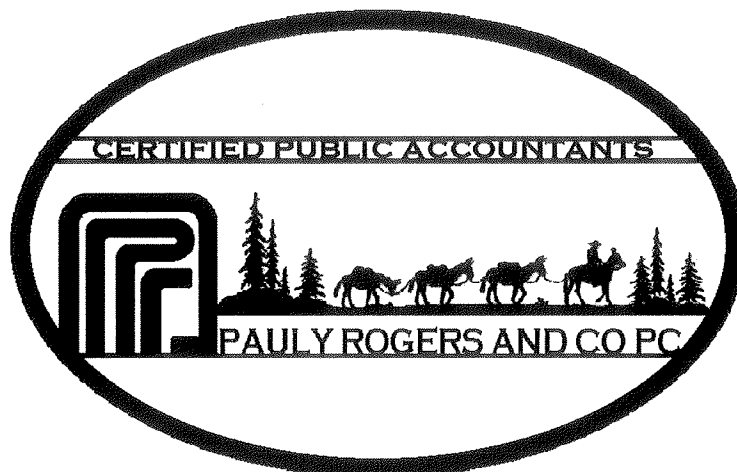


**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009**



12700 SW 72nd Ave.
Tigard, OR 97223

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

FINANCIAL REPORT

For the Year Ended June 30, 2009

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THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

2008 - 2009
FINANCIAL REPORT

BOARD OF EDUCATION

TERM EXPIRES

Dave Strahan - Chair

June 30, 2011

Leslie Meirer – Vice Chair

June 30, 2009

Robert Litak

June 30, 2009

Jim Weaver

June 30, 2011

Phil Stephens

June 30, 2009

All Board Members receive mail at the address below.

ADMINISTRATION

Dan Huber-Kantola, Superintendent

PO Box 160
Murphy, Oregon 97533

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THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

November 1, 2009

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund and the other aggregate remaining fund information of the Three Rivers School District, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and other remaining fund information of the Three Rivers School District, at June 30, 2009 and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 1, 2009, on our consideration of Three Rivers School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on page 3a, as listed on the table of contents, is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The Supplementary Information is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as listed in the table of contents, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Supplementary Information and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole, except as noted below.

The 2008-09 District Revenue Summary and 2008-09 District Expenditure Summaries and Supplementary Information, on pages 39 through 46, are presented as supplemental schedules for the Oregon Department of Education, and are not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management about this supplementary information. However, we did not audit the information and do not express an opinion on it.

Pauly, Rogers and Co. P.C.
PAULY, ROGERS AND CO., P.C.

**THREE RIVERS/JOSEPHINE COUNTY UNIT JOINT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
30 JUNE 2009**

The discussion and analysis of Three Rivers School District's financial performance provides an overall review of the District's financial activities for the fiscal year ending June 30, 2009. The intent of this discussion and analysis is to review the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

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

Overview of the Financial Statements

The District's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. In addition to the basic financial statements, we provide supplementary information that you may also find useful.

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

The ***Statement of Net Assets***, which presents information on all of the assets and liabilities of the District at year end. Net assets are what remain after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The ***Statement of Activities***, which presents information showing how the net assets of the District changed over the year, by tracking revenues, expenses and other transactions that increase or reduce net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

In the government-wide financial statements, the District's activities are shown in one category, *Governmental Activities*. Most of the District's functions are shown here, such as regular and special education, child nutrition services, transportation, administration, and facilities acquisition and construction. These activities are primarily financed through property taxes, Oregon's State School Fund and other intergovernmental revenues.

Fund Financial Statements The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives (like the Food Service Fund) or to show that it is meeting legal responsibilities for using certain grants (like Title I and other federal, state, or locally funded grants). All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

Fiduciary funds are used to account for resources held for the benefit of parties by the District in a trustee capacity. These funds include student scholarships and foundation funds. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs.

Government-Wide Financial Analysis

Over time, net assets may serve as a useful indicator of the District's financial position; as of 30 June 2009, the District's assets exceeded its liabilities by \$33.5 million, an increase of approximately \$4.25 million from Fiscal year 2008.

- The largest factor for the increase in Net Assets was due to a restatement of \$6,538,920. This restatement was due to a change in accounting principle which required the implementation of GASB 45 and 27. The new accounting standard required the district to hire an actuarial to calculate and prepare a valuation report on the District's Other Post Employment Benefits. As a result of GASB 45 & 27:
 - The full **Unfunded Actuarial Accrued Liability** for the district is *\$19.3 million*. However, when the benefit is amortized over a period (not to exceed 30 years) the annual liability is only \$2.3 million.
 - The prior year \$6.5 million liability for early retirement insurance premiums was removed from net assets and replaced by the *amortized OPEB* liability.
- The District's long-term liabilities are about \$48 million (with \$1.3 million due within one year) and consist of the following:

• 2001 G. O. bonds -	\$19.63 million
• 2004 PERS (UAL) bonds -	\$26.59 million
• Capital Leases	\$ 1.86 million
- The District's current liabilities, including the obligations due within the next year (above), are \$3.0 million.

