,533	7,273,848	362,685
Associated Payroll Costs	4,274,819	4,274,819	4,125,582	149,237
Purchased Services	4,156,232	4,156,232	3,838,900	317,332
Supplies and Materials	490,738	490,738	407,233	83,505
Capital Outlay	77,040	77,040	-	77,040
Other Objects	307,249	307,249	300,237	7,012
Total Support Services *	<u>16,942,611</u>	<u>16,942,611</u>	<u>15,945,800</u>	<u>996,811</u>
Enterprise and Community Services				
Purchased Services	50,000	50,000	50,000	-
Facilities Acquisition and Construction				
Capital Outlay	150,000	150,000	55,987	94,013
Total Facilities Acquisition and Construction *	<u>150,000</u>	<u>150,000</u>	<u>55,987</u>	<u>94,013</u>
Operating Contingency *	2,450,000	2,450,000	-	2,450,000
Total Expenditures	<u>53,746,379</u>	<u>53,746,379</u>	<u>48,436,037</u>	<u>5,310,342</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,580,000)	(3,580,000)	221,763	3,801,763
Other Financing Sources (Uses)				
Operating Transfers out	(420,000)	(420,000)	(20,000)	400,000
Total Other Financing Sources (Uses) *	<u>(420,000)</u>	<u>(420,000)</u>	<u>(20,000)</u>	<u>400,000</u>
Excess (Deficiency) of revenues Over (Under) Expenditures and Other Uses	(4,000,000)	(4,000,000)	201,763	4,201,763
Fund Balance				
Beginning of Year	5,000,000	5,000,000	4,935,736	(64,264)
Decrease in Inventory	-	-	(48,166)	(48,166)
End of Year	<u>\$ 1,000,000</u>	<u># \$ 1,000,000</u>	<u>\$ 5,089,333</u>	<u>\$ 4,089,333</u>

* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40
GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2009

	Budget		Actual	Variance Favorable (Unfavorable)
	Adopted	Final		
Revenues				
Local Sources	\$ 430,842	\$ 430,842	\$ 400,112	\$ (30,730)
Intermediate Sources	168,207	168,207	186,842	18,635
State Sources	139,145	139,145	951,074	811,929
Federal Sources	4,583,854	4,583,854	3,900,359	(683,495)
Total Revenues	5,322,048	5,322,048	5,438,387	116,339
Expenditures				
Instruction				
Salaries	3,208,138	3,208,138	2,260,916	947,222
Associated Payroll Cost	1,046,697	1,046,697	1,001,073	45,624
Purchased Services	405,760	405,760	613,232	(207,472)
Supplies and Materials	592,117	592,117	317,871	274,246
Capital Outlay	459,215	459,215	11,134	448,081
Other Objects	2,500	2,500	300	2,200
Total Instruction *	5,714,427	5,714,427	4,204,526	1,509,901
Support Services				
Salaries	190,406	190,406	155,206	35,200
Associated Payroll Cost	29,380	29,380	41,336	(11,956)
Purchased Services	71,285	71,285	53,135	18,150
Supplies and Materials	11,100	11,100	26,327	(15,227)
Capital Outlay	100,000	100,000	-	100,000
Total Support Services *	402,171	402,171	276,004	126,167
Facilities Acquisition and Construction				
Capital Outlay	975,000	975,000	962,044	12,956
Total Facilities Acquisition and Construction	975,000	975,000	962,044	12,956
Total Expenditures	7,091,598	7,091,598	5,442,574	1,649,024
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,769,550)	(1,769,550)	(4,187)	1,765,363
Other Financing Sources				
Operating Transfer in	200,000	200,000	-	(200,000)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(1,569,550)	(1,569,550)	(4,187)	1,565,363
Fund Balances				
Beginning of Year	1,569,550	1,569,550	1,219,394	(350,156)
Decrease in reserve for Inventory	-	-	(5,658)	(5,658)
End of Year	\$ -	\$ -	\$ 1,209,549	\$ 1,209,549

* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2009

	Budget		Actual	Variance Favorable (Unfavorable)
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Property Taxes				
Current Year	\$ 6,575,000	\$ 6,575,000	\$ 6,223,386	\$ (351,614)
Prior Year	125,000	125,000	175,905	50,905
Earnings on Investments	125,000	125,000	42,023	(82,977)
Total Revenues	<u>6,825,000</u>	<u>6,825,000</u>	<u>6,441,314</u>	<u>(383,686)</u>
Expenditures				
Debt Service *				
Purchased Services	175,000	175,000	-	175,000
Redemption of Principal	2,610,000	2,610,000	2,610,000	-
Interest	3,816,751	3,816,751	3,814,807	1,944
Total Expenditures	<u>6,601,751</u>	<u>6,601,751</u>	<u>6,424,807</u>	<u>176,944</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>223,249</u>	<u>223,249</u>	<u>16,507</u>	<u>(206,742)</u>
Fund Balance				
Beginning of Year	<u>500,000</u>	<u>500,000</u>	<u>461,167</u>	<u>(38,833)</u>
End of Year	<u>\$ 723,249</u>	<u>\$ 723,249</u>	<u>\$ 477,674</u>	<u>\$ (245,575)</u>

* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40
 BOND CONSTRUCTION FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2009

	Budget		Actual	Variance Favorable (Unfavorable)
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Earnings on Investments	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Facilities Acquisition and Construction				
Purchased services	1,175,000	1,175,000	-	1,175,000
Capital Outlay	34,825,000	34,825,000	26,579,632	8,245,368
Total Facilities Acquisition and Construction *	36,000,000	36,000,000	26,579,632	9,420,368
Excess (Deficiency) of Revenues Over (Under) Expenditures	(36,000,000)	(36,000,000)	(26,579,632)	9,420,368
Fund Balance				
Beginning of Year	36,000,000	36,000,000	26,579,632	(9,420,368)
End of Year	\$ -	\$ -	\$ -	\$ -

* Legally adopted appropriation level - Not a budget violation.

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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.

