

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2011

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

DISTRICT OFFICIALS

June 30, 2011

BOARD OF DIRECTORS

Larry Deibel, Chair
341 NE Sherman Street
Sheridan, Oregon 97378

Judy Breeden, Vice Chair
20405 Rosenbalm Road
Sheridan, Oregon 97378

Mary Leith
991 E Main Street
Sheridan, Oregon 97378

Robin Rawlings
782 W Main Street
Sheridan, Oregon 97378

Jason Alexander
528 NE Hill Street
Sheridan, Oregon 97378

ADMINISTRATION

A.J. Grauer, Superintendent

DeAnn L. O'Neil, Deputy Clerk

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

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FINANCIAL SECTION



Koontz & Perdue, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sheridan School District No. 48J
Sheridan, Oregon 97378

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sheridan School District No. 48J, Sheridan, Oregon, and Sheridan AllPrep Academy, its discretely presented component unit, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sheridan School District No. 48J's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Sheridan Japanese School, a discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Sheridan Japanese School, is based solely on the report of the other auditors.

We conducted our audit 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sheridan School District No. 48J, Sheridan, Oregon as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated December 14, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 39 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sheridan School District No. 48J's basic financial statements as a whole. The individual fund schedules, other financial schedules, and supplemental information required by the Oregon Department of Education are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The individual fund schedules, other financial schedules, and schedule of expenditures of federal awards are the responsibility of management, and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplemental information required by the Oregon Department of Education has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Koontz & Perdue, P.C.

By: 
Glen O. Kearns, CPA

Albany, Oregon
December 14, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of Sheridan School District No. 48J, Sheridan, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2011, total net assets of Sheridan School District No. 48J amounted to \$7,873,727. Of this amount, \$4,302,629 was invested in capital assets, net of related debt. The remaining balance included \$1,629,745 restricted for various purposes and \$1,941,353 of unrestricted net assets.
- At June 30, 2011, the District's governmental funds reported combined ending fund balances of \$3,322,420.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Sheridan School District No. 48J's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The statement of net assets presents information on all the District's assets and liabilities with the difference between the two reported as net assets. 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 presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Sheridan Japanese School and Sheridan AllPrep Academy are charter schools sponsored by the District and are reported as discretely presented component units. Their complete financial statements may be obtained from the District's administrative offices. The District is not financially responsible for the charter schools, but the nature and significance of their financial relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. These component units are presented in total in separate columns in the government-wide financial statements to emphasize that they are legally separate organizations from the District. Revenues reported by the component units as state school fund monies equal the amount passed through the District.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements can be found on pages 11 through 13 of this report.

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of Sheridan School District No. 48J can be divided into two categories: governmental funds and proprietary funds.

□ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Special Projects, Debt Service, and Capital Projects Funds, all of which are considered to be major governmental funds, as well as for the School Nutrition Fund, which is considered to be a nonmajor governmental fund.

Sheridan School District No. 48J adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

□ **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The District maintains one proprietary fund, which is an internal service fund.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Internal service funds serve as an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses the internal service fund to account for its unemployment insurance. Because this predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 18 through 20 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 38 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information for the General and Special Projects Funds. This required supplementary information can be found on pages 39 through 40 of this report.

Individual fund schedules can be found immediately following the required supplementary information on pages 41 through 44 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. At June 30, 2011, the District's assets exceeded its liabilities by \$7,873,727.

A large portion of the District's net assets reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets for classrooms and supporting services for providing kindergarten through twelfth grade education; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

District's Net Assets

At the end of the current fiscal year, the District was able to report positive balances in all categories of net assets. The District's net assets increased by \$1,157,520 during the current fiscal year.

Condensed statement of net assets information is shown on the following page.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Statement of Net Assets

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Assets		
Current and other assets	\$ 2,875,522	\$ 3,095,152
Restricted assets	1,790,398	755,465
Capital assets, net of accumulated depreciation	<u>11,527,402</u>	<u>11,304,834</u>
Total assets	<u>16,193,322</u>	<u>15,155,451</u>
Liabilities		
Current liabilities	1,734,173	1,214,471
Noncurrent liabilities	<u>6,585,422</u>	<u>7,224,773</u>
Total liabilities	<u>8,319,595</u>	<u>8,439,244</u>
Net assets		
Invested in capital assets, net of related debt	4,302,629	3,487,283
Restricted for various purposes	1,629,745	755,465
Unrestricted	<u>1,941,353</u>	<u>2,473,459</u>
Total net assets	<u>\$ 7,873,727</u>	<u>\$ 6,716,207</u>

District's Changes in Net Assets

The condensed statement of activities information shown on the following page explains changes in net assets.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Assets

	Governmental Activities	
	2011	2010
Program revenues		
Regular programs	\$ 349,979	\$ 101,930
Special programs	1,693,303	1,199,825
Student support services	164,455	134,774
Food services	459,026	503,355
Total program revenues	2,666,763	1,939,884
General revenues		
Property taxes - general	1,104,173	1,068,764
Property taxes - debt service	1,029,053	902,769
State school fund – general support	6,948,240	7,441,887
Common school fund	130,255	71,300
Unrestricted state and local revenue	9,111	126,832
Unrestricted grants and contributions	5,955	4,697
Investment earnings	23,173	28,694
Miscellaneous	45,081	77,171
Gain on disposal of assets	7,887	6,341
Total general revenues	9,302,928	9,728,455
Total revenues	11,969,691	11,668,339
Program expenses		
Regular programs	4,134,032	3,843,327
Special programs	2,618,024	2,746,814
Student support services	322,624	407,198
Instructional staff support	327,412	606,384
General administrative support	287,834	342,866
School administrative support	654,423	635,615
Business support services	1,158,666	1,384,245
Central activities support	140,828	159,611
Food services	452,268	450,358
Facilities acquisition and construction	21,483	157,823
Community services	2,144	-
Unallocated depreciation expense	370,861	374,278
Interest on long-term debt	321,572	307,187
Total program expenses	10,812,171	11,415,706
Change in net assets	1,157,520	252,633
Net assets - beginning of year	6,716,207	6,463,574
Net assets - end of year	<u>\$ 7,873,727</u>	<u>\$ 6,716,207</u>

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues

Since the District's mission is to provide a free and appropriate public education for kindergarten through twelfth grade students within its boundaries, the District may not charge for its core services. As expected, therefore, general revenues provide 78% of the funding required for governmental programs. Property taxes and state school funding combined for 98% of general revenues and 76% of total revenues.

Charges for services make up 2% of total revenues and are comprised of the following items for which it is appropriate that the District charge tuition or fees:

• Food services charges for lunch and breakfast	\$ 66,447
• Various student extracurricular activities	<u>227,447</u>
Total charges for services	<u><u>\$ 293,894</u></u>

Operating grants and contributions represent 20% of total revenues. Included in this category are \$1,630,311 of state reimbursements for special education programs and \$742,558 for grants and contributions to support various educational activities.

Expenses

Expenses related to governmental activities are presented in several broad functional categories. Costs of direct classroom instruction activities account for 62% of the total expenses of \$10,812,171. In addition, approximately 31% of the costs in supporting services relate to students, instructional staff, and school administration.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the District's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$3,322,420. Of this amount, \$984,273 constitutes unassigned fund balance, which is available for spending at the District's discretion.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the General Fund was \$1,384,273. Of this amount, \$400,000 was assigned to various purposes and the remaining amount of \$984,273 was unassigned.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary Fund

The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the proprietary fund at year-end amounted to \$95,067, all of which is considered to be unrestricted.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts and three approved appropriation transfers.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2011 amounted to \$11,527,402, net of accumulated depreciation. This investment in capital assets includes land, buildings, and machinery and equipment. The total depreciation related to the District's investment in capital assets for the current fiscal year was \$370,861.

Major capital asset events during the current fiscal year included improvements to the high school buildings and grounds.

