

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

FINANCIAL REPORT

For the Year Ended June 30, 2008

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

2007 - 2008
FINANCIAL REPORT

<u>BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
Dave Strahan - Chair	June 30, 2011
Leslie Meirer – Vice Chair	June 30, 2009
Robert Litak	June 30, 2009
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All Board Members receive mail at the address below.

ADMINISTRATION

Jerry C. Fritts, Ed.D, Superintendent
David Marshall, Director of Fiscal and Support Services
8550 New Hope Road
Murphy, Oregon 97533

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

TABLE OF CONTENTS

PAGE
NUMBER

FINANCIAL SECTION:

INDEPENDENT AUDITORS' REPORT

1

MANAGEMENT'S DISCUSSION AND ANALYSIS

3a-3f

FINANCIAL STATEMENTS AND SCHEDULES:

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets

4

Statement of Activities

5

Fund Financial Statements:

Balance Sheet – Governmental Funds

6

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets

7

Statement of Revenues, Expenditures and Changes in Fund

Balances - Governmental Funds

8

Reconciliation of Statement of Revenues, Expenditures and Changes in

Fund Balances of Governmental Funds to the Statement of Activities

9

Statement of Proprietary Net Assets

10

Statement of Changes in Proprietary Net Assets

11

Statement of Cash Flows – Proprietary Fund

12

Statement of Fiduciary Net Assets

13

Statement of Changes in Fiduciary Net Assets

14

Notes to Basic Financial Statements

15

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of Revenues, Expenditures and Changes in Fund

Balance – Actual and Budget –

General Fund

26

Special Revenue Fund

28

SUPPLEMENTARY INFORMATION:

Debt Service Fund

29

Capital Projects Fund

30

Internal Service Fund

31

Fiduciary Fund

32

Other Financial Schedules:

Schedule of Property Tax Transactions – On Balances of Taxes Uncollected

33

School District Financial Accounting Summaries

34

AUDITORS' COMMENTS AND DISCLOSURES

42

GRANT COMPLIANCE REVIEW:

Schedule of Expenditures of Federal Awards

45

Report on Internal Control Structure over Financial Reporting

46

Report on Compliance with Requirements Applicable to Major Programs and Internal Control Structure

48

Schedule of Prior and Current Year Findings and Questioned Costs

Relative to Federal Awards

50



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

December 2, 2008

To the Board of Directors
Three Rivers School District
Josephine 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 the Three Rivers School District, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The District's management. Our responsibility is to express an opinion 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Three Rivers School District, at June 30, 2008 and the respective changes in financial position and cash flows 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 reports dated September 20, 2008, on our consideration of Three Rivers School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, as listed on the table of contents, is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Three Rivers School District's basic financial statements. The Supplementary Information, including budgetary comparison schedules (which are required supplementary information for major governmental funds) as listed in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as listed in the table of contents, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The 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, except as noted below.

The School District Financial Accounting Summaries and Supplementary Information, on pages 34 through 41, are presented as supplemental schedules for the Oregon Department of Education, and are not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management about this supplementary information. However, we did not audit the information and do not express an opinion on it.

PAULY, ROGERS AND CO., P.C.

**THREE RIVERS/JOSEPHINE COUNTY UNIT JOINT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
30 JUNE 2008**

The discussion and analysis of Three Rivers School District's financial performance provides an overall review of the District's financial activities for the fiscal year ending June 30, 2008. The intent of this discussion and analysis is to review the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34. Certain comparative information between the current year and prior years is required to be presented in the MD&A.

Overview of the 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 basic financial statements. In addition to the basic financial statements, we provide supplementary information that you may also find useful.

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

The **Statement of Net Assets**, which 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.

The **Statement of Activities**, which 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 result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

In the government-wide financial statements, the District's activities are shown in one category, *Governmental Activities*. Most of the District's 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.

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 (like the Food Service Fund) or to show that it is meeting legal responsibilities for using certain grants (like Title I and other federal, state, or locally funded grants). All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds reporting focuses on showing how money flows into and out of funds, and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's operations and the services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

The District maintains many individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Special Revenue, Capital Projects Fund, and Debt Service Fund, all of which are considered to be major funds.

The District maintains one **Proprietary Fund**; this fund is used to accumulate and allocate costs internally among the District's various functions. The District also uses its internal service fund for self-insurance purposes, primarily for employees' unemployment benefits, deductibles on insurance, and for the costs of vandalism.

Fiduciary funds are used to account for resources held for the benefit of parties by the District in a trustee capacity. These funds include student scholarships and foundation 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.

Government-Wide Financial Analysis

As this is the fifth year that the Three Rivers School District has reported under GASB 34, we are able to provide you with a comparative analysis for the last five years, Fiscal Years 2004, 2005, 2006, 2007 and 2008.

- Over time, net assets may serve as a useful indicator of the District's financial position; as of 30 June 2008, the District's assets exceeded its liabilities by \$29.24 million, a decrease of approximately \$24,000 from Fiscal year 2007.
- The District's long-term liabilities are about \$54.08 million (with \$2.3 million due within one year) and consist of the following:

▪	Obligations for early retirees -	\$ 6.54 million
▪	2001 G. O. bonds -	\$20.55 million
▪	2004 PERS (UAL) bonds -	\$26.62 million
▪	1994 Certificates of Participation -	\$.29 million
- The District's current liabilities, including the obligations due within the next year (above), are \$4.55 million.

**Statement of Net Assets Summary
Governmental Activities**

Assets	2004	2005	2006	2007	2008	Increase (Decrease): 2007 to 2008
Current and other assets	38,697,322	34,978,196	35,524,209	34,240,529	34,094,854	(145,675)
Capital assets	55,427,807	54,519,098	52,458,110	53,701,529	51,446,673	(2,254,856)
Total assets	94,125,129	89,497,294	87,982,319	87,942,058	85,541,527	(2,400,531)
Liabilities						
Current liabilities	5,420,064	3,249,818	3,889,801	4,526,176	4,555,746	29,570
Long term liabilities	57,398,496	57,188,878	55,947,516	54,154,162	51,748,550	(2,405,612)
Total Liabilities	62,818,560	60,438,696	59,837,317	58,680,338	56,304,296	(2,376,042)
Net Assets						
Invested in capital assets, net of debt	31,022,807	29,322,912	29,463,110	32,321,529	30,141,673	(2,179,856)
Restricted	5,991,850	4,997,417	4,664,391	3,957,295	3,995,686	38,391
Unrestricted	(5,708,088)	(5,261,731)	(5,982,496)	(7,017,104)	(4,900,128)	2,116,976
Total Net Assets	31,306,569	29,058,598	28,145,005	29,261,720	29,237,231	(24,489)

Governmental Activities

	2004	2005	2006	2007	2008	Increase (Decrease): 2007 to 2008
Revenues						
Program revenues						
Charges for service	1,973,850	743,113	690,271	620,968	2,423,504	1,802,536
Operating grants and contributions	7,525,453	7,566,557	8,090,665	7,932,308	7,081,433	(850,875)
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes	10,933,801	11,162,771	11,694,630	12,418,925	13,034,559	615,634
State school fund	26,806,141	24,331,735	28,005,299	27,899,218	30,135,887	2,236,669
Other state and local sources	1,102,989	4,273,278	5,916,787	6,114,168	3,954,735	(2,159,433)
Earnings on investments	215,431	-	-	-	-	-
Other	428,099	254,990	-	-	-	-
Loss on sale of asset	(243,837)	-	(1,689)	-	(2,524)	(2,524)
Total Revenues	48,741,927	48,332,444	54,395,963	54,985,587	56,627,594	1,642,007
Expenses						
Instruction	25,872,705	28,481,966	29,786,287	30,829,702	31,386,900	557,198
Support services	17,480,863	18,210,206	19,550,769	20,089,847	20,778,313	688,466
Enterprise and community services	2,058,099	2,411,426	2,544,013	2,555,073	2,445,084	(109,989)
Facilities acquisition & construction	17,258	-	-	41,101	-	(41,101)
Interest on long-term debt	1,676,242	2,405,783	3,428,493	3,469,587	2,393,325	(1,076,262)
Total Expenses	47,105,167	51,509,381	55,309,562	56,985,310	57,003,622	18,312
Change in net assets	1,636,760	(3,176,937)	(913,599)	(1,999,723)	(376,028)	1,623,695
Net Assets (Beginning)	29,669,809	31,306,569	29,058,598	28,145,003	29,261,720	1,116,717
Prior Period Adjustment	-	928,966	-	3,116,440	351,539	(2,764,901)
Net Assets (Ending)	31,306,569	29,058,598	28,145,004	29,261,719	29,237,230	(24,489)

Financial Analysis of the District's Funds

The significance of the District's governmental funds is that they provide information about short-term cash flow and funding for future basic services. This information is useful in assessing the District's financing requirements. In particular, the *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.

General Fund: The General Fund is the primary operating fund of the District. As of June 30, 2008, the unreserved fund balance was \$3.87 million, and an *increase* of \$430,000 thousand from the previous year. This was due primarily to a prior year adjustment for the common school fund.

Debt Service - The Ending Fund Balance in the debt service fund increased by about \$219,000, from \$2.29 million to \$2.51 million, as we received \$50,000 more in taxes and interest than the required debt service payments for the 2001 G.O. bond issue; \$165,000 was also added to a PERS Reserve for possible future year cost increases.

Capital Projects (Funds 400 and 405) – The Ending Fund Balance in the Capital projects fund continued its descent, decreasing from about \$1.67 million to \$1.49 million in 2008. Of cash remaining in Capital Projects, \$290,000 is for the remaining COPS debt payment due in Fiscal Year 2009; leaving only \$1.2 million for any regularly scheduled or catastrophic repair and maintenance issues.

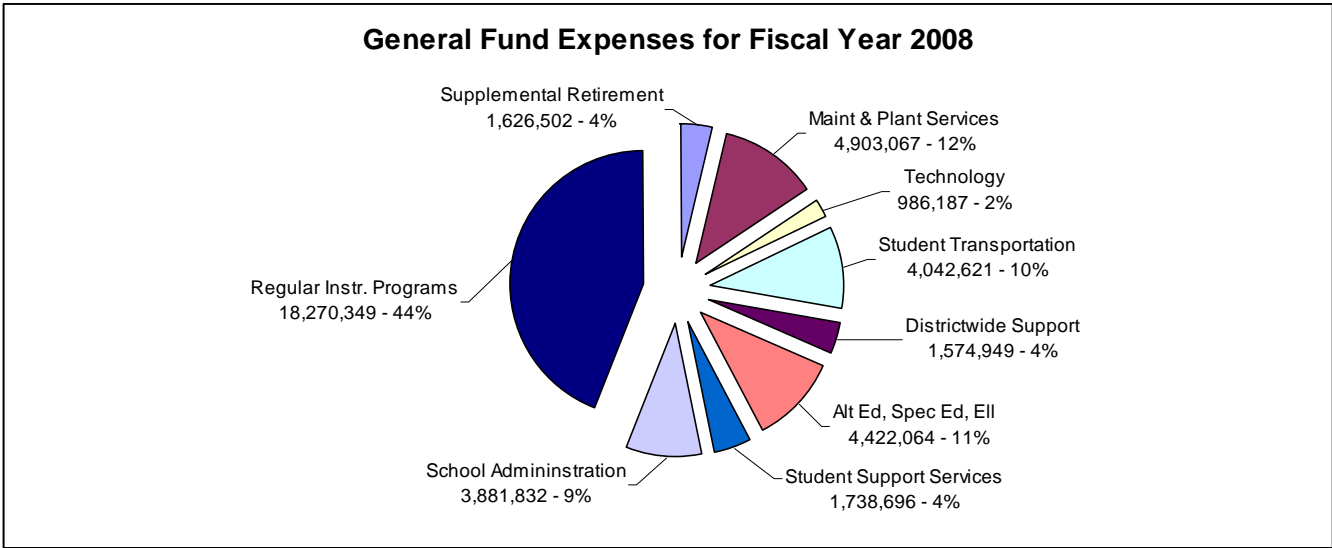
**Balance Sheet
Governmental Activities**