McMINNVILLE SCHOOL DISTRICT NO. 40
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2009

	Insurance Reserve	Asset Reserve	School Nutrition Fund	PERS Debt Service Fund	Construction Earnings Fund	Construction Excise Tax Fund	Total
ASSETS							
Cash and Investments	\$ 733,821	\$ 1,722,042	\$ 55,880	\$ -	\$ 781,124	\$ 123,454	\$ 3,416,321
Receivables							
Grants	-	-	273,027	-	-	-	273,027
Due From Other Funds	-	-	-	112,681	817,936	-	930,617
Restricted Cash and Investments	-	-	-	13,539	-	-	13,539
Total Assets	\$ 733,821	\$ 1,722,042	\$ 328,907	\$ 126,220	\$ 1,599,060	\$ 123,454	\$ 4,633,504
LIABILITIES AND FUND EQUITY							
Liabilities							
Accounts Payable	\$ -	\$ 165	\$ 3,101	\$ -	\$ -	\$ 9	\$ 3,275
Due to Other Funds	-	-	96,008	-	-	-	96,008
Total Liabilities	-	165	99,109	-	-	9	99,283
Fund Equity							
Fund Balances							
Unreserved Fund Balance	733,821	1,721,877	229,798	126,220	1,599,060	123,445	4,534,221
Total Fund Equity	733,821	1,721,877	229,798	126,220	1,599,060	123,445	4,534,221
Total Liabilities and Fund Equity	\$ 733,821	\$ 1,722,042	\$ 328,907	\$ 126,220	\$ 1,599,060	\$ 123,454	\$ 4,633,504

McMINNVILLE SCHOOL DISTRICT NO. 40
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2009

	Insurance Reserve	Asset Reserve	School Nutrition Fund	PERS Debt Service Fund	Construction Earnings Fund	Construction Excise Tax Fund	Total
Revenues							
Local Sources	\$ 20,393	\$ 208,301	\$ 584,125	\$ 1,744,193	\$ 784,683	\$ 80,062	\$ 3,421,757
State Sources	-	67,829	-	-	-	-	67,829
Federal Sources	6,262	-	1,663,880	-	-	-	1,670,142
Total Revenues	26,655	276,130	2,248,005	1,744,193	784,683	80,062	5,159,728
Expenditures							
Current							
Instruction	14,507	-	-	-	-	-	14,507
Support Services	21,810	9,771	-	-	-	-	31,581
Enterprise and Community Services	-	-	2,351,551	-	-	-	2,351,551
Facilities Acquisition and Construction	-	418,264	-	-	1,954,885	1,101	2,374,250
Debt Service	-	-	-	1,689,516	-	-	1,689,516
Total Expenditures	36,317	428,035	2,351,551	1,689,516	1,954,885	1,101	6,461,405
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,662)	(151,905)	(103,546)	54,677	(1,170,202)	78,961	(1,301,677)
Other Financing Sources (Uses)							
Operating Transfer In (Out)	-	-	20,000	-	-	-	20,000
Total Other Sources (Uses)	-	-	20,000	-	-	-	20,000
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(9,662)	(151,905)	(83,546)	54,677	(1,170,202)	78,961	(1,281,677)
Fund Balances							
Beginning of Year	743,483	1,873,782	332,412	71,543	2,769,262	44,484	5,834,966
(Decrease) in Reserve for Inventory	-	-	(19,068)	-	-	-	(19,068)
End of Year	\$ 733,821	\$ 1,721,877	\$ 229,798	\$ 126,220	\$ 1,599,060	\$ 123,445	\$ 4,534,221

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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
NON-GAAP BASIS
Year Ended June 30, 2009

	Budget		Actual	Variance Favorable (Unfavorable)
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Earnings on Investments	\$ 40,500	\$ 40,500	\$ 16,640	\$ (23,860)
Recovery of Prior Years' Expenditure	15,000	15,000	-	(15,000)
Miscellaneous	-	-	3,753	3,753
Total Local Sources	<u>55,500</u>	<u>55,500</u>	<u>20,393</u>	<u>(35,107)</u>
Federal Sources	-	-	6,262	6,262
Total Revenues	<u>55,500</u>	<u>55,500</u>	<u>26,655</u>	<u>(28,845)</u>
Expenditures				
Instruction				
Supplies and Materials	300,000	300,000	14,507	285,493
Capital Outlay	300,000	300,000	-	300,000
Total Instruction*	<u>600,000</u>	<u>600,000</u>	<u>14,507</u>	<u>585,493</u>
Support Services				
Associated Payroll Cost	7,500	7,500	11,204	(3,704)
Purchased Services	165,000	165,000	10,606	154,394
Supplies and Materials	3,000	3,000	-	3,000
Capital Outlay	50,000	50,000	-	50,000
Other Objects	50,000	50,000	-	50,000
Total Support Services *	<u>275,500</u>	<u>275,500</u>	<u>21,810</u>	<u>253,690</u>
Total Expenditures	<u>875,500</u>	<u>875,500</u>	<u>36,317</u>	<u>839,183</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(820,000)	(820,000)	(9,662)	810,338
Fund Balance				
Beginning of Year	<u>820,000</u>	<u>820,000</u>	<u>743,483</u>	<u>(76,517)</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 733,821</u>	<u>\$ 733,821</u>

* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40
ASSET RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2009

	Budget		Actual	Variance Favorable (Unfavorable)
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Earnings on Investments	\$ 90,000	\$ 90,000	\$ 38,520	\$ (51,480)
Lease	12,000	12,000	11,828	(172)
Donated Land	-	-	6,030	6,030
Recovery of Prior Years' Expenditure	-	-	838	838
Miscellaneous Local Sources	5,000	5,000	151,085	146,085
Total Local Sources	107,000	107,000	208,301	101,301
State Sources	-	-	67,829	67,829
Total Revenues	107,000	107,000	276,130	169,130
Expenditures				
Support Services				
Purchased Services	-	-	3,477	(3,477)
Supplies and Materials	10,000	10,000	763	9,237
Capital Outlay	-	-	1,388	(1,388)
Other Objects	4,000	4,000	4,143	(143)
Total Support Services *	14,000	14,000	9,771	4,229
Facilities Acquisition and Construction				
Purchased services	200,000	200,000	39,315	160,685
Supplies and Materials	62,500	62,500	375	62,125
Capital Outlay	1,850,500	1,850,500	378,574	1,471,926
Total Facilities Acquisition and Construction *	2,113,000	2,113,000	418,264	1,694,736
Total Expenditures	2,127,000	2,127,000	428,035	1,698,965
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,020,000)	(2,020,000)	(151,905)	1,868,095
Other Financing Sources				
Operating Transfer in	200,000	200,000	-	(200,000)
Total Other Sources *	200,000	200,000	-	(200,000)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(1,820,000)	(1,820,000)	(151,905)	1,668,095
Fund Balance				
Beginning of Year	1,820,000	1,820,000	1,873,782	53,782
End of Year	\$ -	\$ -	\$ 1,721,877	\$ 1,721,877

* 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
NON-GAAP BASIS
Year Ended June 30, 2009