Additional information on the District's capital assets can be found in Note III-C on page 31 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total debt outstanding of \$7,224,773. This amount is comprised of general obligation bonds and qualified zone academy bonds. The District's total debt outstanding decreased by \$592,778 during the current fiscal year.

Additional information on the District's long-term debt can be found in Note III-E on pages 32 through 33 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could affect its future health:

- It is anticipated that the costs of providing medical insurance coverage to employees will continue to rise.
- State general fund revenue is expected to decrease statewide due to state revenues being lower than anticipated.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Members of the Oregon Public Employees Retirement System are expected to be faced with increases in retirement contributions.

All of these factors were considered in preparing the District's budget for fiscal year 2011-2012.

The unassigned ending General Fund balance of \$984,273 will be available for program resources in fiscal year 2011-2012.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Sheridan School District No. 48J's finances for all those with an interest. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the Deputy Clerk, DeAnn L. O'Neil, Sheridan School District No. 48J, 435 S. Bridge Street, Sheridan, Oregon 97378.

BASIC FINANCIAL STATEMENTS

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

STATEMENT OF NET ASSETS

June 30, 2011

		Component Units	
	Governmental Activities	Sheridan Japanese School	Sheridan AllPrep Academy
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,595,506	\$ 401,677	\$ 93,356
Undistributed taxes with county	20,175	-	-
ADM receivable from Sheridan School District No. 48J	-	64,907	55,535
Grants receivable	45,593	55,287	72,224
Note receivable, current portion	2,220	-	-
Prepaid expenses	-	2,766	3,162
Other assets	-	4,790	-
Property taxes receivable	100,358	-	-
Total current assets	<u>2,763,852</u>	<u>529,427</u>	<u>224,277</u>
Restricted assets			
Cash and cash equivalents	1,299,506	-	-
Undistributed taxes with county	16,810	-	-
Grants receivable	380,117	-	-
Property taxes receivable	93,965	-	-
Total restricted assets	<u>1,790,398</u>	<u>-</u>	<u>-</u>
Note receivable, less current portion	<u>111,670</u>	<u>-</u>	<u>-</u>
Capital assets, net of accumulated depreciation	<u>11,527,402</u>	<u>167,297</u>	<u>-</u>
Total assets	<u>16,193,322</u>	<u>696,724</u>	<u>224,277</u>
LIABILITIES			
Current liabilities			
Accounts payable	234,910	25,952	11,010
ADM payable to charter schools	120,442	-	-
Payroll liabilities	610,670	49,921	20,796
Deposits held	-	-	850
Unearned revenue	-	17,278	-
Early retirement	128,800	-	-
Bonds payable, current portion	639,351	-	-
Total current liabilities	<u>1,734,173</u>	<u>93,151</u>	<u>32,656</u>
Noncurrent liabilities			
Bonds payable, less current portion	<u>6,585,422</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>8,319,595</u>	<u>93,151</u>	<u>32,656</u>

(Continued)

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

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

STATEMENT OF NET ASSETS

June 30, 2011

(Continued)

		Component Units	
		Sheridan Japanese School	Sheridan AllPrep Academy
	Governmental Activities		
NET ASSETS			
Invested in capital assets, net of related debt	\$ 4,302,629	\$ 167,297	\$ -
Restricted for:			
Special projects	889,415	-	-
Debt service	710,579	-	-
School nutrition programs	29,751	-	-
Other purposes	-	4,790	-
Unrestricted	<u>1,941,353</u>	<u>431,486</u>	<u>191,621</u>
Total net assets	<u>\$ 7,873,727</u>	<u>\$ 603,573</u>	<u>\$ 191,621</u>

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

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
Regular programs	\$ 4,134,032	\$ -	\$ 349,979	\$ -
Special programs	2,618,024	62,992	1,630,311	-
Student support services	322,624	164,455	-	-
Instructional staff support	327,412	-	-	-
General administrative support	287,834	-	-	-
School administrative support	654,423	-	-	-
Business support services	1,158,666	-	-	-
Central activities support	140,828	-	-	-
Food services	452,268	66,447	392,579	-
Facilities acquisition and construction	21,483	-	-	-
Community services	2,144	-	-	-
Unallocated depreciation expense	370,861	-	-	-
Interest on long-term debt	321,572	-	-	-
Total governmental activities	<u>\$ 10,812,171</u>	<u>\$ 293,894</u>	<u>\$ 2,372,869</u>	<u>\$ -</u>
Component units				
Governmental activities				
Sheridan Japanese School	<u>\$ 523,695</u>	<u>\$ 16,594</u>	<u>\$ 49,912</u>	<u>\$ -</u>
Sheridan AllPrep Academy	<u>\$ 428,091</u>	<u>\$ -</u>	<u>\$ 79,874</u>	<u>\$ -</u>
General revenues				
Property taxes levied for general purposes				
Property taxes levied for debt service				
State school fund - general support				
Common school fund				
Unrestricted state and local revenue				
Unrestricted grants and contributions				
Investment earnings				
Miscellaneous				
Gain on disposal of assets				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expense) Revenue and
Changes in Net Assets

Primary Governmental Governmental Activities	Component Units	
	Sheridan Japanese School	Sheridan AllPrep Academy
\$ (3,784,053)	\$ -	\$ -
(924,721)	-	-
(158,169)	-	-
(327,412)	-	-
(287,834)	-	-
(654,423)	-	-
(1,158,666)	-	-
(140,828)	-	-
6,758	-	-
(21,483)	-	-
(2,144)	-	-
(370,861)	-	-
(321,572)	-	-
<u>(8,145,408)</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(457,189)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>(348,217)</u>
1,104,173	-	-
1,029,053	-	-
6,948,240	486,984	479,806
130,255	-	-
9,111	29,632	-
5,955	-	-
23,173	2,186	-
45,081	-	-
7,887	-	-
<u>9,302,928</u>	<u>518,802</u>	<u>479,806</u>
1,157,520	61,613	131,589
<u>6,716,207</u>	<u>541,960</u>	<u>60,032</u>
<u>\$ 7,873,727</u>	<u>\$ 603,573</u>	<u>\$ 191,621</u>

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2011

	General Fund	Special Projects Fund	Debt Service Fund
ASSETS			
Cash and cash equivalents	\$ 2,184,596	\$ 579,922	\$ 681,293
Undistributed taxes with county	20,175	-	16,810
Grants receivable	45,593	365,902	-
Property taxes receivable	<u>100,358</u>	<u>-</u>	<u>93,965</u>
Total assets	<u>\$ 2,350,722</u>	<u>\$ 945,824</u>	<u>\$ 792,068</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 148,305	\$ 56,409	\$ -
ADM payable to charter schools	120,442	-	-
Accrued liabilities	610,670	-	-
Deferred revenue	<u>87,032</u>	<u>-</u>	<u>81,489</u>
Total liabilities	<u>966,449</u>	<u>56,409</u>	<u>81,489</u>
Fund balances			
Restricted	-	889,415	710,579
Assigned	400,000		
Unassigned	<u>984,273</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,384,273</u>	<u>889,415</u>	<u>710,579</u>
Total liabilities and fund balances	<u>\$ 2,350,722</u>	<u>\$ 945,824</u>	<u>\$ 792,068</u>

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

Capital Projects Fund	Nonmajor Governmental Fund School Nutrition	Total Governmental Funds
\$ 315,843	\$ 38,291	\$ 3,799,945
-	-	36,985
-	14,215	425,710
-	-	194,323
<u>\$ 315,843</u>	<u>\$ 52,506</u>	<u>\$ 4,456,963</u>
\$ 7,441	\$ 22,755	\$ 234,910
-	-	120,442
-	-	610,670
-	-	168,521
<u>7,441</u>	<u>22,755</u>	<u>1,134,543</u>
-	29,751	1,629,745
308,402	-	708,402
-	-	984,273
<u>308,402</u>	<u>29,751</u>	<u>3,322,420</u>
<u>\$ 315,843</u>	<u>\$ 52,506</u>	<u>\$ 4,456,963</u>