	2004	2005	2006	2007	2008	Increase (Decrease): 2007 to 2008
Assets						
Equity in cash and investments	10,945,950	6,745,289	9,726,768	8,685,092	9,246,093	561,001
Taxes receivable	838,104	727,001	562,538	650,780	717,039	66,259
Other receivables	722,702	2,158,806	1,242,903	1,521,586	2,020,083	498,497
Intergovernmental & due from other funds	861,016	471,825		-	-	-
Prepaid expenses	46,098	340,883	-	375,863	-	(375,863)
Total Assets	13,413,870	10,443,804	11,532,209	11,233,321	11,983,215	749,894
Liabilities						
Accounts Payable	1,888,678	374,602	380,114	684,590	753,318	68,728
Accrued payroll and interest payable	63,030	57,460	865,395	1,213,016	1,229,638	16,622
Other liabilities	562,632	471,825		0	0	-
Deferred revenue	670,224	731,945	449,769	460,100	546,644	86,544
Total Liabilities	3,184,564	1,635,832	1,695,278	2,357,706	2,529,600	171,894
Fund Balances						
Reserved balances	5,991,699					
Unreserved balances	4,237,607	8,807,972	9,836,932	8,875,614	9,453,615	578,001
Total Fund Balances	10,229,306	8,807,972	9,836,931	8,875,615	9,453,615	578,000
Total Liabilities and Fund Balances	13,413,870	10,443,804	11,532,209	11,233,321	11,983,215	749,894

General Fund Expenditures

General Fund Expenditures

	<- Fiscal Year 2006 -->		<- Fiscal Year 2007 -->		<- Fiscal Year 2008 -->		Change	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Instruction	21,253,553	21,331,134	23,343,206	22,660,637	23,672,611	22,692,413	329,405	31,776
Support Services	17,119,365	17,216,563	18,533,875	18,283,184	19,251,013	18,732,252	717,138	449,068
Community Services		1,708	-	-	-	-	-	-
Building Improvement Services	2,750		2,750	140	23,350	21,601	20,600	21,461
Debt Service			5,000	-	-	-	(5,000)	-
Contingency	835,536		135,417	-	243,050	-	107,633	-
							-	-
							-	-
Total Expenditures	39,211,204	38,549,405	42,020,248	40,943,961	43,190,024	41,446,266	1,169,776	502,305



Capital Assets

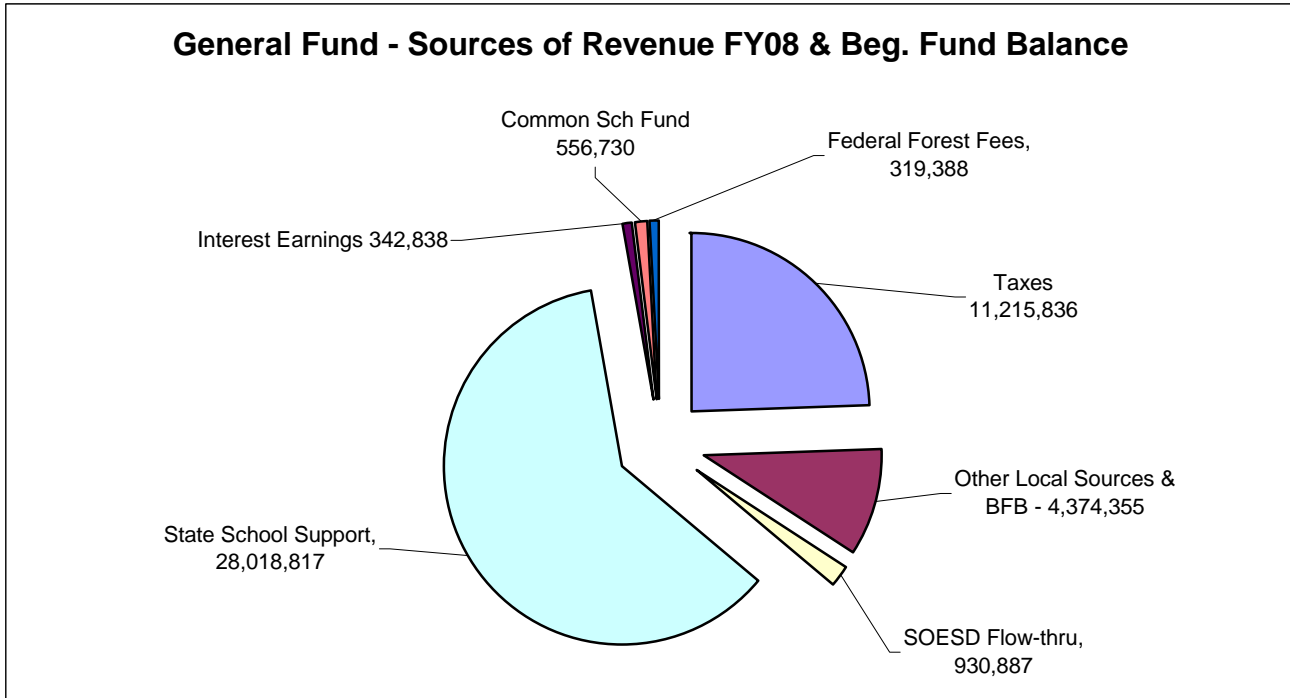
- The District's investment in capital assets includes land, vehicles, equipment, buildings and improvements and was about \$51.45 million, a decrease of 2.25 million from the previous year. The decrease was due to accumulated depreciation compounded by the fact that a small portion of capital equipment was added.
- Increases to the District's capital assets included upgrading 3 fleet vehicles, servers for internet connectivity, locker refurbishing at the high schools, new fire alarm system at Fleming middle school, a boiler at Lincoln Savage middle school, and playground equipment at Fort Vannoy.

Long Term Debt Administration

- The district maintains an Aa2 rating from Moody's for general obligation debt and at the end of the Fiscal Year 2008, the District had a total outstanding bonded debt of \$47.17 million.

Economic Factors

In 2008, about 61.2 percent of the District's revenue came from the State School Fund Grant



Fiscal Year 2008 was a year with many interesting financial twists. Fortunately Three Rivers School District was funded at the highest per student level in the history of the district at \$6,357 per ADMw. Unfortunately, the increase in per student funding did not compensate for our continued declining student enrollment and the astronomical increases in fuel and transportation costs. Diesel fuel prices soared into the high three dollar a gallon range even with minimal taxes being applied and the increase was not gradual. This price put our budget out of balance in both fuel oil to heat the buildings and in our transportation expenses. Three Rivers School District spent more than four million dollars on transportation in Fiscal Year 2008. The state legislature also developed a new fund for Fiscal Years 2008 and 2009 called the School Improvement Fund. Rather than funding the General Fund at an amount needed to effectively operate, the legislature allocated some dollars to the School Improvement Fund and designated the areas where those funds could be spent. For Three Rivers School District, those areas were Vocational Education, Alternative Education and class size reduction teachers at the elementary level.

On a positive note, Three Rivers School District showed vision for the future by working with McKinstry Energy in a Phase 1 project to provide more energy efficient solutions in three of our buildings and the hope is that these energy projects will continue in the future.

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 the District's Superintendent at 8550 New Hope Road, Grants Pass, Oregon 97527.

David B. Huber-Kantola, Superintendent
_____, Accounting Manager

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 10,231,142
Property Taxes Receivables	717,039
Other Receivables	437,979
Intergovernmental Accounts Receivables	1,560,348
Inventory	21,756
Prepaid Pension Asset	20,490,984
Bond issue costs	635,606
Capital assets, net of depreciation	<u>51,446,673</u>
Total Assets	<u>85,541,527</u>
Liabilities	
Accounts payable	760,036
Accrued payroll liabilities	1,229,638
Accrued interest	37,636
Accrued compensated absences	190,818
Unearned revenues	6,423
Long-term liabilities:	
Due within one year	2,331,195
Due in more than one year	<u>51,748,550</u>
Total liabilities	<u>56,304,296</u>
Net assets	
Invested in capital assets, net of related debt	30,141,673
Restricted for:	
Debt Service	2,506,046
Capital Projects	1,489,640
Unrestricted	<u>(4,900,128)</u>
Total net assets	<u>\$ 29,237,231</u>

See accompanying notes to basic financial statements.

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Instruction	\$ 31,386,900	\$ 1,788,822	\$ 4,634,221	\$ (24,963,857)
Support services	20,778,313	-	1,989,112	(18,789,201)
Community services	2,445,084	634,682	458,100	(1,352,302)
Interest on long-term debt	2,393,325	-	-	(2,393,325)
Total governmental activities	<u>\$ 57,003,622</u>	<u>\$ 2,423,504</u>	<u>\$ 7,081,433</u>	<u>\$ (47,498,685)</u>
General Revenues				
				13,034,559
				30,135,887
				3,954,735
				<u>(2,524)</u>
				<u>47,122,657</u>
				(376,028)
				<u>29,261,720</u>
				351,539
				<u>\$ 29,237,231</u>

See accompanying notes to basic financial statements.

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008**

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL
ASSETS					
Cash and Investments	\$ 5,070,208	\$ 171,735	\$ 2,482,406	\$ 1,521,744	\$ 9,246,093
Receivables:					
Accounts	327,732	110,247	-	-	437,979
Grants	-	1,560,348	-	-	1,560,348
Property Taxes	618,306	-	98,733	-	717,039
Supply Inventory	21,756	-	-	-	21,756
Total Assets	6,038,002	\$ 1,842,330	\$ 2,581,139	\$ 1,521,744	\$ 11,983,215
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	489,658	231,556	-	32,104	753,318
Payroll Liabilities	1,216,580	13,058	-	-	1,229,638
Deferred Revenues	465,082	6,469	75,093	-	546,644
Total Liabilities	2,171,320	251,083	75,093	32,104	2,529,600
FUND BALANCE					
Unreserved, Reported in:					
General Fund	3,866,682	-	-	-	3,866,682
Special Revenue Fund	-	1,591,247	-	-	1,591,247
Debt Service Fund	-	-	2,506,046	-	2,506,046
Capital Projects Fund	-	-	-	1,489,640	1,489,640
Total Fund Balances	3,866,682	1,591,247	2,506,046	1,489,640	9,453,615
Total Liabilities and Fund Balances	\$ 6,038,002	\$ 1,842,330	\$ 2,581,139	\$ 1,521,744	\$ 11,983,215

See accompanying notes to basic financial statements.

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total Fund Balances		\$	9,453,615
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	107,384,681		
	<u>(55,938,008)</u>		
Capital Assets, net			51,446,673
The unamortized portion of issuance costs is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds.			635,606
Prepaid PERS UAL is not reported in the governmental funds:			20,490,984
Internal service funds are used by management to charge the costs of unemployment insurance premiums to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			978,330
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.			540,221
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:			
Bonds payable	(47,165,000)		
Accrued interest	(37,636)		
Premium on general obligation bonds	(85,825)		
COPS	(290,000)		
Post retirement obligation	(6,538,920)		
Accrued compensated absences	<u>(190,817)</u>		<u>(54,308,198)</u>
Total Net Assets		\$	<u>29,237,231</u>

See accompanying notes to basic financial statements.

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL</u>
REVENUES:					
From Local Sources	\$ 11,950,074	\$ 2,492,325	\$ 3,437,746	\$ 268,359	\$ 18,148,504
From Intermediate Sources	930,887	35,500	-	-	966,387
From State Sources	28,577,346	2,636,099	-	-	31,213,445
From Federal Sources	319,388	5,684,487	-	-	6,003,875
Total Revenues	<u>41,777,695</u>	<u>10,848,411</u>	<u>3,437,746</u>	<u>268,359</u>	<u>56,332,211</u>
EXPENDITURES					
Instruction	22,692,414	7,030,788	-	-	29,723,202
Support Services	18,732,252	1,382,961	-	174,055	20,289,268
Enterprise & Community	-	2,332,907	-	4,125	2,337,032
Facilities Acquisition	21,601	45,113	-	124,851	191,565
Debt Service	-	-	3,218,795	295,889	3,514,684
Total Expenditures	<u>41,446,267</u>	<u>10,791,769</u>	<u>3,218,795</u>	<u>598,920</u>	<u>56,055,751</u>
Excess of Revenues Over, -Under Expenditures	331,428	56,642	218,951	(330,561)	276,460
OTHER FINANCING SOURCES AND -USES					
Transfers In	193,123	70,433	-	150,000	413,556
Transfers Out	(445,903)	(17,653)	-	-	(463,556)
Total Other Financing Sources and -Uses	<u>(252,780)</u>	<u>52,780</u>	<u>-</u>	<u>150,000</u>	<u>(50,000)</u>
Net Change in Fund Balance	78,648	109,422	218,951	(180,561)	226,460
Beginning Fund Balance	3,436,495	1,481,825	2,287,095	1,670,201	8,875,616
Prior Period Adjustment	351,539	-	-	-	351,539
Ending Fund Balance	<u>\$ 3,866,682</u>	<u>\$ 1,591,247</u>	<u>\$ 2,506,046</u>	<u>\$ 1,489,640</u>	<u>\$ 9,453,615</u>

See accompanying notes to basic financial statements.