	Budget		Actual	Variance Favorable (Unfavorable)
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Sales	\$ 845,534	\$ 845,534	\$ 572,397	\$ (273,137)
Miscellaneous Local Sources	20,100	20,100	11,728	(8,372)
Total Local Sources	<u>865,634</u>	<u>865,634</u>	<u>584,125</u>	<u>(281,509)</u>
Revenues from Federal Sources				
National School Lunch Program	1,550,000	1,550,000	1,558,851	8,851
U.S.D.A. Donated Commodities	47,000	47,000	105,029	58,029
Total Federal Sources	<u>1,597,000</u>	<u>1,597,000</u>	<u>1,663,880</u>	<u>66,880</u>
Total Revenues	<u>2,462,634</u>	<u>2,462,634</u>	<u>2,248,005</u>	<u>(214,629)</u>
Expenditures				
Enterprise and Community Services *				
Salaries	767,480	767,480	737,419	30,061
Associated Payroll Cost	427,798	427,798	432,853	(5,055)
Purchased Services	140,837	140,837	23,343	117,494
Supplies and Materials	1,325,869	1,325,869	1,035,665	290,204
Capital Outlay	359,000	359,000	119,476	239,524
Other Objects	2,500	2,500	2,795	(295)
Total Expenditures	<u>3,023,484</u>	<u>3,023,484</u>	<u>2,351,551</u>	<u>671,933</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(560,850)	(560,850)	(103,546)	457,304
Other Financing Sources *				
Operating Transfer in	140,000	140,000	20,000	(120,000)
Total Other Financing Sources	140,000	140,000	20,000	(120,000)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(420,850)	(420,850)	(83,546)	337,304
Fund Balance				
Beginning of Year	420,850	420,850	332,412	(88,438)
(Decrease) in Reserve for Inventory	-	-	(19,068)	(19,068)
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,798</u>	<u>\$ 229,798</u>

* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40
PERS DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NON-GAAP BASIS
Year Ended June 30, 2009

	Budget		Actual	Variance Favorable (Unfavorable)
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Earnings on Investments	\$ 25,000	\$ 25,000	\$ 12,248	\$ (12,752)
Services Provided to Other Funds	1,300,000	1,300,000	1,731,945	431,945
Total Revenues	1,325,000	1,325,000	1,744,193	419,193
Expenditures				
Debt Service *				
Purchased Services	30,484	30,484	-	30,484
Redemption of Principal	222,628	222,628	222,628	-
Interest	1,466,888	1,466,888	1,466,888	-
Total Debt Service	1,720,000	1,720,000	1,689,516	30,484
Excess (Deficiency) of Revenues Over (Under) Expenditures	(395,000)	(395,000)	54,677	449,677
Fund Balance				
Beginning of Year	395,000	395,000	71,543	(323,457)
End of Year	\$ -	\$ -	\$ 126,220	\$ 126,220

* Legally adopted appropriation level

McMINNVILLE SCHOOL DISTRICT NO. 40
CONSTRUCTION EARNINGS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NON-GAAP BASIS
Year Ended June 30, 2009

	Budget		Actual	Variance Favorable (Unfavorable)
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Earnings on Investments	\$ 2,500,000	\$ 2,500,000	\$ 784,683	\$ (1,715,317)
Total Revenues	<u>2,500,000</u>	<u>2,500,000</u>	<u>784,683</u>	<u>(1,715,317)</u>
Expenditures				
Facilities Acquisition and Construction *				
Purchased services	-	-	1,000	(1,000)
Capital Outlay	<u>5,000,000</u>	<u>5,000,000</u>	<u>1,953,885</u>	<u>3,046,115</u>
Facilities Acquisition and Construction *	<u>5,000,000</u>	<u>5,000,000</u>	<u>1,954,885</u>	<u>3,045,115</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,500,000)	(2,500,000)	(1,170,202)	1,329,798
Fund Balance				
Beginning of Year	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,769,262</u>	<u>269,262</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,599,060</u>	<u>\$ 1,599,060</u>

* 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
NON-GAAP BASIS
Year Ended June 30, 2009

	Budget		Actual	Variance Favorable (Unfavorable)
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Excise tax	\$ -	\$ -	\$ 78,223	\$ 78,223
Miscellaneous Local Sources	500,000	500,000	-	(500,000)
Earnings on Investments	-	-	1,839	1,839
Total Revenues	<u>500,000</u>	<u>500,000</u>	<u>80,062</u>	<u>(419,938)</u>
Expenditures				
Facilities Acquisition and Construction				
Purchased Services	-	-	1,101	(1,101)
Capital Outlay	300,000	300,000	-	300,000
Total Facilities Acquisition and Construction *	<u>300,000</u>	<u>300,000</u>	<u>1,101</u>	<u>298,899</u>
Operating Contingency *	250,000	250,000	-	250,000
Total Expenditures	<u>550,000</u>	<u>550,000</u>	<u>1,101</u>	<u>548,899</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,000)	(50,000)	78,961	128,961
Fund Balance				
Beginning of the Year	<u>50,000</u>	<u>50,000</u>	<u>44,484</u>	<u>(5,516)</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,445</u>	<u>\$ 123,445</u>

* Legally adopted appropriation level - not a budget violation

MCMINNVILLE SCHOOL DISTRICT NO. 40
PRIVATE PURPOSE TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-GAAP BASIS
Year Ended June 30, 2009

	Budget		Actual	Variance Favorable (Unfavorable)
	Adopted	Final		
Revenues				
Revenues from Local Sources				
Earnings on Investments	\$ 6,840	\$ 6,840	\$ 5,891	\$ (949)
Contributions	-	-	468	468
Total Revenues	<u>6,840</u>	<u>6,840</u>	<u>6,359</u>	<u>(481)</u>
Expenditures				
Support Services *				
Purchased Services	<u>16,000</u>	<u>16,000</u>	<u>5,050</u>	<u>10,950</u>
Operating Contingencies *	<u>128,270</u>	<u>128,270</u>	<u>-</u>	<u>128,270</u>
Total Expenditures	<u>144,270</u>	<u>144,270</u>	<u>5,050</u>	<u>139,220</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(137,430)	(137,430)	1,309	138,739
Fund Balances				
Beginning of Year	<u>137,430</u>	<u>137,430</u>	<u>133,437</u>	<u>(3,993)</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,746</u>	<u>\$ 134,746</u>

* Legally adopted appropriation level

OTHER FINANCIAL SCHEDULES

McMINNVILLE SCHOOL DISTRICT NO. 40
SCHEDULE OF PROPERTY TAX TRANSACTIONS
Year Ended June 30, 2009

<u>Tax Roll Year</u>	<u>Beginning Balance and 2008-2009 Tax Levy</u>	<u>Less Discounts</u>	<u>Net Adjustments</u>	<u>Collections</u>	<u>Balance June 30, 2009</u>
2008-2009	\$ 16,772,551	\$ 405,199	\$ (64,439)	\$ 15,488,579	\$ 814,334
2007-2008	641,801	-	(27,487)	345,930	268,384
2006-2007	150,012	-	(1,673)	63,796	84,543
2005-2006	85,086	-	(1,195)	48,363	35,528
2004-2005	30,728	-	(882)	17,119	12,727
Prior	83,463	-	(1,921)	6,523	75,019
	<u>\$ 17,763,641</u>	<u>\$ 405,199</u>	<u>\$ (97,597)</u>	15,970,310	<u>\$ 1,290,535</u>

Interest	66,863
Offsets and other adjustments	(274)
Undistributed tax collections, June 30, 2009	71,880
Undistributed tax collections, June 30, 2008	<u>(54,068)</u>