Three Rivers/ Josephine County Unit School District
Management Discussion & Analysis

**Statement of Net Assets Summary
Governmental Activities**

	2005	2006	2007	2008	2009	Increase (Decrease): 2008 to 2009
Assets						
Current and other assets	34,978,196	35,524,209	34,240,529	34,094,854	32,430,677	(1,664,177)
Capital assets	54,519,098	52,458,110	53,701,529	51,446,673	50,894,197	(552,476)
Total assets	89,497,294	87,982,319	87,942,058	85,541,527	83,324,874	(2,216,653)
Liabilities						
Current liabilities	3,249,818	3,889,801	4,526,176	4,555,746	2,998,366	(1,557,380)
Long term liabilities	57,188,878	55,947,516	54,154,162	51,748,550	46,831,153	(4,917,397)
Total Liabilities	60,438,696	59,837,317	58,680,338	56,304,296	49,829,519	(6,474,777)
Net Assets						
Invested in capital assets, net of debt	29,322,912	29,463,110	32,321,529	30,141,673	29,406,096	(735,577)
Restricted	4,997,417	4,664,391	3,957,295	3,995,686	4,108,950	113,264
Unrestricted	(5,261,731)	(5,982,496)	(7,017,104)	(4,900,128)	(19,691)	4,880,437
Total Net Assets	29,058,598	28,145,005	29,261,720	29,237,231	33,495,355	4,258,124

ACTUARIAL VALUATION REPORT

Medical and Life Insurance Benefits - Accounting Under GASB 45

	Administrators	Classified	Licensed	Total
Normal Cost	\$ 71,283	\$ 424,157	\$ 124,404	\$ 619,844
Actuarial Accrued Liability				
a. Actives Not Yet Eligible to Retire	\$ 562,964	\$ 3,952,268	\$ 833,196	\$ 5,348,428
b. Actives Fully eligible	\$ 288,022	\$ 1,665,618	\$ 1,499,449	\$ 3,453,089
c. Inactives	\$ 1,165,299	\$ 3,059,269	\$ 4,972,713	\$ 9,197,281
Total Unfunded Actuarial Accrued Liability	\$ 2,016,285	\$ 8,677,155	\$ 7,305,358	\$ 17,998,798
Amortized Annual Required Contribution	\$ 293,062	\$ 934,944	\$ 922,593	\$ 2,150,599
Contributions Made	\$ (233,186)	\$ (772,643)	\$ (988,230)	\$ (1,994,059)
Expected Net OPEB Obligation at Year End	\$ 59,876	\$ 162,301	\$ (65,637)	\$ 156,540

Stipend Benefit - Accounting Under GASB 27

	Administrators	Classified	Licensed	Total
Normal Cost			\$ 106,439	\$ 106,439
Actuarial Accrued Liability				
a. Actives Not Yet Eligible to Retire			\$ 1,180,488	\$ 1,180,488
b. Actives Fully eligible			\$ 142,286	\$ 142,286
c. Inactives			\$ -	\$ -
Total Unfunded Actuarial Accrued Liability	\$ -	\$ -	\$ 1,322,774	\$ 1,322,774
Amortized Annual Required Contribution			\$ 163,264	\$ 163,264
Contributions Made			\$ -	\$ -
Expected Net Pension Obligation at Year End	\$ -	\$ -	\$ 163,264	\$ 163,264

Combined Expected Obligation at Year End	\$ 319,804
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Financial Analysis of the District's Funds

The significance of the District's governmental funds is that they provide information about short-term cash flow and funding for future basic services. This information is useful in assessing the District's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

General Fund: The General Fund is the primary operating fund of the District. As of June 30, 2009, the unreserved fund balance was \$3.98 million, and an *increase* of \$114,000 from the previous year. This was primarily due to a reduction in expenditures prompted by decreased state funding and in anticipation of future difficult economic times.

Debt Service - The Ending Fund Balance in the debt service fund increased by approximately \$140,000, from \$2.51 million to \$2.65 million. Approximately \$35,000 more in taxes and interest were received than the required debt service payments for the 2001 G.O. bond issue; also, \$37,000 was added to a PERS Reserve for possible future year cost increases.

Capital Projects – The Ending Fund Balance in the Capital projects fund continued its descent, decreasing from about \$1.49 million to \$1.46 million in 2009. The cash remaining in Capital Projects is for any regularly scheduled or catastrophic repair and maintenance issues.