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Net Change in Fund Balance \$ 226,460

Amounts reported for governmental activities in the statement
of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlays	286,411	
Loss on disposal of assets	(2,524)	
Depreciation expense	<u>(2,538,743)</u>	(2,254,856)

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 issuance costs		(42,495)
Amortization of prepaid PERS liability		(975,760)
Amortization of premium on bonds		6,602

Internal service funds are used by management to charge the costs of unemployment insurance premiums to individual funds. This activity is consolidated with the governmental activities in the statement of activities.

117,939

Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Assets, however, issuing long-term debt increases liabilities. 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 proceeds exceeded repayments:

Principal payments on general obligation bonds and C.O.P.S.	1,120,000	
Accrued interest expense	1,360	
Post retirement obligation	1,351,526	
Accrued compensated absences	<u>(11,693)</u>	2,461,193

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds, and are instead recorded as deferred revenue. They are, however, recorded as revenues in the Statement of Activities.

84,889

Change in Net Assets \$ (376,028)

See accompanying notes to basic financial statements.

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF PROPRIETARY NET ASSETS
JUNE 30, 2008**

	<u>Internal Service Fund</u>
Assets	
Current Asssets:	
Cash and Cash Equivalents	<u>\$ 985,048</u>
Total Assets	<u>985,048</u>
Liabilities	
Accounts Payable	<u>6,718</u>
Net Assets	
Unrestricted Net Assets	<u>978,330</u>
Total Liabilities and Net Assets	<u>\$ 985,048</u>

See accompanying notes to basic financial statements.

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF CHANGES IN PROPRIETARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Internal Service Fund</u>
Operating Revenues	
Local Sources	<u>\$ 213,016</u>
Operating Expenses	
Support Services	<u>145,077</u>
Operating Income	67,939
Nonoperating Revenues (Expenses):	
Transfers In	<u>50,000</u>
Change in Net Assets	117,939
Total Net Assets Beginning of Year	<u>860,391</u>
Total Net Assets End of Year	<u><u>\$ 978,330</u></u>

See accompanying notes to basic financial statements.

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Internal Service Fund</u>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 213,016
Cash Paid to Suppliers	<u>(138,359)</u>
Net Cash Used by Operating Activities	<u>74,657</u>
Cash Flows from Noncapital Financing Activities	
Net Cash Provided by Noncapital Financing Activities	<u>50,000</u>
Net Increase in Cash and Cash Equivalents	124,657
Cash Balance Beginning of Year	<u>\$ 860,391</u>
Cash Balance End of Year	<u><u>\$ 985,048</u></u>
Reconciliation of Operating Income to Net Cash Used by Operating Activities:	
Operating Income	67,939
Increase in Accounts Payable	<u>6,719</u>
Net Cash Used by Operating Activities	<u><u>\$ 74,658</u></u>

See accompanying notes to basic financial statements.

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008**

	<u>Scholarship Expendable Trust Fund</u>
Assets	
Cash and Cash Equivalents	\$ 61,367
Liabilities	
Due to Students and Other Groups	<u>-</u>
Net Assets	
Reserved for Scholarships	<u>\$ 61,367</u>

See accompanying notes to basic financial statements.

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

ADDITIONS:

Earnings on Investments	\$ 2,575
State Sources	14
Other Local Sources	<u>2,241</u>
Total Additions	<u>4,830</u>

REDUCTIONS:

Total Reductions	<u>2,497</u>
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Change in Net Assets	2,333
Begininng Net Assets	<u>59,034</u>
Ending Net Assets	<u><u>\$ 61,367</u></u>

See accompanying notes to basic financial statements.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Three Rivers School District (“The District”) is organized under the Oregon Revised Statutes and governed by an elected board of director’s. The board of directors’ duties and powers include, but are not limited to, the acquisition, maintenance and disposition of school property; the development and adoption of a school program; and the establishment, organization and operation of schools. The Board also has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls.

In accordance with GASB Statement No. 39, the financial reporting entity consists of a primary government and it’s component units. The District is a primary government because it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District’s financial statements include only the funds of those organizational entities for which its’ elected governing board is financially accountable. The operations included education, construction, and maintenance facilities. There are no component units.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and Statements of Activities displays information about the reporting government as a whole. The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions.”

Program Revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District’s taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from general revenues.

Net assets are reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

Fund Financial Statements

The fund financial statements provide information about the funds including those of a fiduciary nature. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The accounts are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following major governmental funds are reported:

General Fund - This is the primary operating fund and accounts for all revenues and expenditures except those required to be accounted for in another fund.

Special Revenue Fund – This fund is used to account for the proceeds of specific revenue sources collected that are restricted to expenses paid for specific purposes. Principal revenue sources collected are federal and state grants.

Debt Service Fund - This fund accounts for activities related to the principal and interest payments made on long-term debt obligations.

Capital Projects Fund – This fund accounts for the proceeds of bonds issued for capital expenses.

The following major proprietary fund is reported:

Internal Service Fund – The Internal Service Fund accounts for monies used for self-insurance policies.

The following Fiduciary fund is reported:

Private-Purpose Trust Fund – This fund accounts for resources received and held in a fiduciary capacity, in accordance with a trust agreement for student scholarships.

Measurement Focus and Basis of Accounting

Government-wide 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 the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in 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.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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. All revenues reported in the governmental funds are considered 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.

Private sector standards of accounting and reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that these standards do not conflict or contradict the guidance of the Governmental Accounting Standards Board.

Cash, Cash Equivalents and Investments

The cash and cash equivalents consist of cash on hand, demand deposits, saving deposits, investments in the State of Oregon Treasurer's Local Government Investment Pool (LGIP) and cash with county treasurers. The LGIP is stated at cost which approximates fair value. Fair value of the LGIP is the same as The District's value in 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 the 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 July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Uncollected property taxes are recorded on the statement of net 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.

Interfund Receivables and Payables and Transfers

The receipt and payment of monies through one central checking account, as well as transfers between funds, result in interfund payables and receivables until cash is transferred from one fund to the other. These amounts represent current assets and liabilities and are reported as due to or due from other funds.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Grants

Unreimbursed 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.

Supply Inventories

Accounting for supply inventory is based on the consumption method. Under the consumption method inventory is recorded when purchased and expenditures/expenses are recorded when inventory items are used. Donated commodities consumed during the year are reported as revenues and expenditures. The amount of unused supply inventories and donated commodities at balance sheet date is considered immaterial for reporting purposes.

Capital Assets

Capital assets are recorded at original 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	25 to 50 years
Vehicles	10 to 15 years
Equipment	5 to 20 years

Retirement Plans

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

Unamortized Bond Issue Costs

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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which the services are consumed. In the current year, no items were prepaid prior to June 30, 2008.

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.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Post-employment Health Benefits

Eligible employees who elect early retirement are entitled to payment of group medical insurance premiums. Such costs are recorded as expenses in the governmental fund types as premiums become due.

Compensated Absences

In the governmental funds the cost of vacation pay is recognized when paid. Accumulated unpaid vacation pay is recognized as a liability and is reported in the government-wide financial statements. Accumulated sick pay does not vest and is therefore expensed when leave is taken.

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

All payables and accrued liabilities are reported in the government-wide financial statements. In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full current financial resources, are reported as obligations of the governmental funds. Long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

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 the 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.

Budget

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

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Appropriations are established at the major function level (instruction, support services, 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 a supplemental budget and appropriation resolution.

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels) with Board approval. Appropriations lapse at the end of each fiscal year. Expenditures of the various funds were within authorized appropriations.

Use of Estimates

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

DEPOSITS

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. The total bank balance per the bank statements was \$4,954,440. Of these deposits, \$570,338 was covered by federal depository insurance. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depositor institution to maintain on deposit with the collateral pool manager securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. All bank balances in excess of federal depository insurance, if any, are collateralized by securities held by an entity other than the financial institution as an agent of the bank. This collateral is held in the name of the bank(s).

INVESTMENTS

The District's policy is to follow state statutes governing cash management. Statutes authorize the District to invest in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB), which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund was in compliance with all portfolio guidelines at June 30, 2008.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the position in the State Treasurer's Local Government Investment Pool and the value of the pool shares at June 30, 2008. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Cash and Investments at June 30, 2008 (recorded at fair value) consisted of:

	2008		2008
Deposits With Financial Institutions:		Reported in:	
Petty Cash	\$ 50	Governmental Activities	\$ 10,231,142
Demand Deposits	4,609,159	Fiduciary Funds	61,367
Investments	5,683,300		
Total	\$ 10,292,509		\$ 10,292,509

The District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in months)	
		Less than 3	More than 3
State Treasurer's Investment Pool	\$ 5,683,300	\$ 5,683,300	\$ -
Total	\$ 5,683,300	\$ 5,683,300	\$ -

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. The District does not have any investments that have a maturity date greater than three months.

Concentration of Credit Risk

At June 30, 2008, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in either of these instruments. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2008, the District was in compliance with all percentage restrictions.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (Continued)

Credit Risk

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

3. ACCOUNTS/GRANTS RECEIVABLE

Special revenue fund accounts and grants receivable are comprised of claims for reimbursement of costs under various federal grant programs. No allowance for uncollectible accounts has been recorded because all receivables are considered to be collectible.

4. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2008 are as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Land	\$ 598,311	-	-	598,311
Buildings & Improvements	105,322,268	114,216	-	105,436,484
Equipment	1,180,215	172,195	(2,524)	1,349,886
Total	107,100,794	286,411	(2,524)	107,384,681
Accumulated Depreciation	(53,399,265)	(2,538,743)	-	(55,938,008)
Net Capital Assets	<u>\$ 53,701,529</u>	<u>\$ (2,252,332)</u>	<u>\$ (2,524)</u>	<u>\$ 51,446,673</u>

Depreciation was allocated to the functions as follows:

Instruction	\$ 1,904,057
Support Services	507,749
Community Services	126,937
Total Depreciation	<u>\$ 2,538,743</u>

5. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM

Contributions are made to the Oregon Public Employees Retirement Fund (OPERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, post employment health care benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

PERS is administered under Oregon Revised Statute (ORS) Chapter 238. ORS 238.620 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 to PERS, P.O. Box 23700, Tigard, OR 97281-3700 or by calling 1-503-598-7377.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM (CONTINUED)

Members of PERS are required to contribute 6% of their salary covered under the plan. The District is required by ORS 238.225 to contribute at an actuarially determined rate. The rate effective July 1, 2003 is 8.86% of salary covered under the plan for Tier 1 and Tier 2 employees and 12.94% for employees covered under the Oregon Public Services Retirement Plan (OPSRP). On February 5, 2004 the District participated in the Oregon School Boards Association limited tax pension obligation bond issue to finance a portion of the estimated unfunded PERS actuarial liability (the "UAL"). The District borrowed \$26,620,000, reducing the rate paid to PERS to 2.78%, on Tier 1 and Tier 2 employees, effective March 1, 2004. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. The contributions to PERS for the years ended June 30, 2008, 2007, and 2006 were \$3,563,056, \$3,312,111, and \$2,052,650, respectively, and were equal to required contributions for each year.