Revenue Turned Over to District \$ 16,054,711

	<u>General Fund</u>	<u>Debt Sevice Fund</u>	<u>Total Revenue</u>
Current Year's Taxes	\$ 9,352,209	\$ 6,223,386	\$ 15,575,595
Prior Year's Taxes	<u>303,211</u>	<u>175,905</u>	<u>479,116</u>
Revenue Turned Over to District	<u>\$ 9,655,420</u>	<u>\$ 6,399,291</u>	<u>\$ 16,054,711</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
SCHEDULE OF BOND, BOND INTEREST
TRANSACTIONS AND BALANCES
Year Ended June 30, 2009

Issue Date	General Obligation Bonds Payable			Balance June 30, 2009
	Balance July 1, 2008	Issued	Redeemed	
June 1, 1997	\$ 1,670,000	\$ -	\$ 1,670,000	\$ -
September 1, 2001 - Refunding Bonds	13,305,000	-	-	13,305,000
October 31, 2002 - PERS Bonds	15,467,498	-	207,628	15,259,870
February 19, 2004 - PERS Bonds	13,715,000	-	15,000	13,700,000
June 1, 2007 - General Obligation Bonds	62,000,000	-	940,000	61,060,000
	<u>\$ 106,157,498</u>	<u>\$ -</u>	<u>\$ 2,832,628</u>	<u>\$ 103,324,870</u>

Issue Date	Matured Bonds and Interest Payable			Balance June 30, 2009
	Balance July 1, 2008	Matured	Redeemed or Paid	
Principal:				
August 15, 1975	\$ 1,775	\$ -	\$ 1,775	\$ -
February 1, 1979	155	-	155	-
June 1, 1997	-	1,670,000	1,670,000	-
September 1, 2001 - Refunding Bonds	-	-	-	-
October 31, 2002 - PERS Bonds	-	207,628	207,628	-
February 19, 2004 - PERS Bonds	-	15,000	15,000	-
June 1, 2007 - General Obligation Bonds	-	940,000	940,000	-
Total Principal	<u>1,930</u>	<u>2,832,628</u>	<u>2,834,558</u>	<u>-</u>
Interest:				
June 1, 1997	-	100,200	100,200	-
September 1, 2001 - Refunding Bonds	-	701,144	701,144	-
October 31, 2002 - PERS Bonds	-	727,835	727,835	-
February 19, 2004 - PERS Bonds	-	739,053	739,053	-
June 1, 2007 - General Obligation Bonds	-	3,014,993	3,014,993	-
Total Interest	<u>-</u>	<u>5,283,225</u>	<u>5,283,225</u>	<u>-</u>
Totals	<u>\$ 1,930</u>	<u>\$ 8,115,853</u>	<u>\$ 8,117,783</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>
2009 - 2010	\$ 3,363,729	\$ 5,169,486	\$ 8,533,215
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
Thereafter	81,307,684	37,855,143	119,162,827
	<u>\$ 103,324,870</u>	<u>\$ 62,389,398</u>	<u>\$ 165,714,268</u>

February 19, 2004 PERS Bonds

Original Issue: \$ 13,715,000

<u>Fiscal Year</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009 - 2010	6/30/2010	5.390%	\$ 60,000	\$ 738,503	\$ 798,503
2010 - 2011	6/30/2011	5.390%	105,000	736,027	841,027
2011 - 2012	6/30/2012	5.390%	155,000	731,406	886,406
2012 - 2013	6/30/2013	5.390%	210,000	724,296	934,296
2013 - 2014	6/30/2014	3.666%	270,000	714,272	984,272
Thereafter		4.127-5.528%	12,900,000	6,410,675	19,310,675
			<u>\$ 13,700,000</u>	<u>\$ 10,055,179</u>	<u>\$ 23,755,179</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>
2009 - 2010	6/15/2010	4.000%	\$ 1,615,000	\$ 701,144	\$ 2,316,144
2010 - 2011	6/15/2011	4.000%	1,685,000	634,525	2,319,525
2011 - 2012	6/15/2012	4.000%	1,775,000	550,275	2,325,275
2012 - 2013	6/15/2013	4.000%	1,885,000	452,650	2,337,650
2013 - 2014	6/15/2014	4.000%	2,000,000	348,975	2,348,975
Thereafter		4.5 - 5.5%	4,345,000	361,900	4,706,900
			<u>\$ 13,305,000</u>	<u>\$ 3,049,469</u>	<u>\$ 16,354,469</u>

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

October 31, 2002 PERS Bonds

Original Issue: \$ 16,044,243

<u>Fiscal Year</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009 - 2010	6/30/2010	3.100%	\$ 233,729	\$ 756,733	\$ 990,462
2010 - 2011	6/30/2011	3.500%	251,484	788,979	1,040,463
2011 - 2012	6/30/2012	3.950%	272,976	827,487	1,100,463
2012 - 2013	6/30/2013	4.260%	286,877	868,585	1,155,462
2013 - 2014	6/30/2014	4.550%	302,120	918,343	1,220,463
Thereafter		4.55 - 5.55%	13,912,684	9,923,634	23,836,318
			<u>\$ 15,259,870</u>	<u>\$ 14,083,761</u>	<u>\$ 29,343,631</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>
2009 - 2010	6/30/2010	4.500%	\$ 1,455,000	\$ 2,973,106	\$ 4,428,106
2010 - 2011	6/30/2011	4.500%	1,850,000	2,907,131	4,757,131
2011 - 2012	6/30/2012	4.500%	2,180,000	2,823,881	5,003,881
2012 - 2013	6/30/2013	4.500%	2,525,000	2,725,781	5,250,781
2013 - 2014	6/30/2014	4.500%	2,900,000	2,612,156	5,512,156
Thereafter		4.50 - 5.25%	50,150,000	21,158,934	71,308,934
			<u>\$ 61,060,000</u>	<u>\$ 35,200,989</u>	<u>\$ 96,260,989</u>

SUPPLEMENTAL INFORMATION, 2008-2009

School District Business Managers and Auditors:

This page is a required part of your annual audited financial statements. Please make sure it is included.

Parts A is needed for computing Oregon's full allocation for ESEA, Title I & other Federal Funds for Education.