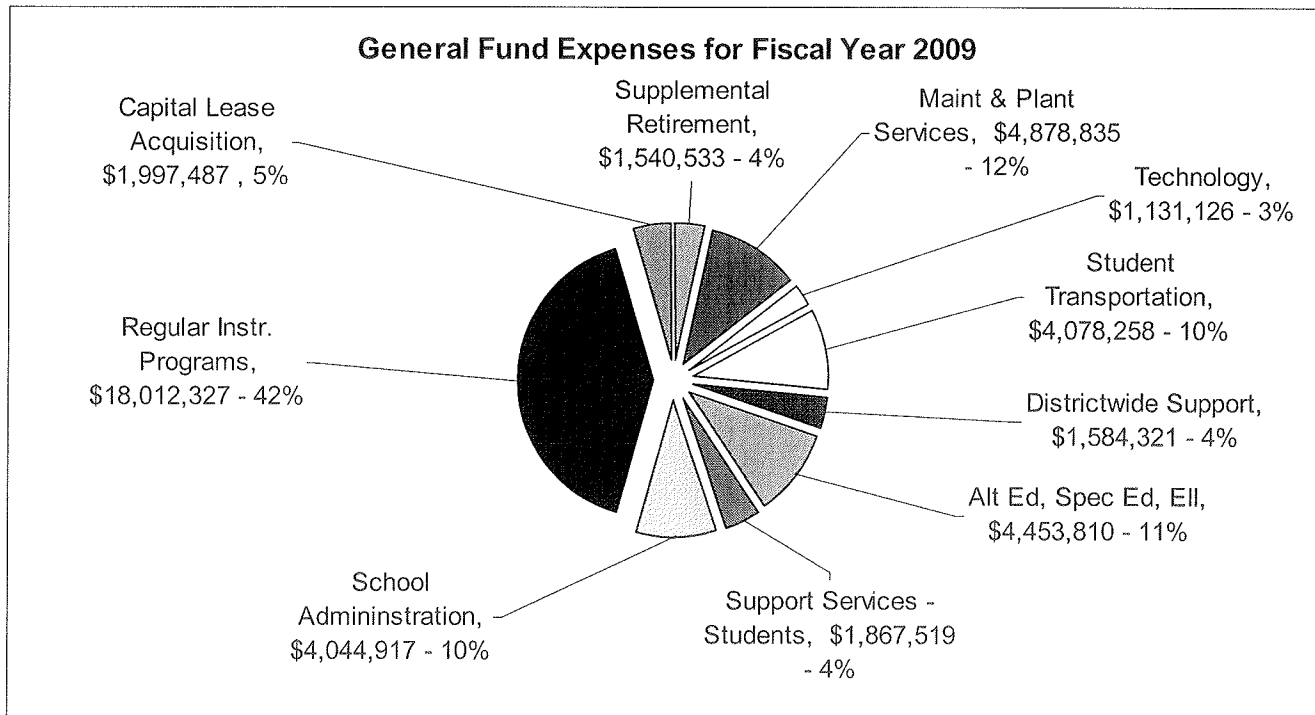
Balance Sheet Governmental Activities

	2005	2006	2007	2008	2009	Increase (Decrease): 2008 to 2009
Assets						
Equity in cash and investments	6,745,289	9,726,768	8,685,092	9,246,093	8,341,381	(904,712)
Taxes receivable	727,001	562,538	650,780	717,039	949,463	232,424
Other receivables	2,158,806	1,242,903	1,521,586	2,020,083	1,934,364	(85,719)
Intergovernmental & due from other funds	471,825	-	-	-	-	-
Prepaid expenses	340,883	-	375,863	-	-	-
Total Assets	10,443,804	11,532,209	11,233,321	11,983,215	11,225,208	(758,007)
Liabilities						
Accounts Payable	374,602	380,114	684,590	753,318	235,836	(517,482)
Accrued payroll and interest payable	57,460	865,395	1,213,016	1,229,638	909,365	(320,273)
Other liabilities	471,825	-	0	0	0	-
Deferred revenue	731,945	449,769	460,100	546,644	782,863	236,219
Total Liabilities	1,635,832	1,695,278	2,357,706	2,529,600	1,928,064	(601,536)
Fund Balances						
Reserved balances						
Unreserved balances	8,807,972	9,836,932	8,875,614	9,453,615	9,297,144	(156,471)
Total Fund Balances	8,807,972	9,836,931	8,875,615	9,453,615	9,297,144	(156,471)
Total Liabilities and Fund Balances	10,443,804	11,532,209	11,233,321	11,983,215	11,225,208	(758,007)