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**

June 30, 2011

Total fund balances		\$ 3,322,420
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	16,160,755	
Accumulated depreciation	<u>(4,633,353)</u>	11,527,402
Property tax revenue is recognized in the net assets of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 60 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		
		168,521
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.		
		95,067
The note receivable is not available to pay for current period expenditures and is therefore not reported as a governmental fund asset.		
		113,890
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:		
Early retirement	(128,800)	
Bonds payable	<u>(7,224,773)</u>	<u>(7,353,573)</u>
Net assets of governmental activities		<u>\$ 7,873,727</u>

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

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2011

	General Fund	Special Projects Fund	Debt Service Fund
REVENUES			
Local revenue	\$ 1,182,837	\$ 151,513	\$ 1,022,666
Intermediate revenue	9,111	194,563	114,663
State revenue	7,104,353	181,258	-
Federal revenue	<u>-</u>	<u>1,484,434</u>	<u>-</u>
Total revenues	<u>8,296,301</u>	<u>2,011,768</u>	<u>1,137,329</u>
EXPENDITURES			
Current			
Instruction	5,491,912	1,131,344	-
Support services	2,585,150	215,679	-
Community services	-	69,214	-
Debt service	-	-	914,350
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>8,077,062</u>	<u>1,416,237</u>	<u>914,350</u>
Excess (deficiency) of revenues over (under) expenditures	<u>219,239</u>	<u>595,531</u>	<u>222,979</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	-	-
Transfers in	-	-	20,000
Transfers out	<u>(124,467)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(124,467)</u>	<u>-</u>	<u>20,000</u>
Net change in fund balances	94,772	595,531	242,979
Fund balances - beginning	<u>1,289,501</u>	<u>293,884</u>	<u>467,600</u>
Fund balances - ending	<u><u>\$ 1,384,273</u></u>	<u><u>\$ 889,415</u></u>	<u><u>\$ 710,579</u></u>

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

Capital Projects Fund	Nonmajor Governmental Fund School Nutrition	Total Governmental Funds
\$ 2,469	\$ 66,447	\$ 2,425,932
-	-	318,337
58,174	-	7,343,785
-	375,531	1,859,965
<u>60,643</u>	<u>441,978</u>	<u>11,948,019</u>
-	-	6,623,256
5,075	-	2,805,904
-	454,594	523,808
-	-	914,350
<u>614,912</u>	<u>-</u>	<u>614,912</u>
<u>619,987</u>	<u>454,594</u>	<u>11,482,230</u>
<u>(559,344)</u>	<u>(12,616)</u>	<u>465,789</u>
8,244	-	8,244
50,000	4,467	74,467
<u>-</u>	<u>-</u>	<u>(124,467)</u>
<u>58,244</u>	<u>4,467</u>	<u>(41,756)</u>
(501,100)	(8,149)	424,033
<u>809,502</u>	<u>37,900</u>	<u>2,898,387</u>
<u>\$ 308,402</u>	<u>\$ 29,751</u>	<u>\$ 3,322,420</u>

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, 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, 2011

Net change in fund balances		\$ 424,033
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditures for capital assets	593,429	
Less current year depreciation	<u>(370,861)</u>	222,568
Governmental funds report note receivable payments as revenue. No income is recorded in the statement of activities. Payments are treated as reductions of the asset.		
		(357)
Long-term debt proceeds are reported as other financing sources in the 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.		
Debt principal paid		592,778
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 funds in the statement of activities.		
		33,815
Some expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds.		
Early retirement		(128,800)
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the statement of activities, property taxes are recognized as revenue when levied.		
		<u>13,483</u>
Change in net assets		<u>\$ 1,157,520</u>

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

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2011

	Internal Service Fund
	<u>Unemployment Insurance</u>
ASSETS	
Cash and cash equivalents	\$ 95,067
LIABILITIES	
	<u>-</u>
NET ASSETS	
Unrestricted	<u><u>\$ 95,067</u></u>

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

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUND

For the Year Ended June 30, 2011

	Internal Service Fund
	<u>Unemployment Insurance</u>
Operating revenues	\$ -
Operating expenses	
Support services	<u>16,487</u>
Operating income (loss)	<u>(16,487)</u>
Nonoperating revenues (expenses)	
Investment earnings	302
Transfers in	<u>50,000</u>
Total nonoperating revenues (expenses)	<u>50,302</u>
Change in net assets	33,815
Net assets - beginning	<u>61,252</u>
Net assets - ending	<u>\$ 95,067</u>

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

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended June 30, 2011

	Internal Service Fund Unemployment Insurance
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to employees	\$ (16,487)
Net cash provided (used) by operating activities	<u>(16,487)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>302</u>
Net cash provided (used) by investing activities	<u>302</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Transfers in	<u>50,000</u>
Net cash provided (used) by financing activities	<u>50,000</u>
Net increase (decrease) in cash and cash equivalents	33,815
Cash and cash equivalents - beginning	<u>61,252</u>
Cash and cash equivalents - ending	<u>\$ 95,067</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Sheridan School District No. 48J have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

Sheridan School District No. 48J functions as a local education agency, serving students in grades kindergarten through 12, and consists of two schools. The District is governed by a five-member board of directors.

Sheridan Japanese School and Sheridan AllPrep Academy are charter schools sponsored by the District and are reported as discretely presented component units. Their complete financial statements may be obtained from the District's administrative offices. The District is not financially responsible for the charter schools, but the nature and significance of their financial relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. These component units are presented in total in separate columns in the government-wide financial statements to emphasize that they are legally separate organizations from the District. Revenues reported by the component units as state school fund monies equal the amount passed through the District.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, as well as expenditures related to compensated absences and early retirement, are recorded only when payment is due.

Property taxes, investment earnings, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund. The primary sources of revenue are property taxes and state revenues.

Special Revenue Fund

Special Projects Fund – The Special Projects Fund accounts for the proceeds of specific revenue sources that are restricted for specific purposes. The primary source of revenue is from federal grants. The primary uses of revenue are for salaries and employment benefits, education program enhancement, and equipment purchases.

Debt Service Fund – The Debt Service Fund accounts for the repayment of the District's long-term debt. The primary source of revenue is property taxes. The primary use of revenue is payment of principal and interest due on long-term debt.

Capital Projects Fund – The Capital Projects Fund accounts for major capital improvements within the District. The primary sources of revenue are state revenues and transfers from the General Fund. The primary use of revenue is capital outlay.

Additionally, the District reports the following nonmajor governmental fund:

Special Revenue Fund

School Nutrition Fund – The School Nutrition Fund accounts for lunch sales to students and faculty. The primary sources of revenue are lunch sales and federal school lunch program grants. The primary uses of revenue are for salaries, benefits, and food purchases.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The District reports the following proprietary fund:

Internal Service Fund

Unemployment Insurance Fund – The Unemployment Insurance Fund is used to account for funds allocated for unemployment benefits. The primary source of revenue is transfers from the General Fund. The primary use of revenue is for unemployment benefits.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The District reports deferred revenue on the balance sheet of the governmental funds. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used. The District has not formally adopted a policy for commitment or assignment of unrestricted fund balance.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity

1. Deposits and Investments

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

State statutes authorize the District to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 60 days of fiscal year-end are recognized as revenue, while the remaining amount of taxes receivable are recorded as deferred revenue because they are not deemed available to finance operations of the current period.

3. Inventories

Inventories of food are valued at cost using the first-in, first-out method. Donated commodities are valued at estimated market value at the date of donation. Inventories consist of donated commodities and purchased food.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

4. Capital Assets (Continued)

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized.

Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Machinery and equipment	5-30
Buildings	25-40

5. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amounts of debt issued are reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Retirement Plan

Most of the District's employees participate in Oregon's Public Employees Retirement System (PERS). Contributions are made on a current basis as required by the plan and are recorded as expenses or expenditures.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

7. Fund Equity

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The District has not formally adopted a policy for commitment or assignment of unrestricted fund balance.

The District has not formally adopted a minimum fund balance policy.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, debt service, capital projects, and internal service funds. All funds are budgeted on the modified accrual basis of accounting.