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

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

	Objects 325 & 326
Function 2540	\$ 888,759
Function 2550	\$ -0-

B. Replacement of 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
 1140 Pre-Kindergarten
 1300 Continuing Education
 1400 Summer School

Exclude these functions:

4150 Construction
 2550 Pupil Transportation
 3100 Food Service
 3300 Community Services

\$ -0-

McMINNVILLE SCHOOL DISTRICT NO. 40
YAMHILL COUNTY, OREGON
Schedule of Insurance in Force at June 30, 2009

<u>Company</u>	<u>Policy Number</u>	<u>Expiration Date</u>	<u>Amount</u>	<u>Coverage</u>	<u>Hazards Insured</u>
PACE	22P60119-167	07/01/10	\$ 209,739,849	Property insurance - all locations. Building and business personal property, valuable papers	Risks of direct physical loss, subject to a \$50,000 deductible per loss. \$5,000 deductible per loss on portable equipment.
			\$ 10,000,000	Comprehensive general liability	Bodily injury, property damage, and wrongful acts.
			\$ 20,000,000	and wrongful acts covering premises and operations of the district	
			\$ 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	22P60119-167	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

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STATISTICAL SECTION

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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.	66
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.	70
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.	74
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.	77
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	79

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 Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year						
	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Governmental Activities							
Invested in capital assets, net of related debt	\$ 27,508,292	\$ 23,743,237	\$ 19,870,935	\$ 17,457,096	\$ 13,482,037	\$ 9,395,412	\$ 6,675,687
Restricted	477,674	461,167	403,670	617,952	972,176	2,946,068	2,426,443
Unrestricted	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>\$ 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>

86 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 Seven Fiscal Years
 (accrual basis of accounting)

	Fiscal Year						
	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Expenses							
Instructional programs	\$ 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	1,902,104	1,925,252	1,730,873	1,777,772	1,677,748	1,581,814	1,710,735
Other support services	14,161,438	13,790,023	13,489,944	13,455,913	12,431,323	12,497,472	10,547,432
Community services	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	5,183,486	5,193,645	2,569,833	2,552,782	2,589,883	2,276,186	2,054,803
Total expenses	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	218,980	237,606	255,707	251,670	215,367	220,663	197,841
Enterprise and Community Services	572,397	699,614	685,136	629,131	566,911	547,700	528,407
Operating grants and contributions	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	9,171,831	8,056,998	7,250,191	7,481,919	6,559,536	6,268,292	6,079,782
Net (Expense) Revenue	\$ (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	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	34,481,538	34,342,573	33,812,319	30,259,227	25,998,626	27,395,527	23,659,966
Other state and local sources	3,671,455	2,210,951	789,580	880,167	519,872	856,827	604,082
Earnings on investments	1,143,609	3,589,191	1,000,422	790,487	514,154	279,589	260,436
Other	16,605	60,338	12,109	80,024	34,531	32,092	309,332
Total general revenues	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	\$ 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)

	Fiscal Year									
	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
General Fund										
Reserved	\$ -	\$ 48,166	\$ 46,278	\$ 48,666	\$ 60,714	\$ 44,257	\$ 49,154	\$ 48,122	\$ 44,374	\$ 53,482
Unreserved	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	1,355,698
Total general fund	<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>	<u>\$ 1,409,180</u>
All Other Governmental Funds										
Reserved	\$ -	\$ 24,726	\$ 23,332	\$ 32,964	\$ 29,183	\$ 18,470	\$ 25,762	\$ 20,779	\$ 15,296	\$ 110,271
Unreserved, reported in:										
Special revenue fund	5,743,770	4,188,829	2,212,730	2,525,116	3,630,453	4,434,996	2,968,986	2,809,193	2,587,496	2,268,383
Debt service fund	477,674	532,710	808,404	617,952	972,176	2,089,297	1,348,065	940,464	2,795,536	2,388,294
Capital projects fund	-	29,348,894	62,538,908	-	-	856,771	846,734	835,757	1,491,558	1,472,015
Total all other governmental funds	<u>\$ 6,221,444</u>	<u>\$ 34,095,159</u>	<u>\$ 65,583,374</u>	<u>\$ 3,176,032</u>	<u>\$ 4,631,812</u>	<u>\$ 7,399,534</u>	<u>\$ 5,189,547</u>	<u>\$ 4,606,193</u>	<u>\$ 6,889,886</u>	<u>\$ 6,238,963</u>

McMINNVILLE SCHOOL DISTRICT NO. 40
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	Fiscal Year									
	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
Revenues										
Property Taxes	\$ 16,054,711	\$ 15,094,606	\$ 11,423,803	\$ 11,408,540	\$ 10,604,598	\$ 12,280,002	\$ 11,908,809	\$ 10,910,666	\$ 11,235,704	\$ 10,911,591
Earnings on Investments	1,159,086	3,589,191	1,000,422	790,487	514,154	279,589	260,436	-	-	-
Other Revenue From Local Sources	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	1,790,797
Charges for Services	817,383	937,222	940,843	880,801	782,278	788,363	726,248	-	-	-
Intermediate Sources	246,748	69,265	64,501	63,269	61,186	60,353	88,367	42,129	-	-
State sources	38,152,294	37,927,838	35,572,205	32,437,765	27,630,437	28,870,810	25,240,044	28,546,525	25,414,440	24,827,972
Federal Sources	6,890,863	5,098,664	4,871,470	5,048,682	4,417,083	4,109,284	3,787,001	3,160,982	2,038,618	1,893,479
Total Revenues	65,697,229	64,555,425	55,441,909	52,053,848	45,384,803	47,898,690	42,822,407	43,891,230	40,419,897	39,423,839
Expenditures										
Instruction	36,603,283	34,359,421	31,463,462	28,326,884	24,358,461	22,441,985	21,524,410	21,554,803	19,899,967	19,356,690
Support Services	16,253,386	15,620,227	15,075,368	14,579,473	13,119,221	13,603,821	12,049,361	12,813,907	12,813,169	12,050,436
Community Services	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	1,210,934
Capital Outlay	-	738,329	1,057,084	1,910,381	1,590,638	1,091,632	315,987	-	-	-
Facilities Acquisition and Construction	29,971,912	36,123,248	2,447,006	984,710	1,873,802	140,051	42,516	1,167,793	706,532	2,616,527
Debt Service:										
Principal	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	3,110,000
Interest	5,281,695	5,291,153	2,456,819	2,569,763	2,681,094	2,302,082	2,072,271	1,635,159	2,107,203	2,249,836
Total Expenditures	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	40,594,423
Excess (Deficiency) of Revenues Over (Under) Expenditures	(27,647,226)	(32,357,089)	(1,432,653)	(1,421,038)	(3,463,128)	2,793,718	1,228,124	1,635,497	834,950	(1,170,584)
Other Financing Sources (Uses)										
Operating Transfers In	20,000	2,170,000	120,000	120,000	230,000	230,000	246,237	101,677	240,000	240,000
Operating Transfers (Out)	(20,000)	(2,170,000)	(120,000)	(120,000)	(230,000)	(230,000)	(246,237)	(101,677)	(240,000)	(240,000)
Sale of Fixed Assets	-	-	-	-	-	-	-	310,165	41,710	142,847
Lease Purchase Receipts	-	-	-	-	-	-	-	-	374,000	-
Tax Anticipation Note Proceeds	-	-	-	-	-	-	-	934,815	-	-
Tax Anticipation Note Payments	-	-	-	-	-	-	-	(940,000)	-	-
Bonds Issued and Premiums	-	-	64,052,966	-	-	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-	17,117,394	16,023,367	17,850,404	-	-
Payments of Escrow for Refunding	-	-	-	-	-	(16,579,279)	(16,021,206)	(19,585,823)	-	-
Total Other Sources (Uses)	-	-	64,052,966	-	-	538,115	2,161	(1,430,439)	415,710	142,847
Net Change in Fund Balance	(27,647,226)	(32,357,089)	62,620,313	(1,421,038)	(3,463,128)	3,331,833	1,228,285	205,058	1,250,660	(1,027,737)
Fund Balance										
Beginning of Year	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	8,688,777
Increase (decrease) in Reserve for Inventory	(72,892)	3,282	(12,020)	(8,267)	26,020	(11,039)	6,016	9,230	(25,360)	(12,898)
End of year	\$ 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	\$ 7,648,142
Debt service as a percentage of noncapital expenditures	12.80%	12.95%	9.01%	11.52%	12.75%	12.69%	13.28%	11.55%	12.49%	14.11%