6. RISK MANAGEMENT

There is exposure 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. Commercial insurance is purchased to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

7. PREPAID PENSION LIABILITY

As a result of the issuance of the 2004 Limited Tax Pension Obligation Bonds, The District has reported a Prepaid PERS Liability is reported in the Statement of Net Assets. The prepaid liability is equal to the initial \$24,394,028 payment made to PERS from the bond proceeds, less accumulated amortization. Annual amortization is being calculated on a straight-line basis over the life of the pension obligation bonds.

8. LONG-TERM DEBT

Pension Obligation Bonds

On February 5, 2004, limited tax pension obligation bonds totaling \$26,620,000, were issued to finance The District's unfunded actuarially accrued liability (UAL) with the State of Oregon Public Employees Retirement System (PERS). The issuance of the bonds was considered an advance refunding of The District's UAL. The actual savings realized over the life of the bonds is uncertain because of the various legislative changes and legal issues pending with the PERS system which could impact the future required contribution rate.

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds are issued to provide funds for the acquisition and construction of school facilities. The original amount of general obligation bonds issued in prior years was \$24,000,000. On January 26, 2005, the District issued \$17,720,000 of general obligation refunding bonds to provide resources to purchase U. S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$17,405,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased, and the liability has been removed from the government activities column of the statement of net assets.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. LONG-TERM DEBT (CONTINUED)

Certificates of Participation

\$3,105,000 in certificates of participation were issued in prior years for the repair and improvement of facilities and the acquisition of equipment and property. On September 24, 2004, \$1,130,000 of refunding certificates of participation were issued to provide resources for the advance refunding of \$1,070,000 of certificates of participation.

Changes in long-term debt and future maturities were as follows:

	Early Retirement	G.O. Bonds	PERS Bonds	C.O.P.S	TOTAL	
6/30/07	\$ 7,890,446	\$ 21,380,000	\$ 26,620,000	\$ 575,000	\$ 56,465,446	
Additions	274,975	-	-	-	274,975	
Deletions	(1,626,501)	(835,000)	-	(285,000)	(2,746,501)	
6/30/08	<u>\$ 6,538,920</u>	<u>\$ 20,545,000</u>	<u>\$ 26,620,000</u>	<u>\$ 290,000</u>	<u>\$ 53,993,920</u>	
Year Ended June 30,						INTEREST
2009	\$ 1,516,750	915,000	30,000	290,000	\$ 2,751,750	\$ 2,354,002
2010	1,339,580	1,000,000	115,000	-	2,454,580	2,311,910
2011	1,086,345	1,090,000	205,000	-	2,381,345	2,265,449
2012	902,985	1,205,000	305,000	-	2,412,985	2,189,804
2013	685,375	1,300,000	410,000	-	2,395,375	2,133,923
Thereafter	<u>1,007,885</u>	<u>15,035,000</u>	<u>25,555,000</u>	<u>-</u>	<u>41,597,885</u>	<u>17,007,101</u>
	<u>\$ 6,538,920</u>	<u>20,545,000</u>	<u>\$ 26,620,000</u>	<u>\$ 290,000</u>	53,993,920	28,262,189
Unamortized Premium		<u>85,825</u>			85,825	-
Total		<u>\$ 20,630,825</u>			<u>\$ 54,079,745</u>	<u>\$ 28,262,189</u>

Accrued Compensated Absences

The District had \$190,817 of accrued compensated absences at June 30, 2008. The entire amount of accrued compensated absences is considered current.

9. EARLY RETIREMENT

The District offers an early termination benefit for administrative, certified personnel and classified employees who have attained certain age and experience requirements as outlined within their respective collective bargaining agreements. Depending on the terms of each agreement, an employee electing to retire early is eligible to receive medical insurance benefits for a maximum of 7 or 10 years (depending on the bargaining agreement), or may be eligible to receive a monthly stipend. For the year ended June 30, 2008 the district did not pay any stipends and paid insurance benefits totaling \$1,626,501 to early retirees. For the year ended June 30, 2008 stipends were paid totaling \$300, and insurance benefits totaling \$1,775,190 to early retirees.

10. PROPERTY TAX LIMITATION

The State of Oregon imposes a constitutional limit on property taxes for schools and non-school government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for school operations are limited to \$5.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. PROPERTY TAX LIMITATION (CONTINUED)

principal and interest on general obligation bonded debt. The result of this requirement has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue.

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

11. COMMITMENTS AND CONTINGENCIES

A substantial portion of operating funding is received from the State of Oregon. State funding is determined through state wide revenue projections that are paid to individual school districts based on pupil counts and other factors in the state school fund revenue formula. Since these projections and pupil counts fluctuate they can cause either increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on operations cannot be determined.

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The federal audits for these programs for the year ended June 30, 2008 have not been conducted. Accordingly, compliance with grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although such amounts are expected to be immaterial.

12. PRIOR PERIOD ADJUSTMENT

The prior period adjustment for \$351,539 reported in the General Fund for the current year is to adjust beginning fund balance for state school fund revenue which was understated in the prior year and overestimated for the current year.

13. SUBSEQUENT EVENT

In July of 2008 the District entered into a capital lease for lighting, heating ventilation and control systems upgrades for multiple schools. Monthly principal payments will begin on July 20, 2008 for \$9,368 with compounded interest, at 4.346% annual interest rate, until June 20, 2023 for total principal payments of \$1,237,231.

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2008**

<u>GENERAL FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE -NEGATIVE</u>
REVENUES:				
From Local Sources:				
1111 Taxes - Current Year's Levy	\$ 11,100,000	\$ 11,100,000	\$ 11,006,336	\$ (93,664)
1112 Taxes - Prior Years' Levies	260,960	260,960	209,500	(51,460)
1300 Tuition	-	-	12,427	12,427
1510 Earnings on Investments	300,000	300,000	342,838	42,838
1700 Student Fees and Admissions		-	41,941	41,941
1910 Facility Rental		-	10,206	10,206
1920 Contributions		-	6,000	6,000
1960 Recovery of Prior Years Expenditures	-	-	367	367
1990 Miscellaneous	200,000	200,000	320,459	120,459
Total Local Revenue	<u>11,860,960</u>	<u>11,860,960</u>	<u>11,950,074</u>	<u>89,114</u>
From Intermediate Sources:				
2101 County School Fund	-	-	-	-
2102 SOESD	800,000	800,000	930,887	130,887
Total Intermediate Revenue	<u>800,000</u>	<u>800,000</u>	<u>930,887</u>	<u>130,887</u>
From State Sources:				
3101 School Support Fund	27,564,456	27,564,456	28,018,817	454,361
3103 Common School Fund	552,117	552,117	556,730	4,613
3299 Other Unrestricted Grants	-	-	1,799	(1,799)
Total State Revenue	<u>28,116,573</u>	<u>28,116,573</u>	<u>28,577,346</u>	<u>457,175</u>
From Federal Sources:				
4801 Federal Forest Fees	-	-	319,388	319,388
Total Federal Revenue	<u>-</u>	<u>-</u>	<u>319,388</u>	<u>319,388</u>
From Other Financing Sources:				
5200 Transfer In	-	152,833	193,123	40,290
Total Other Financing Sources	<u>-</u>	<u>152,833</u>	<u>193,123</u>	<u>40,290</u>
Total Revenues	<u>\$ 40,777,533</u>	<u>\$ 40,930,366</u>	<u>\$ 41,970,818</u>	<u>\$ 1,036,854</u>

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2008**

		<u>GENERAL FUND</u>			VARIANCE
EXPENDITURES:	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>POSITIVE -NEGATIVE</u>	
Instruction:					
1111 Elementary K-3 (curricular)	\$ 4,591,256	\$ 4,755,900	\$ 4,340,530	\$ 415,370	
1112 Elementary 4-5 (curricular)	2,429,256	2,429,256	2,297,761	131,495	
1121 Middle School (curricular)	4,446,117	4,446,117	4,488,927	(42,810)	
1122 Middle School (co-curricular)	32,259	32,259	6,957	25,302	
1131 High School (curricular)	6,570,811	6,647,311	6,375,126	272,185	
1132 Hi School (co-curricular)	523,464	750,564	761,048	(10,484)	
1221 Restrictive Programs	1,264,329	1,264,329	1,024,004	240,325	
1250 Less Restrictive Programs	2,642,180	2,642,180	2,607,094	35,086	
1280 Alternative Education	532,919	532,919	572,215	(39,296)	
1291 English Second Language	171,776	171,776	218,751	(46,975)	
Total Instruction	<u>23,204,367</u>	<u>23,672,611</u> (1)	<u>22,692,413</u>	<u>980,198</u>	
Support Services:					
2110 Attendance & Social Work Services	1,800	1,800	1,202	598	
2120 Guidance Services	701,512	701,512	696,976	4,536	
2130 Health Services	6,633	6,633	2,893	3,740	
2190 Service Direction	222,745	222,745	220,390	2,355	
2210 Improvement of Instruction Services	106,801	106,801	113,322	(6,521)	
2220 Educational Media Services	716,433	716,433	668,197	48,236	
2230 Assessment & Testing	-	-	-	-	
2240 Instructional Staff Development	81,608	81,608	35,716	45,892	
2310 Board of Education Services	100,363	114,363	75,111	39,252	
2320 Executive Administration	211,881	211,881	241,715	(29,834)	
2410 School Administration	3,927,715	4,030,496	3,881,832	148,664	
2510 Support Svc Direction	411,399	411,399	400,943	10,456	
2520 Fiscal Services	335,808	335,808	348,741	(12,933)	
2540 Operation & Maintenance	4,909,089	4,909,089	4,903,067	6,022	
2550 Student Transportation	3,830,000	4,055,000	4,042,621	12,379	
2570 Internal Services	127,779	127,779	134,314	(6,535)	
2640 Staff Services	342,716	377,716	352,524	25,192	
2660 Technology	1,053,531	1,053,531	986,187	67,344	
2700 Supplemental Retirement	1,786,419	1,786,419	1,626,501	159,918	
Total Support Services	<u>18,874,232</u>	<u>19,251,013</u> (1)	<u>18,732,253</u>	<u>518,760</u>	
Building Improvement Services	<u>1,350</u>	<u>23,350</u> (1)	<u>21,601</u>	<u>1,749</u>	
Debt Service	<u>-</u>	<u>-</u> (1)	<u>-</u>	<u>-</u>	
Contingency	<u>517,000</u>	<u>243,050</u> (1)	<u>-</u>	<u>243,050</u>	
Unappropriated Ending Fund Balance	<u>-</u>	<u>-</u> (1)	<u>-</u>	<u>-</u>	
Total Expenditures	<u>42,596,950</u>	<u>43,190,024</u>	<u>41,446,267</u>	<u>1,743,757</u>	
Excess (Deficiency) of Revenues Over Expenditures	(1,819,417)	(2,259,658)	524,551	2,780,611	
Other Financing Sources, -Uses:					
Transfers Out	(80,000)	(651,162) (1)	(445,903)	205,259	
Sale of Assets	-	-	-	-	
Total Other Financing Sources, -Uses	<u>(80,000)</u>	<u>(651,162)</u>	<u>(445,903)</u>	<u>205,259</u>	
Net Change in Fund Balance	(1,899,417)	(2,910,820)	78,648	2,985,870	
Beginning Fund Balance	<u>2,662,800</u>	<u>3,444,375</u>	<u>3,436,495</u>	<u>(7,880)</u>	
Prior Period Adjustment	-	-	351,539	351,539	
Ending Fund Balance	<u>\$ 763,384</u>	<u>\$ 533,555</u>	<u>\$ 3,866,682</u>	<u>\$ 3,333,127</u>	