General Fund Expenditures

General Fund Expenditures

	<-- Fiscal Year 2007 -->		<-- Fiscal Year 2008 -->		<-- Fiscal Year 2009 -->		Change	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Instruction	23,343,206	22,660,637	23,672,611	22,692,413	22,956,871	22,466,137	(715,740)	(226,276)
Support Services	18,533,875	18,283,184	19,251,013	18,732,252	19,264,118	19,125,509	13,105	393,257
Community Services	-	-	-	-	-	-	-	-
Building Improvement Services	2,750	140	23,350	21,601	3,650	1,999,787	(19,700)	1,978,186
Debt Service	5,000	-	-	-	-	-	-	-
Contingency	135,417	-	243,050	-	1,516,891	-	1,273,841	-
							-	
							-	
Total Expenditures	42,020,248	40,943,961	43,190,024	41,446,266	43,741,530	43,591,433	551,506	2,145,167

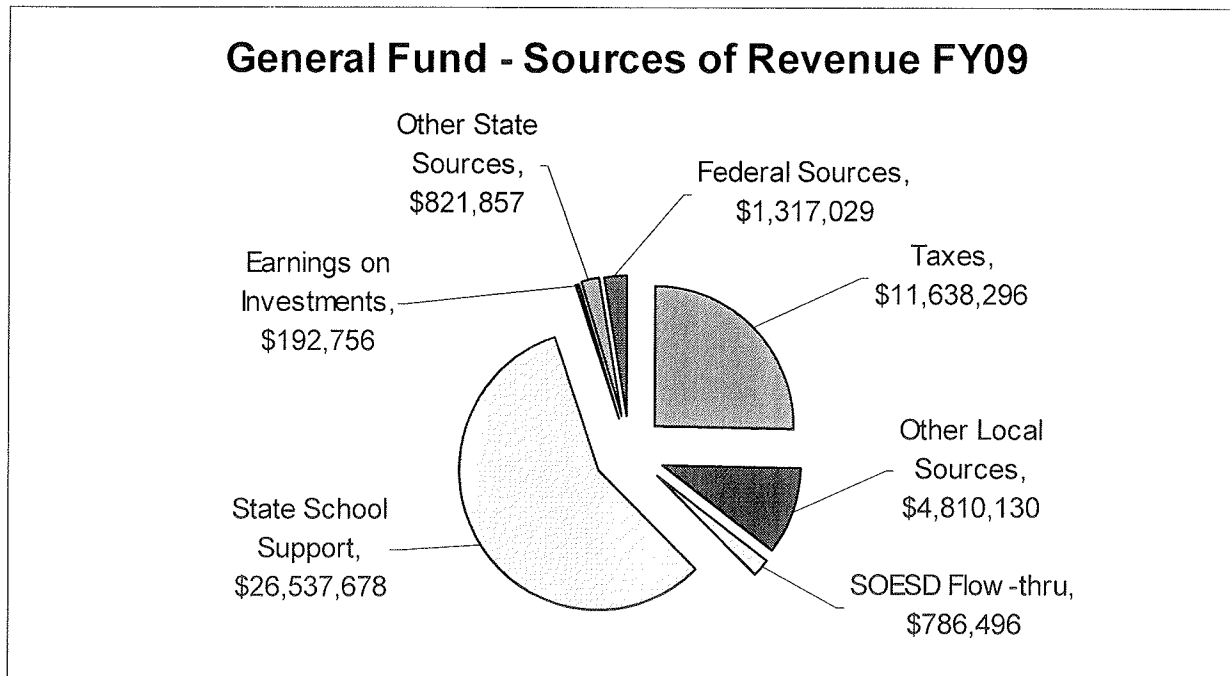


Capital Assets

- The District's investment in capital assets includes land, vehicles, equipment, buildings and improvements and was about \$50.89 million, a decrease of \$552 thousand from the previous year. The decrease was due to accumulated depreciation compounded by the fact that only a small portion of capital equipment was added.
- Additions to the District's capital assets included 10 teleconferencing units at the schools, energy conservation equipment, and 3 fleet vehicles.

Long Term Debt Administration

- The district maintains an Aa2 rating from Moody's for general obligation debt and at the end of the Fiscal Year 2009, the District had a total outstanding bonded debt of \$46.22 million.
- In addition the district entered into a 15 year capital lease for energy conservation equipment in the amount of \$2 million.