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		Assessed Value as a percentage of RMV
	Real Property	Personal Property	Manufactured Structures	Utilities	Assessed Value	Real Market Value	
2000	\$ 1,325,634,196	\$ 54,673,232	\$ 40,267,691	\$ 53,891,765	\$ 1,474,466,884	\$ 1,850,448,089	79.68%
2001	1,406,228,749	55,256,408	40,895,985	58,534,330	1,560,915,472	1,970,283,196	79.22%
2002	1,464,311,056	55,794,123	41,316,930	65,228,697	1,626,650,806	2,018,545,950	80.59%
2003	1,547,204,611	54,102,822	38,450,433	61,588,747	1,701,346,613	2,132,510,371	79.78%
2004	1,567,378,201	57,242,481	31,973,278	62,399,461	1,718,993,421	2,176,725,924	78.97%
2005	1,681,276,660	59,855,432	31,029,350	63,894,756	1,836,056,197	2,493,550,887	73.63%
2006	1,794,530,572	59,265,322	30,997,323	64,723,970	1,949,517,187	2,731,294,241	71.38%
2007	1,932,922,844	61,359,305	33,176,205	66,175,906	2,093,634,260	3,496,194,951	59.88%
2008	2,072,480,787	64,958,793	36,049,145	71,448,818	2,244,937,543	3,877,384,914	57.90%
2009	2,241,043,031	71,596,323	38,247,928	75,532,147	2,426,419,429	4,101,380,879	59.16%

Source: Yamhill County Assessor's Office.

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

Fiscal Year Ended June 30,	McMinnville School District No. 40		Overlapping Rates (a)											
	Operating	Debt Service	Total District	Yamhill County	City of McMinnville	City of Lafayette	Willamette ESD (c)	Chemeketa Community College			Carlton RFPD	Sheridan Fire	Amity RFPD	Other Taxing Districts (b)
								McMinnville RFPD	McMinnville RFPD	Carlton RFPD				
2000	4.15	3.43	7.58	2.54	5.94	3.49	0.36	0.80	0.95	0.53	1.10	1.49	0.16	
2001	4.15	3.27	7.42	2.57	5.69	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	0.36	0.76	0.96	0.53	1.12	1.44	0.16	
2003	4.15	3.00	7.15	2.57	6.29	3.49	0.36	0.76	0.96	0.53	1.12	0.84	0.16	
2004	4.15	3.14	7.29	2.57	6.27	3.49	0.30	0.77	1.14	0.53	1.12	0.84	0.30	
2005	4.15	1.65	5.80	2.58	5.98	3.49	0.30	0.96	1.14	0.53	1.12	0.84	0.31	
2006	4.15	2.10	6.25	2.58	5.92	3.49	0.30	0.96	1.14	0.53	1.12	0.84	0.31	
2007	4.15	1.38	5.53	2.58	5.93	3.49	0.30	0.94	1.14	0.53	1.12	0.84	0.16	
2008	4.15	2.85	7.00	2.58	5.87	3.49	0.30	0.70	1.14	1.05	1.47	0.84	0.16	
2009	4.15	2.76	6.91	2.58	5.85	3.49	0.30	0.71	1.14	1.54	1.47	0.84	0.16	

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, Yamhill County Emergency Communications 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 2009			June 2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Value
Cascade Steel Rolling Mills (a)	\$ 68,727,247	1	2.83%	\$ 93,225,920	1	3.84%
Willamette Valley Medical Center	56,987,564	2	2.35%	20,121,347	2	0.83%
Hillside Senior Living Community LLC	16,917,099	3	0.70%			
NW Natural Gas Co.	16,868,000	4	0.70%			
Lowes HIW Inc.	15,295,788	5	0.63%			
Verizon Northwest, Inc	14,962,000	6	0.62%			
Air Liquide Industrial US LP	10,672,268	7	0.44%	15,578,067	3	0.64%
NBS - McMinnville Plaza	9,324,078	8	0.38%			
Homette Corporation	9,108,948	9	0.38%	7,048,596	6	0.29%
Abrams Maralynn	7,296,407	10	0.30%			
LAI Properties, Inc.						
Dianes Foods, Inc.				10,743,961	4	0.44%
General Telephone Company of the NW				9,016,377	5	0.37%
GTE Northwest Inc.				6,990,540	8	0.29%
Tanger Properties Limited Partnership				6,829,404	9	0.28%
Wetterau Inc.				7,040,592	7	0.29%
Fadco, LLC				6,607,559	10	0.27%
Subtotal - ten of the District's largest taxpayers:	226,159,399		9.32%	183,202,363		12.42%
All other District taxpayers in Yamhill County	2,200,257,030		90.68%	1,291,264,521		87.58%
Total District taxpayers	\$ 2,426,416,429		100.00%	\$ 1,474,466,884		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 June 30,	Total Tax Levy for Fiscal Year		Total Adjusted		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Original	Adjustments (a)	Adjusted	Amount	Percentage of Original Levy	Amount		Percentage of Adjusted Levy	
2000	\$ 11,151,494	\$ (310,864)	\$ 10,840,630	\$ 10,346,382	92.78%	\$ 490,053	\$ 10,836,435	99.96%	
2001	11,580,529	(324,224)	11,256,305	10,706,590	92.45%	539,422	11,246,012	99.91%	
2002	11,305,272	(438,456)	10,866,816	10,392,562	91.93%	467,430	10,859,992	99.94%	
2003	12,153,676	(509,147)	11,644,529	11,306,241	93.03%	329,261	11,635,502	99.92%	
2004	12,523,254	(347,533)	12,175,721	11,708,134	93.49%	457,416	12,165,550	99.92%	
2005	10,691,798	(324,063)	10,367,735	9,971,806	93.27%	383,202	10,355,008	99.88%	
2006	12,212,383	(560,362)	11,652,021	11,462,675	93.86%	153,817	11,616,492	99.70%	
2007	11,635,043	(507,717)	11,127,326	10,774,902	92.61%	267,883	11,042,785	99.24%	
2008	15,749,949	(436,489)	15,313,460	14,699,146	93.33%	345,930	15,045,076	98.25%	
2009	16,772,551	(469,638)	16,302,913	15,488,579	92.34%	-	15,488,579	95.00%	

Source: Yamhill County Department of Assessment and Taxation.