(1) Appropriation Level
Continued from Page 26

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2008**

	<u>SPECIAL REVENUE FUND</u>			VARIANCE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	POSITIVE -NEGATIVE
REVENUES:				
From Local Sources	\$ 2,054,377	\$ 2,054,377	\$ 2,492,325	\$ 437,948
From Intermediate Sources	30,000	30,000	35,500	5,500
From State Sources	2,186,957	2,246,957	2,636,099	389,142
From Federal Sources	6,089,150	6,454,845	5,684,487	(770,358)
Total Revenues	10,360,484	10,786,179	10,848,411	62,232
EXPENDITURES:				
Instruction:				
Salaries	3,435,078	3,780,078	3,334,862	445,216
Employee Benefits	1,868,134	1,868,134	1,735,327	132,807
Purchased Services	438,456	438,456	549,328	(110,872)
Supplies and Materials	1,285,790	1,285,790	1,084,655	201,135
Other Objects	237,544	237,544	326,615	(89,071)
Total Instruction	7,265,002	7,610,002 (1)	7,030,787	579,215
Support Services:				
Salaries	463,741	547,936	452,929	95,007
Employee Benefits	217,270	217,270	222,009	(4,739)
Purchased Services	499,769	499,769	413,942	85,827
Supplies and Materials	413,199	413,199	49,282	363,917
Capital Outlay	-	-	101,603	(101,603)
Other Objects	134,847	134,847	143,195	(8,348)
Total Support Services	1,728,825	1,813,020 (1)	1,382,960	430,060
Enterprise and Community Services				
Salaries	652,202	687,202	642,555	44,647
Employee Benefits	497,141	497,141	469,583	27,558
Purchased Services	268,261	268,261	1,176,445	(908,184)
Supplies and Materials	980,689	980,689	38,642	942,047
Other Objects	8,800	8,800	5,682	3,118
Enterprise and Community Services	2,407,092	2,442,092 (1)	2,332,907	109,185
Facilities Acquisition and Construction	150,000	150,000 (1)	45,114	104,886
Contingency	355,564	355,564 (1)	-	355,564
Total Expenditures	11,906,484	12,370,679	10,791,768	1,578,911
Other Financing Sources (uses)				
Transfers in	48,566	87,066	70,433 (2)	(16,633)
Transfers out	(18,566)	(18,566) (1)	(17,653)	913
Net Change in Fund Balance	(1,516,000)	(1,516,000)	109,423	1,625,423
Beginning Fund Balance	1,516,000	1,516,000	1,481,825	(34,175)
Ending Fund Balance	\$ (0)	\$ (0)	\$ 1,591,248	\$ 1,591,248

(1) Appropriation Level

(2) Included in this transfer from the General Fund is the required state revenue match of \$25,987 the District must transfer to the Food Service Fund for National School Lunch Support in order to meet the general cash assistance match.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

SUPPLEMENTARY INFORMATION

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2008**

<u>DEBT SERVICE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE -NEGATIVE</u>
REVENUES:				
From Local Sources:				
Other Local Sources	\$ 1,590,545	\$ 1,590,545	\$ 1,534,243	\$ (56,302)
Interest On Investments	145,000	145,000	169,669	24,669
Taxes	<u>1,703,869</u>	<u>1,703,869</u>	<u>1,733,833</u>	<u>29,964</u>
Total Revenues	<u>3,439,414</u>	<u>3,439,414</u>	<u>3,437,745</u>	<u>(1,669)</u>
EXPENDITURES:				
Debt Service:				
Principal	835,000	835,000	912,138	(77,138)
Interest & Admin Fees	<u>2,385,295</u>	<u>2,385,295</u>	<u>2,306,657</u>	<u>78,638</u>
Total Debt Service	<u>3,220,295</u>	<u>3,220,295 (1)</u>	<u>3,218,795</u>	<u>1,500</u>
Contingency	<u>2,369,119</u>	<u>2,369,119 (1)</u>	<u>-</u>	<u>2,369,119</u>
Total Expenditures	<u>5,589,414</u>	<u>5,589,414</u>	<u>3,218,795</u>	<u>2,370,619</u>
Net Change in Fund Balance	(2,150,000)	(2,150,000)	218,950	2,368,950
Beginning Fund Balance	<u>2,150,000</u>	<u>2,150,000</u>	<u>2,287,095</u>	<u>137,095</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,506,046</u>	<u>\$ 2,506,045</u>

(1) Appropriation Level

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2008**

<u>CAPITAL PROJECTS FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE -NEGATIVE</u>
REVENUES:				
From Local Sources:				
Earnings on Investments	\$ 70,000	\$ 70,000	\$ 143,157	\$ 73,157
Miscellaneous	-	-	125,202	125,202
Total Revenue	<u>70,000</u>	<u>70,000</u>	<u>268,359</u>	<u>198,359</u>
EXPENDITURES:				
Support Services	-	185,073 (1)	174,055	11,018
Enterprise & Community	-	10,000 (1)	4,125	5,875
Facilities Acquisition and Construction	750,000	750,000 (1)	124,851	625,149
Debt Service	296,489	296,489 (1)	295,889	600
Contingency	630,073	585,000 (1)	-	585,000
Total Expenditures	<u>1,676,562</u>	<u>1,826,562</u>	<u>598,920</u>	<u>1,227,642</u>
Excess of Revenues Over -Under Expenditures	(1,606,562)	(1,756,562)	(330,561)	1,426,001
OTHER FINANCING USES				
Transfers In	250,000	400,000	150,000	(250,000)
Transfers Out	-	- (1)	-	-
Total Other Financing Uses	<u>250,000</u>	<u>400,000</u>	<u>150,000</u>	<u>(250,000)</u>
Net Change in Fund Balance	(1,356,562)	(1,356,562)	(180,561)	1,176,001
Beginning Fund Balance	<u>1,356,562</u>	<u>1,356,562</u>	<u>1,670,201</u>	<u>313,639</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,489,640</u>	<u>\$ 1,489,640</u>

(1) Appropriation Level

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2008**

<u>SELF-INSURANCE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE -NEGATIVE</u>
REVENUES				
Earnings on Investments	\$ 20,000	\$ 20,000	\$ 24,280	\$ 4,280
Local Sources	176,390	176,390	188,737	12,347
	<u>196,390</u>	<u>196,390</u>	<u>213,016</u>	<u>16,626</u>
Total Revenues				-
EXPENDITURES				
Support Services	650,062	650,062 (1)	145,077	504,985
Contingency	429,041	429,041 (1)	-	429,041
	<u>1,079,103</u>	<u>1,079,103</u>	<u>145,077</u>	<u>934,026</u>
Total Expenditures				934,026
Net Change in Fund Balance	(882,713)	(882,713)	67,939	950,652
Other Financing Sources				
Transfers in	50,000	50,000	50,000	-
Beginning Fund Balance	<u>832,714</u>	<u>832,714</u>	<u>860,391</u>	<u>27,677</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 978,330</u>	<u>\$ 978,328</u>

(1) Appropriation Level

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2008**

PRIVATE PURPOSE TRUST SCHOLARSHIP FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE -NEGATIVE
REVENUES				
Local Sources	\$ 3,550	\$ 3,550	\$ 4,816	\$ 1,266
State Sources	-	-	14	14
	3,550	3,550	4,830	1,280
Total Revenues	3,550	3,550	4,830	1,280
EXPENDITURES				
Instruction	5,175	5,175 (1)	2,497	2,678
Support Services	145	145 (1)	-	145
Contingency & Unappropriated EFB	54,209	54,209 (1)	-	54,209
	59,529	59,529	2,497	57,032
Total Expenditures	59,529	59,529	2,497	57,032
Net Change in Fund Balance	(55,979)	(55,979)	2,333	58,312
Beginning Fund Balance	55,979	55,979	59,034	3,055
Ending Fund Balance	\$ -	\$ -	\$ 61,367	\$ 61,367

(1) Appropriation Level

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For The Year Ended June 30, 2008**

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/2007	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/2008
GENERAL FUND:						
CURRENT:						
2007-08	\$ 11,590,723	\$ 279,828	\$ (15,217)	\$ 6,509	\$ 10,890,802	\$ 404,876
PRIOR YEARS:						
2006-07	358,022	(20)	(1,385)	13,978	220,313	136,344
2005-06	122,825	(16)	(184)	10,651	69,594	53,063
2004-05	48,247	(11)	(339)	8,692	32,519	15,400
2003-04	16,491	(5)	(323)	4,323	13,271	2,902
2002-03 and prior	8,759	(2)	(918)	1,252	2,122	5,721
Total Prior	554,344	(54)	(3,149)	38,896	337,819	213,430
Total General Fund	\$ 12,145,067	\$ 279,774	\$ (18,366)	\$ 45,405	\$ 11,228,621	\$ 618,306
DEBT SERVICE						
CURRENT:						
2007-08	\$ 1,789,070	\$ 43,192	\$ (2,349)	\$ 1,005	\$ 1,681,035	\$ 62,494
PRIOR YEARS:						
2006-07	62,186	(3)	(1,626)	2,374	37,410	23,153
2005-06	21,430	(3)	(601)	1,809	11,822	9,010
2004-05	8,418	(2)	(281)	1,477	5,523	2,616
2003-04	2,877	(1)	(132)	734	2,254	492
2002-03 and prior	1,525	0	(197)	212	360	968
Total Prior	96,436	(9)	(2,837)	6,606	57,369	36,239
Total Debt Service	\$ 1,885,506	\$ 43,183	\$ (5,186)	\$ 7,611	\$ 1,738,404	\$ 98,733
Total all Funds	\$ 14,030,573	\$ 322,957	\$ (23,552)	\$ 53,016	\$ 12,967,025	\$ 717,039
RECONCILIATION OF REVENUE:					GENERAL FUND	DEBT SERVICE FUND
Cash Collections by County Treasurer Above					\$ 11,228,621	\$ 1,738,404
Taxes in lieu					0	0
Accrual of Receivables:						
June 30, 2007					(165,962)	(28,215)
June 30, 2008					153,177	23,644
Total Revenue					\$ 11,215,836	\$ 1,733,833

2007 - 08 DISTRICT AUDIT REVENUE SUMMARY
Three Rivers / Josephine County Unit Joint School District

Revenue from Local Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
1110 Ad Valorem Taxes Levied by District	\$ 11,215,836		\$ 1,733,833				
1120 Local Option Ad Valorem Taxes Levied by District							
1190 Penalties and Interest on Taxes							
1200 Rev from Local Gov't Units Other Than Districts							
1310 Regular Day School Tuition	\$ 5,968						
1320 Adult/Continuing Education Tuition							
1330 Summer School Tuition	\$ 6,459	\$ 4,100					
1400 Local & Federal Sources							
1500 Earnings on Investments	\$ 342,838	\$ 64,962	\$ 169,669	\$ 143,157		\$ 24,280	\$ 2,575
1600 Food Service		\$ 633,988					
1700 Extracurricular Activities	\$ 41,941	\$ 1,419,178					
1800 Community Services Activities							
1910 Rentals	\$ 10,206						
1920 Contributions and Donations From Private Sources	\$ 6,000	\$ 33,715					\$ 2,241
1930 Rental or Lease Payments From Private Contractors							
1940 Services Provided Other Local Education Agencies							
1950 Textbook Sales and Rentals							
1960 Recovery of Prior Years' Expenditure	\$ 367	\$ 39,369					
1970 Services Provided Other Funds	\$ 23,711		\$ 1,531,515				
1980 Fees Charged to Grants						\$ 184,295	
1990 Miscellaneous	\$ 296,748	\$ 297,013	\$ 2,728	\$ 125,202		\$ 4,442	
Total Revenue from Local Sources	\$ 11,950,074	\$ 2,492,325	\$ 3,437,746	\$ 268,359	\$	\$ 213,017	\$ 4,816
Revenue from Intermediate Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
2101 County School Funds							
2102 Education Service District Apportionment	\$ 930,887						
2105 Natural Gas, Oil, and Mineral Receipts							
2199 Other Intermediate Sources							
2200 Restricted Revenue		\$ 35,500					
2800 Revenue in Lieu of Taxes							
2900 Revenue for/on Behalf of the District							
Total Revenue from Intermediate Sources	\$ 930,887	\$ 35,500	\$	\$	\$	\$	\$
Revenue from State Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
3101 State School Fund - General Support	\$ 28,018,817						
3102 State School Fund - School Lunch Match							
3103 Common School Fund	\$ 556,730						
3104 State Managed County Timber							
3199 Other Unrestricted Grants-in-Aid							
3204 Driver Education							
3222 State School Fund (SSF) Transportation Equipment							
3299 Other Restricted Grants-in-Aid	\$ 1,799	\$ 2,636,099					\$ 14
3800 Revenue in Lieu of Taxes							
3900 Revenue for/on Behalf of the District							
Total Revenue from State Sources	\$ 28,577,346	\$ 2,636,099	\$	\$	\$	\$	\$ 14
Revenue from Federal Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
4100 Unrestricted Revenue Direct From the Federal Government							
4200 Unrestricted Revenue From the Federal Government Through the State							
4300 Restricted Revenue From the Federal Government							
4500 Restricted Revenue From the Federal Government Through the State		\$ 5,545,775					
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies							
4801 Federal Forest Fees	\$ 319,388						
4802 Impact Aid to School Districts for Operation (PL 874)							
4803 Coos Bay Wagon Road Funds							
4899 Other Revenue in Lieu of Taxes							
4900 Revenue for/on Behalf of the District		\$ 138,712					
Total Revenue from Federal Sources	\$ 319,388	\$ 5,684,487	\$	\$	\$	\$	\$
Revenue from Other Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
5100 Long Term Debt Financing Sources							
5200 Interfund Transfers	\$ 193,123	\$ 70,433		\$ 150,000		\$ 50,000	
5300 Sale of or Compensation for Loss of Fixed Assets							
5400 Resources - Beginning Fund Balance	\$ 3,788,034	\$ 1,481,825	\$ 2,287,095	\$ 1,670,201		\$ 860,391	\$ 59,034
Total Revenue from Other Sources	\$ 3,981,157	\$ 1,552,258	\$ 2,287,095	\$ 1,820,201	\$	\$ 910,391	\$ 59,034
Grand Totals	\$ 45,758,851	\$ 12,400,669	\$ 5,724,841	\$ 2,088,560	\$	\$ 1,123,408	\$ 63,864