Economic Factors & Next Year's Budget

In 2009, about 57.6% of the District's revenue came from the State School Fund Grant, with an additional 2.9% coming from federal dollars to supplement the reduced state funding. Fiscal year 2009 was a year of unrest. In November, the Governor unilaterally reduced funding for K-12 schools because of a declining economy. The economy continued to decline and additional reductions to school funding followed. Three Rivers School District and every other district in the state held their breath and began preparing for potential devastating reductions. The District lived under the threat of the reductions right up until the end of the year when the Federal Government back filled most of the cuts with stimulus money and the state came through with last minute School Day Restoration Funds. In the end, Three Rivers School District ended up losing approximately \$141,000 in anticipated funding. Even this was a hard pill to swallow as the District had to address some long over due technology needs by leasing additional computers and upgrading antique library software. The District essentially spent the same amount of general fund dollars in fiscal year 2009 as it did in fiscal year 2008.

Living under the threat of devastating reductions, seems to be a reoccurring theme as we budgeted for fiscal year 2010. Oregon used most of the available stimulus funds to again backfill what it couldn't provide out of its own general fund. Plus, Oregon balanced the state budget on new taxes that will be challenged along with the hope of a recovering economy. Both are tenuous and a combination of both failing to produce anticipated revenue is a real possibility. Once again, this places Three Rivers School District under the threat of potential financial reductions.

We are still experiencing a declining enrollment but the decline slowed in fiscal year 2009 and we hope it continues to slow in fiscal year 2010. The effects of the economy on student enrollment are not yet fully known.

Requests for Information

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Superintendent at 8550 New Hope Road, Grants Pass, Oregon 97527.

Dan S. Huber-Kantola, Superintendent

Lisa Z. Cross, Accounting Manager

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THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 9,438,516
Property Taxes Receivables	949,463
Other Receivables	335,778
Intergovernmental Accounts Receivables	1,542,939
Inventory	55,647
Prepaid Pension Asset	19,515,222
Bond issue costs	593,112
Capital assets, net of depreciation	<u>50,894,197</u>
Total Assets	<u>83,324,874</u>
Liabilities	
Accounts payable	254,383
Accrued payroll liabilities	910,442
Accrued interest	64,231
Accrued compensated absences	123,335
Net Other Post Employment Benefits	319,804
Long-term liabilities:	
Due within one year	1,326,171
Due in more than one year	<u>46,831,153</u>
Total liabilities	<u>49,829,519</u>
Net assets	
Invested in capital assets, net of related debt	29,406,096
Restricted for:	
Debt Service	2,653,444
Capital Projects	1,455,506
Unrestricted	<u>(19,691)</u>
Total net assets	<u><u>\$ 33,495,355</u></u>

See accompanying notes to basic financial statements.

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Assets</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Instruction	\$ 32,474,990	\$ 1,584,486	\$ 5,322,316	\$ (25,568,188)
Support services	21,935,290	-	1,382,717	(20,552,573)
Community services	2,452,066	-	421,323	(2,030,743)
Interest on long-term debt	<u>2,241,711</u>	<u>-</u>	<u>-</u>	<u>(2,241,711)</u>
Total governmental activities	<u>\$ 59,104,057</u>	<u>\$ 1,584,486</u>	<u>\$ 7,126,356</u>	<u>\$ (50,393,215)</u>
General Revenues				
Property taxes				13,658,563
State support				29,883,309
Unrestricted intermediate and local sources				4,574,917
Gain (loss) on disposal of assets				<u>(4,370)</u>
Total general revenues				<u>48,112,419</u>
Change in net assets				(2,280,796)
Net assets beginning of year				29,237,231
Restatement - Change In Accounting Principles				<u>6,538,920</u>
Net assets end of year				<u><u>\$ 33,495,355</u></u>

See accompanying notes to basic financial statements.

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

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL</u>
ASSETS					
Cash and Investments	\$ 4,604,497	\$ (351,212)	\$ 2,631,393	\$ 1,456,703	\$ 8,341,381
Receivables:					
Accounts	235,784	87,598	-	12,396	335,778
Grants	-	1,542,939	-	-	1,542,939
Property Taxes	821,859	-	127,604	-	949,463
Supply Inventory	55,647	-	-	-	55,647
	<u>5,717,787</u>	<u>\$ 1,279,325</u>	<u>\$ 2,758,997</u>	<u>\$ 1,469,099</u>	<u>\$ 11,225,208</u>
Total Assets	<u>5,717,787</u>	<u>\$ 1,279,325</u>	<u>\$ 2,758,997</u>	<u>\$ 1,469,099</u>	<u>\$ 11,225,208</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	160,114	62,129	-	13,593	235,836
Payroll Liabilities	899,486	9,879	-	-	909,365
Deferred Revenues	677,310	-	105,553	-	782,863
	<u>1,736,910</u>	<u>72,008</u>	<u>105,553</u>	<u>13,593</u>	<u>1,928,064</u>
Total Liabilities	<u>1,736,910</u>	<u>72,008</u>	<u>105,553</u>	<u>13,593</u>	<u>1,928,064</u>
FUND BALANCE					
Unreserved, Reported in:					
General Fund	3,980,877	-	-	-	3,980,877
Special Revenue Fund	-	1,207,317	-	-	1,207,317
Debt Service Fund	-	-	2,653,444	-	2,653,444
Capital Projects Fund	-	-	-	1,455,506	1,455,506
	<u>3,980,877</u>	<u>1,207,317</u>	<u>2,653,444</u>	<u>1,455,506</u>	<u>9,297,144</u>
Total Fund Balances	<u>3,980,877</u>	<u>1,207,317</u>	<u>2,653,444</u>	<u>1,455,506</u>	<u>9,297,144</u>
Total Liabilities and Fund Balances	<u>\$ 5,717,787</u>	<u>\$ 1,279,325</u>	<u>\$ 2,758,997</u>	<u>\$ 1,469,099</u>	<u>\$ 11,225,208</u>