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

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

Fiscal Year Ended June 30,	General Obligation Bonds			Pension Obligation Bonds		Capital Leases and Notes Payable		Net General Bonded Debt			Total Debt		
	General Obligation Bonds	Pension Obligation Bonds	Capital Leases and Notes Payable	General Bonded Debt	Percentage of Estimated Actual Value of Property	Per Capita	Total Debt Primary Government	Percentage of Taxable Value of Property	Percentage of Personal Income	Per Capita			
2000	\$ 39,030,000	\$ -	\$ 255,000	\$ 39,030,000	2.109%	\$ 1,259	\$ 39,285,000	2.664%	5.40%	\$ 1,267			
2001	36,280,000	-	550,000	36,280,000	1.841%	1,106	36,830,000	2.360%	4.61%	1,123			
2002	31,800,000	-	390,000	31,800,000	1.575%	1,056	32,190,000	1.979%	4.27%	1,069			
2003	28,785,000	16,044,243	-	28,785,000	1.350%	928	44,829,243	2.635%	5.63%	1,445			
2004	25,640,000	29,715,755	-	25,640,000	1.178%	804	55,355,755	3.220%	6.61%	1,735			
2005	22,620,000	29,631,989	-	22,620,000	0.907%	701	52,251,989	2.846%	5.88%	1,620			
2006	19,480,000	29,515,856	-	19,480,000	0.713%	588	48,995,856	2.513%	5.00%	1,479			
2007	79,280,000	29,362,766	-	79,280,000	2.268%	2,305	108,642,766	5.189%	10.21%	3,159			
2008	76,975,000	29,182,498	-	76,975,000	1.985%	2,175	106,157,498	4.729%	9.29%	2,999			
2009	74,365,000	28,959,870	-	74,365,000	1.813%	1,811	103,324,870	4.258%	n/a	2,516			

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

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

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

n/a - Information not available as of printing.

McMINNVILLE SCHOOL DISTRICT NO. 40
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 June 30, 2009

Governmental Unit	Net General Obligation Debt Outstanding		Percentage Applicable to District	Amount Applicable to District
	\$			
Direct				
McMinnville School District No. 40	\$ 74,365,000		100.0000%	\$ 74,365,000
Overlapping				
Chemeketa Community College	68,525,000		9.5578%	6,549,482
City of McMinnville	19,490,000		99.9684%	19,483,841
New Carlton Fire District	1,250,000		4.6378%	57,973
Sheridan RFPD	80,000		5.3158%	4,253
Willamette ESD	2,420,000		8.7019%	210,586
Subtotal, overlapping debt				<u>26,306,135</u>
Total direct and overlapping debt				<u>\$ 100,671,135</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 2009	
Real Market Value	\$ 4,101,380,879
Debt limit (7.95% of real market value)	326,059,780
Debt applicable to limit	(74,365,000)
Legal debt margin	<u>\$ 251,694,780</u>

Fiscal Year	Total net debt applicable to the limit		Legal debt margin	Total net debt applicable to the limit as a percentage of debt limit
	Debt Limit	to limit		
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%
2000	117,220,117	39,030,000	78,190,117	33.30%

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	Per Capita		Total Estimated Personal Income	Unemployment Rate (c)
	Estimated Population (a)	Personal Income (b)		
1999	31,000	\$ 23,451	\$ 726,981,000	4.60%
2000	32,805	24,374	799,589,070	5.00%
2001	30,100	25,070	754,607,000	6.10%
2002	31,020	25,666	796,159,320	7.40%
2003	31,900	26,233	836,832,700	8.20%
2004	32,260	27,566	889,279,160	7.20%
2005	33,125	29,553	978,943,125	6.10%
2006	34,390	30,936	1,063,889,040	5.10%
2007	35,395	32,290	1,142,904,550	5.00%
2008	41,067	n/a	n/a	6.30%

Sources:

(a) Population estimate for 2008 includes population of the City of McMinnville, City of Lafayette and unincorporated areas Estimated population for years prior to 2008 did not include an estimate of population for unincorporated areas of district. 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	2008			2001		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Private Employers:						
Manufacturing: beverage, wood products, metal, machinery, plastics, other	6,593	1	20.31%	5,578	1	19.42%
Health Services	3,784	2	11.66%	2,794	4	9.73%
Retail	3,274	3	10.08%	3,160	2	11.00%
Natural Resources: crop production	2,926	4	9.01%	2,816	3	9.81%
Leisure & Hospitality	2,704	5	8.33%	2,317	5	8.07%
Construction	1,760	6	5.42%	1,492	6	5.20%
Professional and business services	1,630	7	5.02%	1,375	7	4.79%
Education services	1,428	8	4.40%	1,165	8	4.06%
Other services	1,101	9	3.39%	870	10	3.03%
Financial activities	1,077	10	3.32%	973	9	3.39%
Transportation	668	11	2.06%	646	11	2.25%
Wholesale	605	12	1.86%	561	12	1.95%
Information	213	13	0.66%	269	13	0.94%
Subtotal Private	27,763		85.52%	24,016		83.63%
Government						
Federal	483		1.49%	483		1.68%
State	403		1.24%	403		1.40%
Local Government						
Education & health services	2,171		6.69%	2,171		7.56%
Public Administration	1,439		4.43%	1,439		5.01%
Other	206		0.63%	206		0.72%
Subtotal Government	4,702		14.48%	4,702		16.37%
Total Employment	32,465		100.00%	28,718		100.00%

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

Note: Major Employment Industries historical data (from OLMIS) is only available from 2001 forward. Therefore, prior years reporting will use 2001 data until year 2010 when nine years prior to each reporting year will be used.

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</u>	<u>Students (2)</u>	<u>Ratio of Students to Teaching Staff</u>
2000	286	5,084	17.78 :1
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

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

(2) Average daily membership

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

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

Fiscal Year Ended June 30,	<u>Certificated</u>	<u>Classified</u>	<u>Administrative</u>	<u>Confidential</u>	<u>Total</u>
2000	296	234	22	14	566
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

Source: McMinnville School District No. 40 personnel records.

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

A report on the accounting and internal control structure is presented separately under this cover.

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, 2009.

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, 2009 and June 30, 2010 and execution of its June 30, 2009 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, 2009. 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, 2009.

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.

Investments

Our review of deposit and investment balances indicated that, during the year ended June 30, 2009 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.

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

Public Contracts and Purchasing

The District appeared to be in compliance with O.R.S. 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.

Wilcox Arredondo & Co.