2007 - 08 DISTRICT AUDIT EXPENDITURE SUMMARY
Three Rivers / Josephine County Unit Joint School District

Fund: 100 - General Fund

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Primary, K-3	\$ 4,340,530	\$ 2,811,562	\$ 1,451,602	\$ 7,414	\$ 69,952			
1112 Intermediate Programs	\$ 2,297,761	\$ 1,513,053	\$ 759,513	\$ 2,300	\$ 22,895			
1113 Elementary Extracurricular	\$							
1121 Middle/Junior High Programs	\$ 4,488,927	\$ 2,935,512	\$ 1,451,018	\$ 4,249	\$ 95,130	\$ 2,823	\$ 195	
1122 Middle/Junior High School Extracurricular	\$ 6,957	\$ 4,671	\$ 749	\$ 1,536				
1131 Local & Federal Sources	\$ 6,375,126	\$ 4,122,486	\$ 1,930,212	\$ 30,059	\$ 290,258		\$ 2,112	
1132 High School Extracurricular	\$ 761,048	\$ 457,001	\$ 154,928	\$ 35,731	\$ 54,061	\$ 4,175	\$ 55,152	
1140 Pre-Kindergarten Programs	\$							
1210 Programs for the Talented and Gifted	\$							
1220 Restrictive Programs for Students with Disabilities	\$ 1,024,004	\$ 630,961	\$ 382,845	\$ 7,743	\$ 2,455			
1250 Less Restrictive Programs for Students with Disabilities	\$ 2,607,094	\$ 1,674,256	\$ 905,449	\$ 15,830	\$ 11,560			
1260 Early Intervention	\$							
1271 Remediation	\$							
1272 Title I	\$							
1280 Alternative Education	\$ 572,215	\$ 292,818	\$ 191,065	\$ 82,757	\$ 5,575			
1291 English Second Language Programs	\$ 218,751	\$ 95,681	\$ 55,780	\$ 67,271	\$ 19			
1292 Teen Parent Program	\$							
1293 Migrant Education	\$							
1294 Youth Corrections Education	\$							
1299 Other Programs	\$							
1300 Adult/Continuing Education Programs	\$							
1400 Summer School Programs	\$							
Total Instruction Expenditures	\$ 22,692,414	\$ 14,537,999	\$ 7,283,163	\$ 254,890	\$ 551,905	\$ 6,998	\$ 57,459	\$
Support Services Expenditures								
2110 Attendance and Social Work Services	\$ 1,202	\$ 233	\$ 20		\$ 949			
2120 Guidance Services	\$ 696,976	\$ 453,720	\$ 236,354	\$ 5,046	\$ 1,791		\$ 65	
2130 Health Services	\$ 2,893	\$ 196	\$ 30		\$ 2,667			
2140 Psychological Services	\$							
2150 Speech Pathology and Audiology Services	\$							
2160 Other Student Treatment Services	\$							
2190 Service Direction, Student Support Services	\$ 220,390	\$ 145,953	\$ 67,902	\$ 2,433	\$ 3,537		\$ 565	
2210 Improvement of Instruction Services	\$ 113,322	\$ 58,883	\$ 22,651	\$ 5,756	\$ 26,032			
2220 Educational Media Services	\$ 668,197	\$ 302,800	\$ 199,659	\$ 83,935	\$ 81,803			
2230 Assessment & Testing	\$							
2240 Instructional Staff Development	\$ 35,716	\$ 16,801	\$ 8,604	\$ 10,311				
2310 Board of Education Services	\$ 75,111	\$ 10,422	\$ 1,194	\$ 49,422	\$ 5,016		\$ 9,058	
2320 Executive Administration Services	\$ 241,715	\$ 162,438	\$ 53,263	\$ 21,686	\$ 3,542		\$ 785	
2410 Office of the Principal Services	\$ 3,881,832	\$ 2,422,127	\$ 1,299,715	\$ 79,268	\$ 62,710		\$ 18,011	
2490 Other Support Services - School Administration	\$							
2510 Direction of Business Support Services	\$ 400,943	\$ 109,602	\$ 46,868	\$ 959	\$ 12,304		\$ 231,210	
2520 Fiscal Services	\$ 348,741	\$ 154,721	\$ 92,295	\$ 78,049	\$ 14,212		\$ 9,464	
2540 Operation and Maintenance of Plant Services	\$ 4,903,067	\$ 1,565,725	\$ 1,019,279	\$ 1,971,996	\$ 266,101	\$ 79,007	\$ 959	
2550 Student Transportation Services	\$ 4,042,621	\$ 55	\$ 5	\$ 4,042,561				
2570 Internal Services	\$ 134,314	\$ 76,997	\$ 45,531	\$ 9,063	\$ 2,723			
2610 Direction of Central Support Services	\$							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$							
2630 Information Services	\$							
2640 Staff Services	\$ 352,524	\$ 226,514	\$ 101,199	\$ 18,198	\$ 6,048		\$ 565	
2660 Technology Services	\$ 986,187	\$ 371,432	\$ 164,785	\$ 258,536	\$ 191,234		\$ 200	
2670 Records Management Services	\$							
2690 Other Support Services - Central	\$							
2700 Supplemental Retirement Program	\$ 1,626,501		\$ 1,626,501					
Total Support Services Expenditures	\$ 18,732,252	\$ 6,078,619	\$ 4,985,855	\$ 6,637,218	\$ 680,670	\$ 79,007	\$ 270,883	\$
Enterprise and Community Services Expenditures								
3100 Food Services	\$							
3200 Other Enterprise Services	\$							
3300 Community Services	\$							
3500 Custody and Care of Children Services	\$							
Total Enterprise and Community Services Expenditures	\$	\$	\$	\$	\$	\$	\$	\$
Facilities Acquisition and Construction Expenditures								
4110 Service Area Direction	\$							
4120 Site Acquisition and Development Services	\$							
4150 Building Acquisition, Construction, and Improvement Services	\$ 21,601				\$ 5,884	\$ 15,717		
4190 Other Facilities Construction Services	\$							
Total Facilities Acquisition and Construction Expenditures	\$ 21,601	\$	\$	\$	\$ 5,884	\$ 15,717	\$	\$
Other Uses Expenditures								
5100 Debt Service	\$							
5200 Transfers of Funds	\$ 445,903							\$ 445,903
5300 Apportionment of Funds by ESD	\$							
5400 PERS UAL Bond Lump Sum	\$							
Total Other Uses Expenditures	\$ 445,903	\$	\$	\$	\$	\$	\$	\$ 445,903
Grand Total	\$ 41,892,169	\$ 20,616,618	\$ 12,269,018	\$ 6,892,108	\$ 1,238,460	\$ 101,722	\$ 328,341	\$ 445,903

2007 - 08 DISTRICT AUDIT EXPENDITURE SUMMARY
Three Rivers / Josephine County Unit Joint School District

Fund: 200 - Special Revenue

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Primary, K-3	\$ 822,299	\$ 540,167	\$ 276,006	\$ 2,473	\$ 3,654			
1112 Intermediate Programs	\$ 65,954	\$ 40,246	\$ 24,777		\$ 930			
1113 Elementary Extracurricular	\$ 192,156			\$ 41,773	\$ 150,384			
1121 Middle/Junior High Programs	\$ 34,350	\$ 18,332	\$ 12,179	\$ 275	\$ 3,564			
1122 Middle/Junior High School Extracurricular	\$ 251,768			\$ 58,313	\$ 180,361		\$ 13,095	
1131 Local & Federal Sources	\$ 336,778	\$ 238,791	\$ 84,660	\$ 2,710	\$ 10,617			
1132 High School Extracurricular	\$ 1,019,717			\$ 138,181	\$ 611,491		\$ 270,044	
1140 Pre-Kindergarten Programs	\$							
1210 Programs for the Talented and Gifted	\$ 13,239	\$ 6,822	\$ 1,853	\$ 2,176	\$ 2,188		\$ 200	
1220 Restrictive Programs for Students with Disabilities	\$ 450,068	\$ 171,513	\$ 93,854	\$ 161,598	\$ 8,625		\$ 14,478	
1250 Less Restrictive Programs for Students with Disabilities	\$ 977,913	\$ 581,321	\$ 342,266	\$ 8,839	\$ 17,454		\$ 28,032	
1260 Early Intervention	\$							
1271 Remediation	\$ 139,908	\$ 93,746	\$ 23,928	\$ 2,570	\$ 18,954		\$ 710	
1272 Title I	\$ 1,697,705	\$ 1,035,356	\$ 594,932	\$ 5,418	\$ 61,943		\$ 56	
1280 Alternative Education	\$ 268,501	\$ 96,334	\$ 61,268	\$ 110,899				
1291 English Second Language Programs	\$ 6,575	\$ 3,217	\$ 674	\$ 85	\$ 2,599			
1292 Teen Parent Program	\$							
1293 Migrant Education	\$							
1294 Youth Corrections Education	\$ 683,307	\$ 454,240	\$ 207,955	\$ 9,219	\$ 11,892			
1299 Other Programs	\$ 3,028	\$ 2,265	\$ 677	\$ 88	\$ (2)			
1300 Adult/Continuing Education Programs	\$							
1400 Summer School Programs	\$ 67,523	\$ 52,513	\$ 10,299	\$ 4,711				
Total Instruction Expenditures	\$ 7,030,788	\$ 3,334,862	\$ 1,735,328	\$ 549,328	\$ 1,084,655	\$	\$ 326,615	\$
Support Services Expenditures								
2110 Attendance and Social Work Services	\$ 66,236	\$ 28,598	\$ 24,497	\$ 5,904	\$ 6,858		\$ 379	
2120 Guidance Services	\$ 287,917	\$ 120,915	\$ 59,294	\$ 97,975	\$ 8,793		\$ 940	
2130 Health Services	\$ 230,440			\$ 230,440				
2140 Psychological Services	\$							
2150 Speech Pathology and Audiology Services	\$							
2160 Other Student Treatment Services	\$							
2190 Service Direction, Student Support Services	\$ 26,845	\$ 11,740	\$ 8,078	\$ 235	\$ 6,792			
2210 Improvement of Instruction Services	\$ 233,728	\$ 106,374	\$ 48,515	\$ 1,126	\$ 4,517		\$ 73,195	
2220 Educational Media Services	\$ 114,782	\$ 2,695	\$ 817		\$ 9,667	\$ 101,603		
2230 Assessment & Testing	\$							
2240 Instructional Staff Development	\$ 214,058	\$ 98,031	\$ 38,369	\$ 40,625	\$ 4,856		\$ 32,177	
2310 Board of Education Services	\$							
2320 Executive Administration Services	\$							
2410 Office of the Principal Services	\$ 170,121	\$ 84,576	\$ 42,440	\$ 5,951	\$ 3,860		\$ 33,296	
2490 Other Support Services - School Administration	\$							
2510 Direction of Business Support Services	\$							
2520 Fiscal Services	\$							
2540 Operation and Maintenance of Plant Services	\$ 3,939				\$ 3,939			
2550 Student Transportation Services	\$ 26,033			\$ 26,033				
2570 Internal Services	\$							
2610 Direction of Central Support Services	\$	\$	\$	\$	\$	\$	\$	\$
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$ 5,318			\$ 2,110			\$ 3,208	
2630 Information Services	\$							
2640 Staff Services	\$							
2660 Technology Services	\$ 3,543			\$ 3,543				
2670 Records Management Services	\$							
2690 Other Support Services - Central	\$							
2700 Supplemental Retirement Program	\$							
Total Support Services Expenditures	\$ 1,382,961	\$ 452,929	\$ 222,009	\$ 413,942	\$ 49,282	\$ 101,603	\$ 143,195	\$
Enterprise and Community Services Expenditures								
3100 Food Services	\$ 2,319,422	\$ 640,635	\$ 469,015	\$ 1,166,427	\$ 37,664		\$ 5,682	
3200 Other Enterprise Services	\$							
3300 Community Services	\$ 13,485	\$ 1,920	\$ 568	\$ 10,018	\$ 978			
3500 Custody and Care of Children Services	\$							
Total Enterprise and Community Services Expenditures	\$ 2,332,907	\$ 642,555	\$ 469,583	\$ 1,176,445	\$ 38,642	\$	\$ 5,682	\$
Facilities Acquisition and Construction Expenditures								
4110 Service Area Direction	\$							
4120 Site Acquisition and Development Services	\$							
4150 Building Acquisition, Construction, and Improvement Services	\$ 45,114			\$ 1,000	\$ 13,614	\$ 30,500		
4190 Other Facilities Construction Services	\$							
Total Facilities Acquisition and Construction Expenditures	\$ 45,114	\$	\$	\$ 1,000	\$ 13,614	\$ 30,500	\$	\$
Other Uses Expenditures								
5100 Debt Service	\$							
5200 Transfers of Funds	\$ 17,653							\$ 17,653
5300 Apportionment of Funds by ESD	\$							
5400 PERS UAL Bond Lump Sum	\$							
Total Other Uses Expenditures	\$ 17,653	\$	\$	\$	\$	\$	\$	\$ 17,653
Grand Total	\$ 10,809,422	\$ 4,430,346	\$ 2,426,920	\$ 2,140,715	\$ 1,186,193	\$ 132,103	\$ 475,492	\$ 17,653