The District begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year. The board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, interfund transfers, and operating contingency are the levels of control for the funds established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation 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 of directors at a regular board 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 of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there were no supplemental budgets. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and three approved appropriation transfers.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Sheridan School District No. 48J maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP 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. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the District's position in the LGIP is the same as the value of the pool shares.

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The District has not adopted an investment policy regarding credit risk; however, investments comply with state statutes.

Investments

As of June 30, 2011, the District had the following investments:

	<u>Credit Quality Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 3,743,412</u>

Interest Rate Risk

The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The District does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the District's investments are in the Oregon Local Government Investment Pool.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned. All District deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The District holds noninterest-bearing accounts at US Bank, for which deposits are fully insured by the FDIC temporary liquidity guarantee program. In addition, the District holds interest-bearing accounts at US Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2011, the District's total deposits of \$714,253 were fully insured by the FDIC.

Deposits

The District's deposits and investments at June 30, 2011 are as follows:

Checking accounts	\$ 151,600
Total investments	<u>3,743,412</u>
 Total deposits and investments	 <u>\$ 3,895,012</u>

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Deposits (Continued)

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 2,184,596
Capital Projects Fund	315,843
Unemployment Insurance Fund	<u>95,067</u>
Total governmental activities - unrestricted	<u>2,595,506</u>
Governmental activities - restricted	
Special Projects Fund	579,922
Debt Service Fund	681,293
School Nutrition Fund	<u>38,291</u>
Total governmental activities - restricted	<u>1,299,506</u>
Total cash and investments	<u><u>\$ 3,895,012</u></u>

Restricted cash is for future payments of principal and interest on long-term debt, as well as the completion of bond projects.

B. Note Receivable

Receivables as of June 30, 2011 are as follows:

Note receivable dated April 2005 in the amount of \$125,000; interest at 6% with monthly payments through the year 2015. Financed sale of property.	<u><u>\$ 113,890</u></u>
Current	\$ 2,220
Noncurrent	<u>111,670</u>
	<u><u>\$ 113,890</u></u>

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 648,696	\$ -	\$ -	\$ 648,696
Construction in progress	<u>439,405</u>	<u>-</u>	<u>(439,405)</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,088,101</u>	<u>-</u>	<u>(439,405)</u>	<u>648,696</u>
Capital assets being depreciated				
Buildings	14,027,947	1,032,834	-	15,060,781
Machinery and equipment	<u>451,278</u>	<u>-</u>	<u>-</u>	<u>451,278</u>
Total capital assets being depreciated	<u>14,479,225</u>	<u>1,032,834</u>	<u>-</u>	<u>15,512,059</u>
Less accumulated depreciation for				
Buildings	(3,868,021)	(361,446)	-	(4,229,467)
Machinery and equipment	<u>(394,471)</u>	<u>(9,415)</u>	<u>-</u>	<u>(403,886)</u>
Total accumulated depreciation	<u>(4,262,492)</u>	<u>(370,861)</u>	<u>-</u>	<u>(4,633,353)</u>
Total capital assets being depreciated, net	<u>10,216,733</u>	<u>661,973</u>	<u>-</u>	<u>10,878,706</u>
Governmental activities capital assets, net	<u>\$ 11,304,834</u>	<u>\$ 661,973</u>	<u>\$ (439,405)</u>	<u>\$ 11,527,402</u>

Capital assets are reported on the statement of net assets as follows:

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Governmental activities			
Land	\$ 648,696	\$ -	\$ 648,696
Buildings	15,060,781	(4,229,467)	10,831,314
Machinery and equipment	<u>451,278</u>	<u>(403,886)</u>	<u>47,392</u>
Total governmental capital assets	<u>\$ 16,160,755</u>	<u>\$ (4,633,353)</u>	<u>\$ 11,527,402</u>

Depreciation was not charged to specific functions or programs of the District. Capital assets of the District are for the use of the entire District and are therefore unallocated. Depreciation expense is recorded on the statement of activities as follows:

Unallocated depreciation expense	<u>\$ 370,861</u>
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SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Interfund Transfers

Interfund transfers during the year consisted of:

	Transfers in:				Total
	Special Projects Fund	Debt Service Fund	Capital Projects Fund	Unemployment Insurance Fund	
Transfers out:					
General Fund	<u>\$ 4,467</u>	<u>\$ 20,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 124,467</u>

Transfers were made to cover current year special and capital projects, debt service payments, and future unemployment costs.

E. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

	Interest Rates	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
General obligation bonds							
Capital Improvements 1996	3.8 - 5.1%	\$ 1,900,000	\$ 415,000	\$ -	\$ (200,000)	\$ 215,000	\$ 215,000
Capital Improvements 2003	2 - 4.5%	<u>8,500,000</u>	<u>6,700,000</u>	<u>-</u>	<u>(360,000)</u>	<u>6,340,000</u>	<u>390,000</u>
Total general obligation bonds		10,400,000	7,115,000	-	(560,000)	6,555,000	605,000
Qualified zone academy bonds	0%	<u>1,000,000</u>	<u>702,551</u>	<u>-</u>	<u>(32,778)</u>	<u>669,773</u>	<u>34,351</u>
Total governmental activities		<u>\$ 11,400,000</u>	<u>\$ 7,817,551</u>	<u>\$ -</u>	<u>\$ (592,778)</u>	<u>\$ 7,224,773</u>	<u>\$ 639,351</u>

2. General Obligation Bonds

General obligation bonds are direct obligations that pledge the full faith and credit of the District and are payable from ad valorem debt service levy proceeds. The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The District's outstanding general obligation bonds represent funding primarily for building improvement projects. Interest is due semiannually in June and December. Interest rates increase at fixed rates over the life of the bonds in accordance with the original bond agreements. The Debt Service Fund has traditionally been used to liquidate long-term debt.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Long-Term Liabilities (Continued)

3. Qualified Zone Academy Bonds

The District entered into a financing agreement dated July 29, 2009 under the Qualified Zone Academy Bonds (QZAB) Program. The QZAB Program provides no interest cost financing to purchase certain goods and services for schools located in eligible District areas (zones). The District received financing of \$1,000,000 from a local bank on July 29, 2009 for upgrades and improvements to Sheridan High School and Faulconer-Chapman School. Interest on the debt is paid by the United States government through the issuance of federal income tax credits to the holder of the QZAB debt (the bank). The rate of return to the bank was established by the United States government at the time of the sale. To reflect the time value of money, the liability recorded in the financial statements reflects future payments discounted at an imputed interest rate of 4.8%, which was the District's long-term borrowing rate at July 2009. The agreement requires annual payments of \$66,500 on July 29 of each year, and a final payment of \$69,000 on July 29, 2024.

4. Future Maturities of Long-Term Liabilities

Year Ending June 30	Bonds		
	Principal	Interest	Total
2012	\$ 639,351	\$ 297,215	\$ 936,566
2013	456,000	275,535	731,535
2014	487,728	259,527	747,255
2015	524,539	237,466	762,005
2016	566,436	213,744	780,180
2017-2021	3,513,996	667,075	4,181,071
2022-2025	<u>1,036,723</u>	<u>58,975</u>	<u>1,095,698</u>
Total	<u>\$ 7,224,773</u>	<u>\$ 2,009,537</u>	<u>\$ 9,234,310</u>

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. Constraints on Fund Balances

Constraints on fund balances reported on the balance sheet are as follows:

	General Fund	Special Projects Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Fund School Nutrition	Total Governmental Funds
Fund balances:						
Restricted for:						
Special projects	\$ -	\$ 889,415	\$ -	\$ -	\$ -	\$ 889,415
Debt service	-	-	710,579	-	-	710,579
School nutrition programs	-	-	-	-	29,751	29,751
Assigned to:						
Energy project completion	150,000	-	-	-	-	150,000
Capital projects	100,000	-	-	308,402	-	408,402
PERS reserve	150,000	-	-	-	-	150,000
Unassigned	984,273	-	-	-	-	984,273
Total fund balances	<u>\$ 1,384,273</u>	<u>\$ 889,415</u>	<u>\$ 710,579</u>	<u>\$ 308,402</u>	<u>\$ 29,751</u>	<u>\$ 3,322,420</u>