See accompanying notes to basic financial statements.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total Ending Fund Balances	\$	9,297,144
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

Capital Assets, net		50,894,197
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The unamortized portion of issuance costs is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds.

593,112

Prepaid PERS UAL is not reported in the governmental funds:

19,515,222

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.

1,077,511

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.

782,863

Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.

These liabilities consist of:

Bonds payable	(46,220,000)	
Capital Leases Payable	(1,858,101)	
Accrued interest	(64,231)	
Premium on general obligation bonds	(79,223)	
Net Other Post Employment Benefits	(319,804)	
Accrued compensated absences	(123,335)	(48,664,694)

Total Net Assets	\$	<u>33,495,355</u>
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See accompanying notes to basic financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL
REVENUES:					
From Local Sources	\$ 12,586,567	\$ 2,270,389	\$ 3,443,130	\$ 239,621	\$ 18,539,707
From Intermediate Sources	786,496	27,197	-	-	813,693
From State Sources	27,359,535	2,523,774	-	-	29,883,309
From Federal Sources	1,317,029	5,809,327	-	-	7,126,356
Total Revenues	42,049,627	10,630,687	3,443,130	239,621	56,363,065
EXPENDITURES					
Instruction	22,466,137	7,345,909	-	-	29,812,046
Support Services	19,125,509	1,400,902	-	222,010	20,748,421
Enterprise & Community	-	2,264,924	-	3,006	2,267,930
Facilities Acquisition	1,999,787	34,368	-	14,969	2,049,124
Debt Service	-	-	3,295,732	293,770	3,589,502
Total Expenditures	43,591,433	11,046,103	3,295,732	533,755	58,467,023
Excess of Revenues Over, -Under Expenditures	(1,541,806)	(415,416)	147,398	(294,134)	(2,103,958)
OTHER FINANCING SOURCES AND -USES					
Lease Purchase Receipts	1,997,487	-	-	-	1,997,487
Transfers In	187,933	162,666	-	260,000	610,599
Transfers Out	(529,419)	(131,180)	-	-	(660,599)
Total Other Financing Sources and -Uses	1,656,001	31,486	-	260,000	1,947,487
Net Change in Fund Balance	114,195	(383,930)	147,398	(34,134)	(156,471)
Beginning Fund Balance	3,866,682	1,591,247	2,506,046	1,489,640	9,453,615
Ending Fund Balance	\$ 3,980,877	\$ 1,207,317	\$ 2,653,444	\$ 1,455,506	\$ 9,297,144

See accompanying notes to basic financial statements.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Net Change in Fund Balance	\$	(156,471)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital Outlay	2,068,720	
Lease Purchase Receipts	(1,997,487)	
Depreciation Expense	(2,614,290)	
Gain/Loss on Disposal of Assets	(4,370)	
Proceeds from the Sale of Assets	<u>(2,536)</u>	(2,549,963)

Governmental funds report the effect of issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences:

Amortization of issuance costs	(42,494)	
Amortization of prepaid PERS liability	(975,762)	
Amortization of premium on bonds	<u>6,602</u>	(1,011,654)

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

99,181

Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Assets, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments:

Principal payments on general obligation bonds and C.O.P.S.	1,235,000	
Principal payments on Capital Leases	139,386	
Accrued interest expense	(26,595)	
Net Other Post Employment Benefits	(319,804)	
Accrued compensated absences	<u>67,482</u>	1,095,469

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

242,642

Change in Net Assets	\$	<u>(2,280,796)</u>
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See accompanying notes to basic financial statements.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