Certified Public Accountants
November 20, 2009

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, 2009, which collectively comprise McMinnville School District No. 40's basic financial statements and have issued our report thereon dated November 15, 2009. 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 No. 40's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purposes of expressing an opinion on the effectiveness of McMinnville School District No. 40's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of McMinnville School District No. 40's internal control over reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects McMinnville School District No. 40's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of McMinnville School District No. 40's financial statements that is more than inconsequential will not be prevented or detected by McMinnville School District No. 40's Internal Control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by McMinnville School District No. 40's internal Control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 No. 40's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of McMinnville School District No. 40, in a separate letter dated November 20, 2009.

This report is intended solely for the information of the board, management 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
November 20, 2009



To the School Board
MCMINNVILLE SCHOOL DISTRICT NO. 40
Yamhill County, Oregon

REPORT ON COMPLIANCE WITH
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of McMinnville School District No. 40 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. McMinnville School District No. 40'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 No. 40's management. Our responsibility is to express an opinion on McMinnville School District No. 40'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 No. 40'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 No. 40's compliance with those requirements.

In our opinion, McMinnville School District No. 40 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of McMinnville School District No. 40 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered McMinnville School District No. 40's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 No. 40's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

McMinnville School District No. 40's response 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 it.

This report is intended solely for the information and use of the school board, management, 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
November 20, 2009

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/ Program Title	Grant Period	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Amount	Federal Expenditures
<u>U.S. Department of Education</u>					
Passed through Oregon State Department of Education					
Title I-A	07/01/07-09/30/08	84.010	9959	\$ 1,211,148	\$ 195,984
	07/01/08-09/30/09	84.010	12816	1,343,984	1,143,426
	Total			2,555,132	1,339,410
Special Education Grants to State (IDEA)	07/01/08-12/31/09	84.027	13654	935,890	935,890
	07/01/08-12/31/09	84.027	14916	1,386	1,386
	01/01/09-09/30/09	84.027	14642	7,500	7,500
	08/15/08-06/30/09	84.027	13439	4,160	4,160
	10/01/08-06/30/09	84.027	13843	2,474	2,474
				195	195
ARRA- Special Education Grants to State (IDEA)	02/17/09-06/30/10	84.391	15230	570,581	440,948
	Total			1,522,186	1,392,553
Title II-D Enhancing Ed through Technology	07/01/07-09/30/09	84.318	10359	11,786	1,760
	07/01/08-09/30/09	84.318	13229	12,642	10,601
	Total			24,428	12,361
Title IV-A Safe & Drug Free Schools	07/01/08-09/30/09	84.186	14074	22,035	22,035
	Total			22,035	22,035
Title III Language Instruction	07/01/07-09/30/08	84.365	11554	155,717	15,596
	07/01/08-09/30/09	84.365	13914	140,826	118,818
	Total			296,543	134,414
Title IIA Improving Teacher Quality	07/01/07-09/30/09	84.367	10172	240,867	31,956
	07/01/08-09/30/09	84.367	13043	241,341	203,832
	Total			482,208	235,788
21st Century Learning Centers	07/01/07-09/30/08	84.287	9831	348,470	43,459
	07/01/08-09/30/09	84.287	12526	348,470	311,131
	Total			696,940	354,590
Charter Schools	04/17/08-07/31/09	84.282	12207	56,000	32,910
	Total			56,000	32,910
Quality Improvement:	07/01/08-06/30/09	93.575	12383	10,000	10,000
	Total			10,000	10,000
State Fiscal Stabilization Fund - ARRA	02/17/09-06/30/09	84.394	n/a	1,270,345	1,270,345
	Total			1,270,345	1,270,345
Passed through Oregon State Department of Education and Willamette Education Service District					
Title I-C Migrant Education	09/01/08-06/30/09	84.011	N/A	132,628	132,628
	Total			132,628	132,628
Passed through Oregon State Department of Education and Chemeketa Community College					
Carl Perkins, Career & Technical Education	07/01/08-06/30/09	84.048	052 09	56,376	56,376
	Total			56,376	56,376
Passed through Oregon University Systems					
Early Awareness - Undegrad Programs	07/01/07-09/30/08	84.334	N/A	4,355	4,355
	Total			4,355	4,355
Received directly from Washington, D.C.					
Small Learning Communities Grant	7/01/06-09/30/09	84.215	S215L060052	496,007	194,708
	Total			496,007	194,708

McMINNVILLE SCHOOL DISTRICT NO. 40
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2009

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Grant Period</u>	<u>Federal C.F.D.A. Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Amount</u>	<u>Federal Expenditures</u>
Total U.S. Department of Education				<u>7,625,183</u>	<u>5,192,473</u>
<u>U.S. Department of Agriculture</u>					
Passed through Oregon State Department of Education					
School Breakfast Program	07/01/08-06/30/09	10.553	N / A	303,951	303,951
National School Lunch Program	07/01/08-06/30/09	10.555	N / A	1,175,761	1,175,761
Commodities	07/01/08-06/30/09	10.550	N / A	105,029	105,029
Summer Food Service Program for Children	07/01/08-06/30/09	10.559	N / A	35,149	35,149
Child Care Food Program	07/01/08-06/30/09	10.558	N / A	4,659	4,659
Child Care - Cash for Commodities	07/01/08-06/30/09	10.565	N / A	797	797
Fresh Fruit and Vegetable Program	10/01/08-09/30/09	10.582	14463	21,382	18,180
Fresh Fruit and Vegetable Program	10/01/08-09/30/09	10.582	14464	15,358	14,945
Fresh Fruit and Vegetable Program	07/01/08-09/30/08	10.582	14242	5,447	5,447
Fresh Fruit and Vegetable Program	07/01/08-09/30/08	10.582	14241	5,418	5,418
Total U.S. Department of Agriculture				<u>1,672,951</u>	<u>1,669,336</u>
<u>Federal Emergency Management Agency</u>					
Passed through Oregon Emergency Management					
FEMA Disaster Assistance Program	N / A	97.036	N/A	<u>6,262</u>	<u>6,262</u>
<u>Department of Health and Human Services</u>					
Passed through Oregon Employment Department					
Child Care and Development Fund	07/01/08-06/30/09	93.575	09-078	<u>25,000</u>	<u>21,736</u>
Total Federal Awards				<u>\$ 9,329,396</u>	<u>\$ 6,889,807</u>

McMINNVILLE SCHOOL DISTRICT NO. 40.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ___yes __X__no
- Reportable condition(s) identified that are not considered to be material weaknesses? ___yes __X__none reported

Noncompliance material to financial statements noted? ___yes __X__no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ___yes __X__no
- Reportable condition(s) identified that are not considered to be material weaknesses? ___yes __X__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 __X__no

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
84.394	State Fiscal Stabilization Fund - ARRA
84.010	Title 1A
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster

McMINNVILLE SCHOOL DISTRICT NO. 40
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2009

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

Auditee qualified as low-risk auditee? X yes no

Section II - Financial Statement Findings

REPORTABLE CONDITION: None

Section III - Federal Award Findings and Questioned Costs

REPORTABLE CONDITIONS IN INTERNAL CONTROL: None