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. In addition, the District maintains an Unemployment Insurance Fund for the payment of future unemployment claims. No liability for unpaid unemployment claims has been recorded, as management is unable to reasonably estimate the amount or timing of future claims.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

IV. OTHER INFORMATION (Continued)

B. Retirement Plans

1. Oregon Public Employees Retirement System

Plan Description

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

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

Funding Policy

The District is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan and a general service rate for the qualifying employees under the OPSRP plan. The OPERF and OPSRP rates in effect for the year ended June 30, 2011 were 14.22% and 14.74%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. Covered employees are required by state statute to contribute 6% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contributions in addition to the required employer's contribution. The District has elected to pay the required employee contribution of 6% of covered payroll.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

IV. OTHER INFORMATION (Continued)

B. Retirement Plans (Continued)

1. Oregon Public Employees Retirement System (Continued)

Annual Pension Cost

The District's contributions to PERS for the three years ended June 30, 2009, 2010, and 2011 were equal to the required contribution for each year.

Annual pension expenses/expenditures are summarized as follows:

<u>Fiscal Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
2009	\$ 935,193	100%
2010	\$ 751,599	100%
2011	\$ 929,433	100%

2. Tax Deferred Annuities

The District provides tax deferred annuity contracts established under Section 403(b) of the Internal Revenue Code. Participation in the program is voluntary. Contributions are made from salary deductions from participating employees within the limits specified in the Code.

C. Other Post-Employment Benefits

1. Retirement Health Insurance Account (RHIA)

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS), the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer, defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and requires supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at <http://oregon.gov/PERS/>.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

IV. OTHER INFORMATION (Continued)

C. Other Post-Employment Benefits (Continued)

1. Retirement Health Insurance Account (RHIA) (Continued)

Plan Description (Continued)

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Funding Policy

Participating entities are contractually required to contribute to RHIA at a rate assessed each year by OPERS; currently 0.29% of covered payroll. The OPERS board of trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The District's contributions to RHIA for the years ended June 30, 2009, 2010, and 2011 were \$11,826, \$12,236, and \$12,243, respectively, which equaled the required contributions each year.

D. Related Party Transactions

Sheridan School District No. 48J has outstanding accounts payable to Sheridan Japanese School and Sheridan AllPrep Academy, discretely presented component units of the District, for basic school support. The balances payable at June 30, 2011 were \$64,907 and \$55,535, respectively. The amounts were subsequently paid in full on October 25, 2011.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

IV. OTHER INFORMATION (Continued)

E. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements that have future effective dates that will impact future financial presentations. Management has not currently determined what impact implementation of the following statements will have on future financial statements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, will be effective for the District beginning with its fiscal year ending June 30, 2013, though earlier application is encouraged. This statement incorporates into the GASB's authoritative literature, certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, issued on or before November 30, 1989 that does not conflict with or contradict GASB pronouncements.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, will be effective for the District beginning with its fiscal year ending June 30, 2013. This statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances.

F. Subsequent Events

Management has evaluated subsequent events through December 14, 2011, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Variance with Final Budget Over (Under)
REVENUES			
Local revenue	\$ 1,170,000	\$ 1,170,000	\$ 14,021
Intermediate revenue	10,500	160,500	(151,389)
State revenue	<u>8,360,195</u>	<u>8,110,195</u>	<u>(1,005,842)</u>
Total revenues	<u>9,540,695</u>	<u>9,440,695</u>	<u>(1,143,210)</u>
EXPENDITURES			
Current			
Instruction	6,299,680	6,199,680	(707,768)
Support services	3,191,015	3,191,015	(605,865)
Contingency	<u>200,000</u>	<u>200,000</u>	<u>(200,000)</u>
Total expenditures	<u>9,690,695</u>	<u>9,590,695</u>	<u>(1,513,633)</u>
Excess (deficiency) of revenues over (under) expenditures	(150,000)	(150,000)	370,423
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(25,533)</u>
Net change in fund balance	(300,000)	(300,000)	395,956
Fund balance - beginning	<u>1,100,000</u>	<u>1,100,000</u>	<u>174,993</u>
Fund balance - ending	<u><u>\$ 800,000</u></u>	<u><u>\$ 800,000</u></u>	<u><u>\$ 570,949</u></u>

Budget Basis	Actual	
	Adjustments	GAAP Basis
\$ 1,184,021	\$ (1,184)	\$ 1,182,837
9,111	-	9,111
<u>7,104,353</u>	<u>-</u>	<u>7,104,353</u>
<u>8,297,485</u>	<u>(1,184)</u>	<u>8,296,301</u>
5,491,912	-	5,491,912
2,585,150	-	2,585,150
<u>-</u>	<u>-</u>	<u>-</u>
<u>8,077,062</u>	<u>-</u>	<u>8,077,062</u>
220,423	(1,184)	219,239
<u>(124,467)</u>	<u>-</u>	<u>(124,467)</u>
95,956	(1,184)	94,772
<u>1,274,993</u>	<u>14,508</u>	<u>1,289,501</u>
<u>\$ 1,370,949</u>	<u>\$ 13,324</u>	<u>\$ 1,384,273</u>

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

SPECIAL PROJECTS FUND

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Variance with Final Budget Over (Under)
REVENUES			
Local revenue	\$ 252,800	\$ 252,800	\$ (101,287)
Intermediate revenue	79,400	79,400	115,163
State revenue	7,450	257,450	(76,192)
Federal revenue	<u>1,422,955</u>	<u>1,478,955</u>	<u>5,479</u>
Total revenues	<u>1,762,605</u>	<u>2,068,605</u>	<u>(56,837)</u>
EXPENDITURES			
Instruction	1,309,720	1,615,720	(484,376)
Support services	413,280	413,280	(197,601)
Community services	<u>182,005</u>	<u>182,005</u>	<u>(112,791)</u>
Total expenditures	<u>1,905,005</u>	<u>2,211,005</u>	<u>(794,768)</u>
Excess (deficiency) of revenues over (under) expenditures	(142,400)	(142,400)	737,931
Fund balance - beginning	<u>142,400</u>	<u>142,400</u>	<u>153,709</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 891,640</u>

Budget Basis	Actual	
	Adjustments	GAAP Basis
\$ 151,513	\$ -	\$ 151,513
194,563	-	194,563
181,258	-	181,258
<u>1,484,434</u>	<u>-</u>	<u>1,484,434</u>
<u>2,011,768</u>	<u>-</u>	<u>2,011,768</u>
1,131,344	-	1,131,344
215,679	-	215,679
<u>69,214</u>	<u>-</u>	<u>69,214</u>
<u>1,416,237</u>	<u>-</u>	<u>1,416,237</u>
595,531	-	595,531
<u>296,109</u>	<u>(2,225)</u>	<u>293,884</u>
<u>\$ 891,640</u>	<u>\$ (2,225)</u>	<u>\$ 889,415</u>

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND SCHEDULES

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

SCHOOL NUTRITION FUND

For the Year Ended June 30, 2011

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Local revenue	\$ 106,420	\$ (39,973)	\$ 66,447	\$ -	\$ 66,447
State revenue	105,000	(105,000)	-	-	-
Federal revenue	<u>433,640</u>	<u>(58,109)</u>	<u>375,531</u>	<u>-</u>	<u>375,531</u>
Total revenues	645,060	(203,082)	441,978	-	441,978
EXPENDITURES					
Community services	<u>625,060</u>	<u>(170,466)</u>	<u>454,594</u>	<u>-</u>	<u>454,594</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,000</u>	<u>(32,616)</u>	<u>(12,616)</u>	<u>-</u>	<u>(12,616)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	4,467	4,467	-	4,467
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>24,467</u>	<u>4,467</u>	<u>-</u>	<u>4,467</u>
Net change in fund balance	-	(8,149)	(8,149)	-	(8,149)
Fund balance - beginning	<u>-</u>	<u>37,900</u>	<u>37,900</u>	<u>-</u>	<u>37,900</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 29,751</u>	<u>\$ 29,751</u>	<u>\$ -</u>	<u>\$ 29,751</u>