STATEMENT OF PROPRIETARY NET ASSETS
JUNE 30, 2009

	<u>Internal Service Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 1,097,135</u>
Total Assets	<u>1,097,135</u>
Liabilities	
Current Liabilities:	
Accounts Payable	18,547
Accrued payroll liabilities	<u>1,077</u>
Total Liabilities	<u>19,624</u>
Net Assets	
Unrestricted Net Assets	<u>1,077,511</u>
Total Liabilities and Net Assets	<u>\$ 1,097,135</u>

See accompanying notes to basic financial statements.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

STATEMENT OF CHANGES IN PROPRIETARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Internal Service Fund</u>
Operating Revenues	
Local Sources	\$ 224,460
Operating Expenses	
Support Services	<u>175,279</u>
Operating Income	49,181
Nonoperating Revenues (Expenses):	
Transfers In	<u>50,000</u>
Change in Net Assets	99,181
Total Net Assets Beginning of Year	<u>978,330</u>
Total Net Assets End of Year	<u>\$ 1,077,511</u>

See accompanying notes to basic financial statements.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Internal Service Fund
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 224,460
Cash Paid to Suppliers	<u>(162,373)</u>
Net Cash Used by Operating Activities	<u>62,087</u>
Cash Flows from Noncapital Financing Activities	
Net Cash Provided by Noncapital Financing Activities	<u>50,000</u>
Net Increase in Cash and Cash Equivalents	112,087
Cash Balance Beginning of Year	<u>\$ 985,048</u>
Cash Balance End of Year	<u><u>\$ 1,097,135</u></u>
Reconciliation of Operating Income to Net Cash Used by Operating Activities:	
Operating Income	49,181
Increase in Accounts Payable	11,829
Increase in Accrued Payroll Liabilities	<u>1,077</u>
Net Cash Used by Operating Activities	<u><u>\$ 62,087</u></u>

See accompanying notes to basic financial statements.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

	Private Purpose Trust Scholarship Fund
Assets	
Cash and Cash Equivalents	\$ 62,202
Liabilities	
Accounts Payable	950
Net Assets	
Reserved for Scholarships	\$ 61,252

See accompanying notes to basic financial statements.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

ADDITIONS:

Earnings on Investments	\$	1,330
State Sources		168
Other Local Sources		<u>5,200</u>
Total Additions		<u>6,698</u>

REDUCTIONS:

Total Reductions		<u>6,813</u>
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Change in Net Assets		(115)
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Begininng Net Assets		<u>61,367</u>
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Ending Net Assets	\$	<u><u>61,252</u></u>
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See accompanying notes to basic financial statements.

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THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Basis of Presentation

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The following major governmental funds are reported:

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

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

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

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

The following major proprietary fund is reported:

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

The following Fiduciary fund is reported:

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

Measurement Focus and Basis of Accounting

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

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Cash, Cash Equivalents and Investments

The cash and cash equivalents consist of cash on hand, demand deposits, saving deposits, investments in the State of Oregon Treasurer's Local Government Investment Pool (LGIP) and cash with county treasurers. As of June 30, 2009 the fair position in the LGIP is 99.11% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements.

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

Property Taxes Receivable

Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Uncollected property taxes are recorded on the statement of net assets. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the District.

Interfund Receivables and Payables and Transfers

The receipt and payment of monies through one central checking account, as well as transfers between funds, result in interfund payables and receivables until cash is transferred from one fund to the other. These amounts represent current assets and liabilities and are reported as due to or due from other funds. As of June 30, 2009, there were no due to or due from other funds recorded in the financial statements.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Grant monies received prior to the occurrence of qualifying expenditures are recorded as deferred revenue.

Supply Inventories

Supply inventory is valued at cost using first-in, first-out (FIFO) method. Accounting for supply inventory is based on the consumption method. Under the consumption method inventory is recorded when purchased and expenditures/expenses are recorded when inventory items are used. Donated commodities consumed during the year are reported as revenues and expenditures. The amount of unused supply inventories and donated commodities at balance sheet date is considered immaterial for reporting purposes.

Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. Capital assets are defined as assets with an initial cost of more than \$5,000 and an estimated life in excess of three years. Interest incurred during construction is not capitalized. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 to 50 years
Vehicles	10 to 15 years
Equipment	5 to 20 years

Retirement Plans

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

Unamortized Bond Issue Costs

Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

Accounts and Other Receivables

Accounts and other receivables are comprised primarily of State school support and claims for reimbursement of costs under various federal and state grants. No allowance for uncollectible accounts has been recorded because all receivables are considered by management to be collectible.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Post-employment Health Benefits

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

Compensated Absences

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

Fund Equity

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

Long-term Debt

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

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements bond premiums and discounts, as well as bond issuance costs, are recognized when incurred and not deferred. The face amount of the debt issued, premiums received on debt issuances, and discounts are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget

A budget is prepared and legally adopted for each governmental fund type and pension trust fund on the modified accrual basis of accounting. The budgetary basis of accounting is substantially the same as accounting principles generally accepted in the United States of America basis, except capital outlay is expensed when purchased, inventories are budgeted as expenditures when purchased, depreciation expense is not recorded, debt is expensed when paid and taxes are recorded as revenue when received. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

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

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels) with Board approval. Appropriations lapse at the end of each fiscal year. Expenditures of the various funds were within authorized appropriations, except for the General Fund which exceeded authorized Building Improvement appropriations by \$1,996,137 and the Private Purpose Trust Fund which exceeded authorized Instructional appropriations by \$513.