2007 - 08 DISTRICT AUDIT EXPENDITURE SUMMARY
Three Rivers / Josephine County Unit Joint School District

Fund: 300 - Debt Service

Instruction Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3		\$0							
1112 Intermediate Programs		\$0							
1113 Elementary Extracurricular		\$0							
1121 Middle/Junior High Programs		\$0							
1122 Middle/Junior High School Extracurricular		\$0							
1131 Local & Federal Sources		\$0							
1132 High School Extracurricular		\$0							
1140 Pre-Kindergarten Programs		\$0							
1210 Programs for the Talented and Gifted		\$0							
1220 Restrictive Programs for Students with Disabilities		\$0							
1250 Less Restrictive Programs for Students with Disabilities		\$0							
1260 Early Intervention		\$0							
1271 Remediation		\$0							
1272 Title I		\$0							
1280 Alternative Education		\$0							
1291 English Second Language Programs		\$0							
1292 Teen Parent Program		\$0							
1293 Migrant Education		\$0							
1294 Youth Corrections Education		\$0							
1299 Other Programs		\$0							
1300 Adult/Continuing Education Programs		\$0							
1400 Summer School Programs		\$0							
Total Instruction Expenditures		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Support Services Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services		\$0							
2120 Guidance Services		\$0							
2130 Health Services		\$0							
2140 Psychological Services		\$0							
2150 Speech Pathology and Audiology Services		\$0							
2160 Other Student Treatment Services		\$0							
2190 Service Direction, Student Support Services		\$0							
2210 Improvement of Instruction Services		\$0							
2220 Educational Media Services		\$0							
2230 Assessment & Testing		\$0							
2240 Instructional Staff Development		\$0							
2310 Board of Education Services		\$0							
2320 Executive Administration Services		\$0							
2410 Office of the Principal Services		\$0							
2490 Other Support Services - School Administration		\$0							
2510 Direction of Business Support Services		\$0							
2520 Fiscal Services		\$0							
2540 Operation and Maintenance of Plant Services		\$0							
2550 Student Transportation Services		\$0							
2570 Internal Services		\$0							
2610 Direction of Central Support Services		\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services		\$0							
2630 Information Services		\$0							
2640 Staff Services		\$0							
2660 Technology Services		\$0							
2670 Records Management Services		\$0							
2690 Other Support Services - Central		\$0							
2700 Supplemental Retirement Program		\$0							
Total Support Services Expenditures		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Enterprise and Community Services Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services		\$0							
3200 Other Enterprise Services		\$0							
3300 Community Services		\$0							
3500 Custody and Care of Children Services		\$0							
Total Enterprise and Community Services Expenditures		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Facilities Acquisition and Construction Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction		\$0							
4120 Site Acquisition and Development Services		\$0							
4150 Building Acquisition, Construction, and Improvement Services		\$0							
4190 Other Facilities Construction Services		\$0							
Total Facilities Acquisition and Construction Expenditures		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Uses Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service		\$3,218,795						\$3,218,795	
5200 Transfers of Funds		\$0							
5300 Apportionment of Funds by ESD		\$0							
5400 Bond Lump Sum		\$0							
Total Other Uses Expenditures		\$3,218,795	\$0	\$0	\$0	\$0	\$0	\$3,218,795	\$0
Grand Total		\$3,218,795	\$0	\$0	\$0	\$0	\$0	\$3,218,795	\$0

2007 - 08 DISTRICT AUDIT EXPENDITURE SUMMARY
Three Rivers / Josephine County Unit Joint School District

Fund: 400 - Capital Projects

Instruction Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	\$0							
1112 Intermediate Programs	\$0							
1113 Elementary Extracurricular	\$0							
1121 Middle/Junior High Programs	\$0							
1122 Middle/Junior High School Extracurricular	\$0							
1131 Local & Federal Sources	\$0							
1132 High School Extracurricular	\$0							
1140 Pre-Kindergarten Programs	\$0							
1210 Programs for the Talented and Gifted	\$0							
1220 Restrictive Programs for Students with Disabilities	\$0							
1250 Less Restrictive Programs for Students with Disabilities	\$0							
1260 Early Intervention	\$0							
1271 Remediation	\$0							
1272 Title I	\$0							
1280 Alternative Education	\$0							
1291 English Second Language Programs	\$0							
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$0							
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$0							
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$0							
Total Instruction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Support Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$0							
2120 Guidance Services	\$0							
2130 Health Services	\$0							
2140 Psychological Services	\$0							
2150 Speech Pathology and Audiology Services	\$0							
2160 Other Student Treatment Services	\$0							
2190 Service Direction, Student Support Services	\$0							
2210 Improvement of Instruction Services	\$0							
2220 Educational Media Services	\$0							
2230 Assessment & Testing	\$0							
2240 Instructional Staff Development	\$0							
2310 Board of Education Services	\$0							
2320 Executive Administration Services	\$0							
2410 Office of the Principal Services	\$0							
2490 Other Support Services - School Administration	\$0							
2510 Direction of Business Support Services	\$0							
2520 Fiscal Services	\$0							
2540 Operation and Maintenance of Plant Services	\$174,055			\$111,045	\$5,898	\$57,112		
2550 Student Transportation Services	\$0							
2570 Internal Services	\$0							
2610 Direction of Central Support Services	\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0							
2630 Information Services	\$0							
2640 Staff Services	\$0							
2660 Technology Services	\$0							
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$0							
2700 Supplemental Retirement Program	\$0							
Total Support Services Expenditures	\$174,055	\$0	\$0	\$111,045	\$5,898	\$57,112	\$0	\$0

Enterprise and Community Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$4,125				\$4,125			
3200 Other Enterprise Services	\$0							
3300 Community Services	\$0							
3500 Custody and Care of Children Services	\$0							
Total Enterprise and Community Services Expenditures	\$4,125	\$0	\$0	\$0	\$4,125	\$0	\$0	\$0

Facilities Acquisition and Construction Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	\$17,180			\$13,665			\$3,515	
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and Improvement Services	\$106,362			\$8,695	\$5,242	\$92,425		
4190 Other Facilities Construction Services	\$1,309					\$1,309		
Total Facilities Acquisition and Construction Expenditures	\$124,851	\$0	\$0	\$22,360	\$5,242	\$93,735	\$3,515	\$0

Other Uses Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$295,889						\$295,889	
5200 Transfers of Funds	\$0							
5300 Apportionment of Funds by ESD	\$0							
5400 Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$295,889	\$0	\$0	\$0	\$0	\$0	\$295,889	\$0

Grand Total

\$598,920	\$0	\$0	\$133,405	\$15,264	\$150,847	\$299,404	\$0
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2007 - 08 DISTRICT AUDIT EXPENDITURE SUMMARY
Three Rivers / Josephine County Unit Joint School District

Fund: 600 - Self Insurance

Instruction Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3		\$0							
1112 Intermediate Programs		\$0							
1113 Elementary Extracurricular		\$0							
1121 Middle/Junior High Programs		\$0							
1122 Middle/Junior High School Extracurricular		\$0							
1131 Local & Federal Sources		\$0							
1132 High School Extracurricular		\$0							
1140 Pre-Kindergarten Programs		\$0							
1210 Programs for the Talented and Gifted		\$0							
1220 Restrictive Programs for Students with Disabilities		\$0							
1250 Less Restrictive Programs for Students with Disabilities		\$0							
1260 Early Intervention		\$0							
1271 Remediation		\$0							
1272 Title I		\$0							
1280 Alternative Education		\$0							
1291 English Second Language Programs		\$0							
1292 Teen Parent Program		\$0							
1293 Migrant Education		\$0							
1294 Youth Corrections Education		\$0							
1299 Other Programs		\$0							
1300 Adult/Continuing Education Programs		\$0							
1400 Summer School Programs		\$0							
Total Instruction Expenditures		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Support Services Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services		\$0							
2120 Guidance Services		\$0							
2130 Health Services		\$0							
2140 Psychological Services		\$0							
2150 Speech Pathology and Audiology Services		\$0							
2160 Other Student Treatment Services		\$0							
2190 Service Direction, Student Support Services		\$0							
2210 Improvement of Instruction Services		\$0							
2220 Educational Media Services		\$0							
2230 Assessment & Testing		\$0							
2240 Instructional Staff Development		\$0							
2310 Board of Education Services		\$0							
2320 Executive Administration Services		\$0							
2410 Office of the Principal Services		\$0							
2490 Other Support Services - School Administration		\$0							
2510 Direction of Business Support Services		\$0							
2520 Fiscal Services		\$68,410	\$45,654	\$22,756					
2540 Operation and Maintenance of Plant Services		\$28,304	\$1,965	\$430	\$3,510	\$16,751	\$5,647		
2550 Student Transportation Services		\$0							
2570 Internal Services		\$0							
2610 Direction of Central Support Services		\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services		\$0							
2630 Information Services		\$0							
2640 Staff Services		\$48,362	\$19,724	\$28,638					
2660 Technology Services		\$0							
2670 Records Management Services		\$0							
2690 Other Support Services - Central		\$0							
2700 Supplemental Retirement Program		\$0							
Total Support Services Expenditures		\$145,077	\$67,343	\$51,825	\$3,510	\$16,751	\$5,647	\$0	\$0
Enterprise and Community Services Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services		\$0							
3200 Other Enterprise Services		\$0							
3300 Community Services		\$0							
3500 Custody and Care of Children Services		\$0							
Total Enterprise and Community Services Expenditures		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Facilities Acquisition and Construction Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction		\$0							
4120 Site Acquisition and Development Services		\$0							
4150 Building Acquisition, Construction, and Improvement Services		\$0							
4190 Other Facilities Construction Services		\$0							
Total Facilities Acquisition and Construction Expenditures		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Uses Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service		\$0							
5200 Transfers of Funds		\$0							
5300 Apportionment of Funds by ESD		\$0							
5400 PERS UAL Bond Lump Sum		\$0							
Total Other Uses Expenditures		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grand Total		\$145,077	\$67,343	\$51,825	\$3,510	\$16,751	\$5,647	\$0	\$0