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended June 30, 2011

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Local revenue	\$ 732,000	\$ 290,276	\$1,022,276	\$ 390	\$ 1,022,666
Intermediate revenue	<u>20,000</u>	<u>94,663</u>	<u>114,663</u>	<u>-</u>	<u>114,663</u>
Total revenues	752,000	384,939	1,136,939	390	1,137,329
EXPENDITURES					
Debt service	<u>939,000</u>	<u>(24,650)</u>	<u>914,350</u>	<u>-</u>	<u>914,350</u>
Excess (deficiency) of revenues over (under) expenditures	(187,000)	409,589	222,589	390	222,979
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>47,000</u>	<u>(27,000)</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net change in fund balance	(140,000)	382,589	242,589	390	242,979
Fund balance - beginning	<u>140,000</u>	<u>315,514</u>	<u>455,514</u>	<u>12,086</u>	<u>467,600</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 698,103</u>	<u>\$ 698,103</u>	<u>\$ 12,476</u>	<u>\$ 710,579</u>

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2011

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Local revenue	\$ 4,000	\$ (1,531)	\$ 2,469	\$ -	\$ 2,469
State revenue	<u>-</u>	<u>58,174</u>	<u>58,174</u>	<u>-</u>	<u>58,174</u>
Total revenues	<u>4,000</u>	<u>56,643</u>	<u>60,643</u>	<u>-</u>	<u>60,643</u>
EXPENDITURES					
Current					
Support services	57,000	(51,925)	5,075	-	5,075
Community services	27,800	(27,800)	-	-	-
Capital outlay	<u>760,000</u>	<u>(145,088)</u>	<u>614,912</u>	<u>-</u>	<u>614,912</u>
Total expenditures	<u>844,800</u>	<u>(224,813)</u>	<u>619,987</u>	<u>-</u>	<u>619,987</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(840,800)</u>	<u>281,456</u>	<u>(559,344)</u>	<u>-</u>	<u>(559,344)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	7,000	1,244	8,244	-	8,244
Transfers in	25,000	25,000	50,000	-	50,000
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>7,000</u>	<u>51,244</u>	<u>58,244</u>	<u>-</u>	<u>58,244</u>
Net change in fund balance	(833,800)	282,700	(501,100)	-	(501,100)
Fund balance - beginning	<u>833,800</u>	<u>(24,298)</u>	<u>809,502</u>	<u>-</u>	<u>809,502</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 308,402</u>	<u>\$ 308,402</u>	<u>\$ -</u>	<u>\$ 308,402</u>

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
BUDGET AND ACTUAL

UNEMPLOYMENT INSURANCE FUND

For the Year Ended June 30, 2011

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Local revenue	\$ -	\$ 302	\$ 302	\$ -	\$ 302
EXPENSES					
Support services	<u>30,150</u>	<u>(13,663)</u>	<u>16,487</u>	<u>-</u>	<u>16,487</u>
Excess (deficiency) of revenues over (under) expenses	<u>(30,150)</u>	<u>13,965</u>	<u>(16,185)</u>	<u>-</u>	<u>(16,185)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	50,000	-	50,000	-	50,000
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Net change in fund balance	(30,150)	63,965	33,815	-	33,815
Net assets - beginning	<u>30,150</u>	<u>31,102</u>	<u>61,252</u>	<u>-</u>	<u>61,252</u>
Net assets - ending	<u>\$ -</u>	<u>\$ 95,067</u>	<u>\$ 95,067</u>	<u>\$ -</u>	<u>\$ 95,067</u>

OTHER FINANCIAL SCHEDULES

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

REVENUE SUMMARY - ALL FUNDS

June 30, 2011

Revenue from Local Sources

	Fund 100	Fund 200	Fund 300
1110 Ad Valorem Taxes Levied by District	\$ 1,102,910	\$ -	\$ 1,017,633
1311 Regular Day School Tuition - From Individuals	-	2,394	-
1500 Earnings on Investments	14,244	1,516	4,643
1600 Food Service	-	64,300	-
1700 Extracurricular Activities	-	142,254	-
1910 Rentals	22,198	-	-
1920 Contributions and Donations From Private Sources	-	4,941	-
1960 Recovery of Prior Years' Expenditure	-	2,172	-
1990 Miscellaneous	44,669	383	-
Total Revenue from Local Sources	\$ 1,184,021	\$ 217,960	\$ 1,022,276

Revenue from Intermediate Sources

	Fund 100	Fund 200	Fund 300
2101 County School Funds	\$ 9,111	\$ 1,014	\$ -
2102 General ESD Revenue	-	132,451	-
2199 Other Intermediate Sources	-	61,098	-
2200 Restricted Revenue	-	-	114,663
Total Revenue from Intermediate Sources	\$ 9,111	\$ 194,563	\$ 114,663

Revenue from State Sources

	Fund 100	Fund 200	Fund 300
3101 State School Fund - General Support	\$ 6,948,240	\$ -	\$ -
3103 Common School Fund	130,255	-	-
3199 Other Unrestricted Grants-in-Aid	-	4,381	-
3299 Other Restricted Grants-in-Aid	25,858	176,877	-
Total Revenue from State Sources	\$ 7,104,353	\$ 181,258	\$ -

Revenue from Federal Sources

	Fund 100	Fund 200	Fund 300
4500 Restricted Revenue From the Federal Government Through the State	\$ -	\$ 1,859,965	\$ -
Total Revenue from Federal Sources	\$ -	\$ 1,859,965	\$ -

Revenue from Other Sources

	Fund 100	Fund 200	Fund 300
5200 Interfund Transfers	\$ -	\$ 4,467	\$ 20,000
5300 Sale of or Compensation for Loss of Fixed Assets	-	-	-
5400 Resources - Beginning Fund Balance	1,274,993	334,009	455,514
Total Revenue from Other Sources	\$ 1,274,993	\$ 338,476	\$ 475,514

Grand Totals

\$ 9,572,478 \$ 2,792,222 \$ 1,612,453

Fund 400	Fund 600
\$ -	\$ -
-	-
2,469	302
-	-
-	-
-	-
-	-
-	-
-	-
\$ 2,469	\$ 302

Fund 400	Fund 600
\$ -	\$ -
-	-
-	-
-	-
\$ -	\$ -

Fund 400	Fund 600
\$ -	\$ -
-	-
-	-
58,174	-
\$ 58,174	\$ -

Fund 400	Fund 600
\$ -	\$ -
\$ -	\$ -

Fund 400	Fund 600
\$ 50,000	\$ 50,000
8,244	-
809,502	61,252
\$ 867,746	\$ 111,252
\$ 928,389	\$ 111,554

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

EXPENDITURE SUMMARY - GENERAL FUND

June 30, 2011

Instruction Expenditures

	Totals	Object 100	Object 200
1111 Primary, K-3	\$ 1,338,578	\$ 845,621	\$ 449,969
1112 Intermediate Programs	487,150	323,918	163,232
1121 Middle/Junior High Programs	779,660	460,656	318,974
1122 Middle/Junior High School Extracurricular	25,956	18,014	5,093
1131 High School Programs	1,054,082	671,742	334,513
1132 High School Extracurricular	84,128	52,071	10,138
1250 Less Restrictive Programs for Students with Disabilities	607,592	253,346	186,810
1280 Alternative Education	994,290	19,435	16,090
1291 English Second Language Programs	35,314	22,764	12,384
1292 Teen Parent Program	85,162	56,278	28,766

Total Instruction Expenditures \$ 5,491,912 \$ 2,723,845 \$ 1,525,969

Support Services Expenditures

	Totals	Object 100	Object 200
2120 Guidance Services	\$ 171,945	\$ 113,348	\$ 57,164
2130 Health Services	570	-	-
2150 Speech Pathology and Audiology Services	40,136	27,079	13,057
2190 Service Direction, Student Support Services	109,981	70,230	36,297
2220 Educational Media Services	125,070	70,961	47,207
2230 Assessment & Testing	17,951	3,877	14,074
2240 Instructional Staff Development	16,367	-	-
2310 Board of Education Services	122,069	23,125	15,646
2320 Executive Administration Services	165,765	105,370	53,090
2410 Office of the Principal Services	654,423	383,121	214,554
2520 Fiscal Services	152,704	74,518	69,967
2540 Operation and Maintenance of Plant Services	540,467	170,827	110,224
2550 Student Transportation Services	376,740	1,964	12,960
2660 Technology Services	90,962	20,445	10,373

Total Support Services Expenditures \$ 2,585,150 \$ 1,064,865 \$ 654,613

Other Uses Expenditures

	Totals	Object 100	Object 200
5200 Transfers of Funds	\$ 124,467	\$ -	\$ -

Total Other Uses Expenditures \$ 124,467 \$ - \$ -

Grand Total

\$ 8,201,529 \$ 3,788,710 \$ 2,180,582

Object 300	Object 400	Object 600	Object 700
\$ -	\$ 42,988	\$ -	\$ -
-	-	-	-
-	-	30	-
2,849	-	-	-
29,767	12,633	5,427	-
16,264	5,455	200	-
163,314	4,122	-	-
958,765	-	-	-
-	166	-	-
-	118	-	-
\$ 1,170,959	\$ 65,482	\$ 5,657	\$ -

Object 300	Object 400	Object 600	Object 700
\$ -	\$ 1,433	\$ -	\$ -
-	570	-	-
-	-	-	-
2,770	-	684	-
-	5,932	970	-
-	-	-	-
16,367	-	-	-
29,041	1,338	52,919	-
5,412	708	1,185	-
51,317	2,607	2,824	-
-	3,696	4,523	-
217,747	41,024	645	-
336,263	25,553	-	-
12,930	35,269	11,945	-
\$ 671,847	\$ 118,130	\$ 75,695	\$ -

Object 300	Object 400	Object 600	Object 700
\$ -	\$ -	\$ -	\$ 124,467
\$ -	\$ -	\$ -	\$ 124,467
\$ 1,842,806	\$ 183,612	\$ 81,352	\$ 124,467

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

EXPENDITURE SUMMARY - SPECIAL REVENUE FUNDS

June 30, 2011

Instruction Expenditures

	Totals	Object 100	Object 200
1111 Primary, K-3	\$ 75,788	\$ 16,944	\$ 7,927
1122 Middle/Junior High School Extracurricular	55,738	-	-
1131 High School Programs	11,959	-	1,205
1132 High School Extracurricular	92,192	-	-
1250 Less Restrictive Programs for Students with Disabilities	235,262	123,552	64,604
1272 Title I	231,146	115,509	73,581
1280 Alternative Education	57,292	768	524
1299 Other Programs	371,967	245,837	86,787
Total Instruction Expenditures	\$ 1,131,344	\$ 502,610	\$ 234,628

Support Services Expenditures

	Totals	Object 100	Object 200
2220 Educational Media Services	\$ 65,271	\$ -	\$ -
2240 Instructional Staff Development	103,657	1,449	415
2520 Fiscal Services	28,054	12,633	6,645
2540 Operation and Maintenance of Plant Services	4,322	-	-
2550 Student Transportation Services	14,375	-	-
Total Support Services Expenditures	\$ 215,679	\$ 14,082	\$ 7,060

Enterprise and Community Services Expenditures

	Totals	Object 100	Object 200
3100 Food Services	\$ 471,798	\$ 106,653	\$ 97,201
3300 Community Services	52,010	-	-
Total Enterprise and Community Services Expenditures	\$ 523,808	\$ 106,653	\$ 97,201

Grand Total

\$ 1,870,831	\$ 623,345	\$ 338,889
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Object 300	Object 400	Object 500	Object 600
\$ -	\$ 50,917	\$ -	\$ -
31,008	9,454	-	15,276
4,258	6,496	-	-
17,021	49,435	4,290	21,446
27,266	11,885	-	7,955
36,586	4,265	1,205	-
56,000	-	-	-
25,664	13,679	-	-
\$ 197,803	\$ 146,131	\$ 5,495	\$ 44,677

Object 300	Object 400	Object 500	Object 600
\$ 3,275	\$ 56,103	\$ -	\$ 5,893
95,586	6,207	-	-
8,776	-	-	-
-	4,322	-	-
14,375	-	-	-
\$ 122,012	\$ 66,632	\$ -	\$ 5,893

Object 300	Object 400	Object 500	Object 600
\$ 7,525	\$ 259,517	\$ -	\$ 902
49,866	2,144	-	-

\$ 57,391 \$ 261,661 \$ - \$ 902

\$ 377,206 \$ 474,424 \$ 5,495 \$ 51,472

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

EXPENDITURE SUMMARY - DEBT SERVICE FUND

June 30, 2011

Other Uses Expenditures

5100 Debt Service

Total Other Uses Expenditures

Grand Total

Totals	Object 300	Object 600
\$ 914,350	\$ 550	\$ 913,800
\$ 914,350	\$ 550	\$ 913,800
\$ 914,350	\$ 550	\$ 913,800

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

EXPENDITURE SUMMARY - CAPITAL PROJECTS FUND

June 30, 2011

Support Services Expenditures

2520 Fiscal Services

2540 Operation and Maintenance of Plant Services

Total Support Services Expenditures

Totals	Object 300	Object 500
\$ 2,750	\$ 2,750	\$ -
2,325	2,325	-
\$ 5,075	\$ 5,075	\$ -

Facilities Acquisition and Construction Expenditures

4150 Building Acquisition, Construction, and Improvement
 Services

4190 Other Facilities Construction Services

Total Facilities Acquisition and Construction

Expenditures

Totals	Object 300	Object 500
\$ 195,026	\$ -	\$ 195,026
419,886	419,886	-

\$ 614,912 \$ 419,886 \$ 195,026

Grand Total

\$ 619,987 \$ 424,961 \$ 195,026

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

EXPENDITURE SUMMARY - INTERNAL SERVICE FUND

June 30, 2011

Support Services Expenditures

2520 Fiscal Services

Total Support Services Expenditures

Grand Total

Totals	Object 300
\$ 16,487	\$ 16,487
\$ 16,487	\$ 16,487
\$ 16,487	\$ 16,487

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2011

<u>Tax Year</u>	<u>Taxes Receivable July 1, 2010</u>	<u>2010-2011 Levy</u>	<u>Adjustments and Discounts</u>	<u>Collections</u>	<u>Taxes Receivable June 30, 2011</u>
Yamhill County					
2010-2011	\$ -	\$ 1,948,604	\$ (50,236)	\$ 1,800,589	\$ 97,779
2009-2010	94,460	-	(827)	53,281	40,352
2008-2009	38,616	-	(1,015)	17,789	19,812
2007-2008	18,440	-	(177)	10,395	7,868
2006-2007	5,589	-	(160)	2,767	2,662
2005-2006	1,910	-	(157)	137	1,616
2004-2005	1,435	-	(17)	145	1,273
Prior	5,041	-	(103)	99	4,839
Subtotal - Prior	165,491	-	(2,456)	84,613	78,422
Total Yamhill County	165,491	1,948,604	(52,692)	1,885,202	176,201
Polk County					
2010-2011	-	200,785	(5,197)	186,428	9,160
2009-2010	8,670	-	(43)	3,881	4,746
2008-2009	4,861	-	(25)	1,756	3,080
2007-2008	1,681	-	(23)	919	739
2006-2007	563	-	(24)	437	102
2005-2006	94	-	(7)	45	42
2004-2005	45	-	-	13	32
Prior	228	-	(3)	4	221
Subtotal - Prior	16,142	-	(125)	7,055	8,962
Total Polk County	16,142	200,785	(5,322)	193,483	18,122
Total	\$ 181,633	\$ 2,149,389	\$ (58,014)	2,078,685	\$ 194,323

Add:

Other taxes and interest	38,416
Undistributed taxes with counties, July 1, 2010	39,627

Total available	2,156,728
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Less: Turnovers to District	2,119,743
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Undistributed taxes with counties, June 30, 2011	\$ 36,985
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**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY
STATE REGULATIONS**



Koontz & Perdue, P.C.
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

Board of Directors
Sheridan School District No. 48J
Sheridan, Oregon 97378

We have audited the basic financial statements of Sheridan School District No. 48J as of and for the year ended June 30, 2011, and have issued our report thereon dated December 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether Sheridan School District No. 48J's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures, which included, but were not limited to, the following:

Accounting records

Deposit of public funds with financial institutions (ORS Chapter 295)

Indebtedness limitations, restrictions, and repayment

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

State school fund factors and calculation

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting. However, we noted certain matters that we have reported to management of the District in a separate letter dated December 14, 2011.