2007 - 08 DISTRICT AUDIT EXPENDITURE SUMMARY
Three Rivers / Josephine County Unit Joint School District

Fund: 700 - Trust & Agency

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	\$0							
1112 Intermediate Programs	\$0							
1113 Elementary Extracurricular	\$0							
1121 Middle/Junior High Programs	\$0							
1122 Middle/Junior High School Extracurricular	\$0							
1131 Local & Federal Sources	\$0							
1132 High School Extracurricular	\$0							
1140 Pre-Kindergarten Programs	\$0							
1210 Programs for the Talented and Gifted	\$0							
1220 Restrictive Programs for Students with Disabilities	\$0							
1250 Less Restrictive Programs for Students with Disabilities	\$0							
1260 Early Intervention	\$0							
1271 Remediation	\$0							
1272 Title I	\$0							
1280 Alternative Education	\$0							
1291 English Second Language Programs	\$0							
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$0							
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$2,497			\$2,497				
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$0							
Total Instruction Expenditures	\$2,497	\$0	\$0	\$2,497	\$0	\$0	\$0	\$0
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$0							
2120 Guidance Services	\$0							
2130 Health Services	\$0							
2140 Psychological Services	\$0							
2150 Speech Pathology and Audiology Services	\$0							
2160 Other Student Treatment Services	\$0							
2190 Service Direction, Student Support Services	\$0							
2210 Improvement of Instruction Services	\$0							
2220 Educational Media Services	\$0							
2230 Assessment & Testing	\$0							
2240 Instructional Staff Development	\$0							
2310 Board of Education Services	\$0							
2320 Executive Administration Services	\$0							
2410 Office of the Principal Services	\$0							
2490 Other Support Services - School Administration	\$0							
2510 Direction of Business Support Services	\$0							
2520 Fiscal Services	\$0							
2540 Operation and Maintenance of Plant Services	\$0							
2550 Student Transportation Services	\$0							
2570 Internal Services	\$0							
2610 Direction of Central Support Services	\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0							
2630 Information Services	\$0							
2640 Staff Services	\$0							
2660 Technology Services	\$0							
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$0							
2700 Supplemental Retirement Program	\$0							
Total Support Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$0							
3200 Other Enterprise Services	\$0							
3300 Community Services	\$0							
3500 Custody and Care of Children Services	\$0							
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	\$0							
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and Improvement Services	\$0							
4190 Other Facilities Construction Services	\$0							
Total Facilities Acquisition and Construction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$0							
5200 Transfers of Funds	\$0							
5300 Apportionment of Funds by ESD	\$0							
5400 PERS UAL Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grand Total	\$2,497	\$0	\$0	\$2,497	\$0	\$0	\$0	\$0

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

2007-08 AUDITORS' COMMENTS AND DISCLOSURES



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

December 2, 2008

2007-08 AUDITORS' COMMENTS AND DISCLOSURES

Oregon Administrative Rules 162-10-000 through 162-16-000 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 preceding pages of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as follows.

REPORT ON INTERNAL ACCOUNTING CONTROL

We have audited the basic financial statements of Three Rivers School District, Josephine County, Oregon, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 2, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

The management of Three Rivers School District, Josephine County, Oregon, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the basic financial statements of Three Rivers School District, Josephine County, Oregon, for the year ended June 30, 2008, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants.

REPORT ON INTERNAL ACCOUNTING CONTROL (CONT.)

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 the 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 the financial statements that is more than inconsequential will not be prevented or detected by internal controls.

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter dated December 2, 2008

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

This report is intended solely for the information and use of the Board, management, 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.

ACCOUNTING RECORDS

The accounting records were adequate for audit.

BUDGET TRANSACTIONS

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2008.

2007-08 AND 2008-09 BUDGETS

Based on our testing, there was compliance with legal requirements related to the preparation and adoption of the annual budgets for the years ended June 30, 2008 and 2009.

COLLATERAL SECURING BANK DEPOSITS

The deposits appeared to be adequately covered by federal depository insurance or certificates of participation at all times during 2007-2008, based upon our testing. Deposits in the State Local Government Investment Pool are not required to be collateralized.

INVESTMENTS

The investments for the year ending June 30, 2008 were reviewed, and based on our testing, appear to comply with the legal requirements pertaining to the investment of public funds contained in ORS 294.035.

PUBLIC CONTRACTS AND PURCHASING

The procedures for awarding public contracts were reviewed, and based on our testing, appear to be in compliance with ORS Chapter 279 except for two instances where quotes were not obtained for activity fund disbursements in excess of \$5,000.

INSURANCE AND FIDELITY BONDS

Details concerning insurance and fidelity bond coverage were reviewed during the audit. The coverage provided appears to meet legal requirements. We do not have the professional expertise to state whether the insurance coverage is adequate.

STATUTORY BONDED DEBT LIMITATION

The bonded debt outstanding was within the provisions of ORS 552.645.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

We reviewed and tested, to the extent we considered necessary in the circumstances, transactions and reports relative to federal and state grant programs. Our reports concerning grant compliance and a schedule of federal financial assistance are contained in this report in the Grant Compliance Review Section.

STATE HIGHWAY

There were no programs funded from State Highway funds during the year ended June 30, 2008.

STATE SCHOOL FUND DISTRIBUTION INFORMATION

We have performed the procedures recommended by the Oregon Secretary of State, Audits Division, regarding compliance with the requirements of ORS 327.013 as further defined by the Oregon State Department of Education pertaining to the calculation and reporting of the factors used to compute the State School Fund distribution for the year ended June 30, 2008.

The District was in compliance with the requirements of ORS 327.013 except for one instance involving teacher experience reported incorrectly to Oregon State Department of Education.

PAULY, ROGERS AND CO., P.C.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

GRANT COMPLIANCE REVIEW

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2008**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>GRANT PERIOD</u>	<u>FEDERAL CFDA NUMBER</u>	<u>SUB GRANT NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>2007-08 EXPENDITURES</u>
U.S. DEPARTMENT OF EDUCATION					
Loc Passed Through State Department of Education:					
TITLE I					
Title IA	7/2006-9/2007	84.010	7336	\$ 2,239,231	\$ 253,913 (1)
Title IA	7/2007-9/2008	84.010	10028	2,016,380	1,736,215 (1)
Rural Ed Achievement	7/2006-9/2007	84.358	8068	160,116	2,982
Rural Ed Achievement	7/2007-9/2008	84.358	11671	166,056	145,163
McKinney Homeless	9/2006-8/2007	84.196	6978	10,000	7,370
McKinney Homeless	9/2007-8/2008	84.196	11008	11,400	1,555
					-
Title I - N&D SOASTC	7/2007-6/2009	84.013			18,506
TITLE IIA					
Title IIA	7/2006-9/2007	84.367	7860	511,519	136,997
Title IIA	7/2007-9/2008	84.367	10246	507,693	431,781
TITLE IID					
Title IID	7/2006-9/2007	84.318	8043	23,034	12,610
Title IID	7/2007-9/2008	84.318	10428	19,621	5,953
TITLE IV - SDFS Part I					
Public Law 99-570	7/2006-9/2007	84.186	8671	37,132	3,481
Public Law 99-570	7/2007-9/2008	84.186	11190	35,306	33,124
TITLE V					
Title V	7/2006-9/2007	84.298	8473	12,773	4,768
Title V	7/2007-9/2008	84.298	10624	13,726	13,726
IDEA					
IDEA Part B	7/2006-12/2007	84.027	8265	951,100	172,361
IDEA Part B	7/2007-12/2008	84.027	11502	937,053	698,624
SOASTC	7/2007-6/2008	84.027	8055		11,044
SPR&I	8/2007-6/2008	84.027	10830	3,870	29
IDEA Enhancement	4/2007 - 9/2007	84.027	9464	7,500	7,480
Extended Assessment	10/2007 - 6/2008	84.027	11873	8,088	2,023
OTHER FEDERAL PROGRAMS					
Oregon Adv Placement Inc	12/2006-9/2007	84.330	9261	10,000	5,742
Oregon Adv Placement Inc	12/2007-9/2008	84.330	11655	10,000	6,281
Enhanced Education thru Tech	12/2007-9/2008	84.318	9680	80,695	80,695
Enhanced Education thru Tech	12/2007-9/2009	84.318		72,821	47,655
21st Century Community Learning	2/2006-1/2007	84.287	6607	166,282	2,438
21st Century Community Learning	2/2007-1/2008	84.287	9202	117,093	117,093
21st Century Community Learning	2/2007-1/2008	84.287	9226	121,378	117,441
21st Century Community Learning	2/2008-1/2009	84.287	12076	121,378	3,563
Statewide Literacy Outreach	10/2007-4/2008	84.357	10970	4,000	4,000
Gear Up	10/2006-9/2007	84.334		42,000	4,206
Gear Up	10/2007-9/2008	84.334		35,500	27,144
TOTAL U.S. DEPARTMENT OF EDUCATION				\$ 8,452,744	\$ 4,115,961
U.S. DEPARTMENT OF AGRICULTURE					
Passed Through State Department of Education:					
NATIONAL SCHOOL BREAKFAST PROGRAM		10.553		358,892	358,892
NATIONAL SCHOOL LUNCH PROGRAM		10.555		1,053,003	1,103,825
SUMMER FOOD SERVICE PROGRAM		10.559		88,157	105,809
Total National School Lunch Program				<u>1,500,052</u>	<u>1,568,526</u>
Passed Through Josephine County:					
FEDERAL FOREST FEES		10.665		<u>319,388</u>	<u>319,388</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				319,388	319,388
TOTAL FEDERAL ASSISTANCE				\$ 10,272,184	\$ 6,003,875

(1) Indicates major program



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-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

December 2, 2008

To the Board of Education
Three Rivers School District
Josephine County, Oregon

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

We have audited the financial statements of Three Rivers School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 2, 2008. 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 Three Rivers School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 the 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 the financial statements that is more than inconsequential will not be prevented or detected by the 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 the internal controls.

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 Three Rivers School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Three Rivers School District in a separate letter dated December 2, 2008.

This report is intended solely for the information and use of management, the Board, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

PAULY, ROGERS AND CO., P.C.



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
- (503) 620-2632 • FAX (503) 684-7523

December 2, 2008

To the Board of Education
Three Rivers School District
Josephine County, Oregon

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Three Rivers School District 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, 2008. Three Rivers School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Three Rivers School District's management. Our responsibility is to express an opinion on Three Rivers School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit 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 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 of Three Rivers School District's compliance with those requirements.

In our opinion, Three Rivers School District 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, 2008.

Internal Control Over Compliance

The management of Three Rivers School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Three Rivers School District'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 of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the internal controls over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal controls that might be significant deficiencies or material weaknesses as defined below.

A *control deficiency* in internal controls 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 with a type of compliance 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 ability to administer a federal program such that there is more than 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 internal controls.

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 internal controls.

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.

This report is intended solely for the information and use of management, *the Board*, others within the District, 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.

PAULY, ROGERS AND CO., P.C.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

SCHEDULE OF PRIOR AND CURRENT YEAR AUDIT FINDINGS
AND QUESTIONED COSTS RELATIVE TO FEDERAL AWARDS

For the Year Ended June 30, 2008

CURRENT YEAR AUDIT FINDINGS AND QUESTIONED COSTS:

NONE

PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS:

NONE

CURRENT YEAR AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS:

UNQUALIFIED OPINION

CURRENT YEAR AUDITORS' REPORT ON COMPLIANCE FOR MAJOR PROGRAMS:

UNQUALIFIED OPINION

PROGRAM TESTED AS MAJOR FOR THE YEAR ENDED JUNE 30, 2008:

TITLE IA CFDA # 84.010

DOLLAR THRESHOLD FOR DISTINGUISHING BETWEEN TYPE A AND B PROGRAMS:

\$300,000

LOW-RISK AUDIT QUALIFICATION:

The District qualified as a low-risk auditee under section .530 of OMB Circular A-133.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Three Rivers School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.