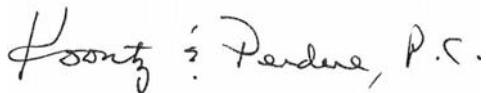
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, as defined above. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the deficiency described below to be a significant deficiency in internal control over financial reporting:

1. The staff and management of the District have not demonstrated the ability to draft the supporting footnotes to the financial statements in accordance with accounting principles generally accepted in the United States of America. This is considered to be a significant deficiency in internal control over financial reporting. Management has considered the cost of staffing to address this issue to outweigh the benefit and, accordingly, has determined that it is more beneficial to continue to outsource these matters to external experts.

This report is intended solely for the information and use of the board of directors and management of Sheridan School District No. 48J and the Oregon Secretary of State, and is not intended to be and should not be used by anyone other than these parties.


Koontz & Perdue, P.C.

December 14, 2011

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

SUPPLEMENTAL INFORMATION REQUIRED BY OREGON DEPARTMENT OF EDUCATION

For the Year Ended June 30, 2011

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

- A. **Energy Bill for Heating – All Funds:**
Please enter your expenditures for electricity and heating fuel for these Functions and Objects.

	Objects 325 and 326
Function 2540	\$ 142,258
Function 2550	\$ –

- B. **Replacement of Equipment – General Fund:**
Include all General Fund expenditures in object 542, except for the following exclusions:

\$ –

Exclude these functions:

1113, 1122, and 1132	Co-curricular Activities
1140	Pre-Kindergarten
1300	Continuing Education
1400	Summer School

Exclude these functions:

4150	Construction
2550	Pupil Transportation
3100	Food Service
3300	Community Services

SINGLE AUDIT SECTION

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2011

Federal Grantor, Pass through Grantor, Program Title	CFDA	Expenditures
<u>U.S. Department of Education</u>		
Passed through Oregon State Department of Education		
Title I, Part A Cluster		
Title I Grants to Local Educational Agencies (Title IA of the ESEA)	84.010	\$ 222,333
Title I Grants to Local Educational Agencies, Recovery Act	84.398	14,410
Total Title I, Part A Cluster		236,743
Special Education Cluster		
IDEA Special Education Grants To States	84.027	214,528
IDEA Special Education, Recovery Act	84.391	18,648
Total Special Education Cluster		233,176
Title IV Safe & Drug Free Schools and Communities	84.186	425
Charter Schools	84.282	56,000
Twenty-First Century Community Learning Centers*	84.287	526,302
Advanced Placement Grant	84.330	9,200
English Language Acquisition Grants	84.365	27,262
Title IIA Improving Teaching Quality State Grants	84.367	80,601
Education for Homeless Children and Youth, Recovery Act	84.387	1,292
State Fiscal Stabilization Funds	84.394	290,000
		991,082
Total Passed through Oregon State Department of Education		1,461,001
Passed through Willamette Education Service District		
Vocational Education	84.048	6,385
Total U.S. Department of Education		1,467,386
<u>U.S. Department of Agriculture</u>		
Passed through Oregon State Department of Education		
Child Nutrition Cluster*		
School Breakfast Program	10.553	116,040
National School Lunch Program	10.555	207,527
NSLP Commodities	10.555	17,048
Summer Food	10.559	14,112
Total Child Nutrition Cluster		354,727
Child and Adult Care Food Program	10.558	24,692
NSLP Equipment	10.579	13,160
Total U.S. Department of Agriculture		392,579
Total federal expenditures		\$ 1,859,965

*Major program

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2011

I. PURPOSE OF SCHEDULE

The schedule of expenditures of federal awards is a supplementary schedule to Sheridan School District No. 48J's basic financial statements and is presented for additional analysis. Because the schedule presents only a selected portion of the activities of the District, it is not intended to and does not present the financial position, changes in net assets, nor the operating funds' revenues and expenses.

II. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The information in the schedule of expenditures of federal awards is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

B. Federal Financial Assistance

Pursuant to the Single Audit Act of 1984 and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, non-monetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the schedule of expenditures of federal awards, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

C. Major Programs

The Single Audit Act of 1984 and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for the District are those programs selected for testing by the auditor using a risk assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

D. Reporting Entity

The reporting entity is fully described in the notes to the District's basic financial statements. Additionally, the schedule of expenditures of federal awards includes all federal programs administered by the District for the year ended June 30, 2011.

E. Revenue and Expenditure Recognition

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting.



Koontz & Perdue, P.C.
Certified Public Accountants

**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***

Board of Directors
Sheridan School District No. 48J
Sheridan, Oregon 97378

We have audited the basic financial statements of Sheridan School District No. 48J and Sheridan AllPrep Academy, its discretely presented component unit, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Sheridan Japanese School, as described in our report on the District's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency in internal control over financial reporting (item 11-01). A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sheridan School District No. 48J'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*.

Sheridan School District No. 48J's response to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information of management, the Oregon Division of Audits, the Oregon Department of Education, 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.

A handwritten signature in cursive script that reads "Koontz & Perdue, P.C.".

Koontz & Perdue, P.C.

Albany, Oregon
December 14, 2011



Koontz & Perdue, P.C.
Certified Public Accountants

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

Board of Directors
Sheridan School District No. 48J
Sheridan, Oregon 97378

Compliance

We have audited the compliance of Sheridan School District No. 48J with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The 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 Sheridan School District No. 48J's management. Our responsibility is to express an opinion on the 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 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred 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 the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Sheridan School District No. 48J complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Sheridan School District No. 48J is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sheridan School District No. 48J's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

This report is intended for the information of management, the Oregon Division of Audits, the Oregon Department of Education, 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.

A handwritten signature in cursive script that reads "Koontz & Perdue, P.C.".

Koontz & Perdue, P.C.

Albany, Oregon
December 14, 2011

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's opinion issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified not considered to be material weaknesses? No

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.287	Twenty-First Century Community Learning Centers
10.55X	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding Number	Finding
11-01	Inability to draft supporting notes to financial statements in accordance with accounting principles generally accepted in the United States of America.
Condition:	District staff and management have not demonstrated the ability to draft the supporting notes to the financial statements in accordance with accounting principles generally accepted in the United States of America.
Prevalence:	Entity-wide
Criteria:	In an ideal situation, District staff would possess the ability to draft complete financial statements, including note disclosures, in accordance with accounting principles generally accepted in the United States of America.
Questioned costs:	None
Effect:	The possibility exists that note disclosures may not be complete and accurate.
Recommendations:	We recommend that management continue to be diligent in reviewing the financial statements in conjunction with the current disclosure checklists to ensure that disclosures are in accordance with accounting principles generally accepted in the United States of America.
Management's response:	Management is aware of the deficiency and has implemented mitigating controls where it is practical to do so.

SECTION III – CORRECTIVE ACTION PLAN

Finding Number	Corrective Action
11-01	While it is improbable that staff with adequate training and education will be added due to budget constraints, management and the board of directors will remain diligent in their monitoring duties.