Use of Estimates

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

2. CASH AND INVESTMENTS

DEPOSITS

Deposits with financial institutions include bank demand deposits and certificates of deposit. The total bank balance per the bank statements was \$6,803,817, of which \$3,013,848 was covered by federal depository insurance. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited in an approved depository as identified by the Treasury.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS

State statutes governing cash management are followed. Statutes authorize investment in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

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

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Cash and Investments at June 30, 2009 (recorded at fair value) consisted of:

	<u>2009</u>		<u>2009</u>
Deposits With Financial Institutions:		Reported in:	
Petty Cash	\$ 50	Governmental Activities	\$ 9,438,516
Demand Deposits	6,205,296	Fiduciary Funds	62,202
Investments	<u>3,295,372</u>		
Total	<u>\$ 9,500,718</u>		<u>\$ 9,500,718</u>

The District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>	
		<u>Less than 3</u>	<u>More than 3</u>
State Treasurer's Investment Pool	\$ 3,295,372	\$ 3,295,372	\$ -
Total	<u>\$ 3,295,372</u>	<u>\$ 3,295,372</u>	<u>\$ -</u>

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date greater than three months.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2009, all bank balances were deposited at an approved depository as identified by the treasury and therefore insured.

Credit Risk - Investments

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

Concentration of Credit Risk

At June 30, 2009, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in either of these instruments. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2009, there was compliance with all percentage restrictions.

3. ACCOUNTS/GRANTS RECEIVABLE

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

4. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2009 are as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Land	\$ 598,311	-	-	598,311
Buildings & Improvements	105,436,484	-	-	105,436,484
Equipment	1,349,886	2,068,720	(108,390)	3,310,216
Total	107,384,681	2,068,720	(108,390)	109,345,011
Accumulated Depreciation	(55,938,008)	(2,614,290)	101,484	(58,450,814)
Net Capital Assets	<u>\$ 51,446,673</u>	<u>\$ (545,570)</u>	<u>\$ (6,906)</u>	<u>\$ 50,894,197</u>

Depreciation was allocated to the functions as follows:

Instruction	\$ 1,960,718
Support Services	522,858
Community Services	<u>130,714</u>
Total Depreciation	<u>\$ 2,614,290</u>

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM

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

PERS is administered under Oregon Revised Statute (ORS) Chapter 238. ORS 238.620 establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing to PERS, P.O. Box 23700, Tigard, OR 97281-3700 or by calling 1-503-598-7377.

Members of PERS are required to contribute 6% of their salary covered under the plan. The District is required by ORS 238.225 to contribute at an actuarially determined rate. The rate effective July 1, 2003 is 8.86% of salary covered under the plan for Tier 1 and Tier 2 employees and 12.94% for employees covered under the Oregon Public Services Retirement Plan (OPSRP). On February 5, 2004 the District participated in the Oregon School Boards Association limited tax pension obligation bond issue to finance a portion of the estimated unfunded PERS actuarial liability (the "UAL"). The District borrowed \$26,620,000, reducing the rate paid to PERS to 2.78%, on Tier 1 and Tier 2 employees, effective March 1, 2004. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. The contributions to PERS for the years ended June 30, 2009, 2008, and 2007 were \$3,691,444, \$3,563,056, and \$3,312,111, respectively, and were equal to required contributions for each year.

6. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

7. PREPAID PENSION LIABILITY

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

8. LONG-TERM DEBT

Pension Obligation Bonds

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

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds

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

Certificates of Participation

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

Capital Leases

Various lease agreements have been entered into with interest rates varying from 4.248% to 4.354%. These agreements qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments as of the inception date in the Statement of Net Assets.

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

	Early Retirement	G.O. Bonds	PERS Bonds	C.O.P.S	Capital Leases	TOTAL	
6/30/2008	\$ 6,538,920	\$ 20,545,000	\$ 26,620,000	\$ 290,000	\$ -	\$ 53,993,920	
Restatement	(6,538,920)	-	-	-	-	(6,538,920)	
Additions	-	-	-	-	1,997,487	1,997,487	
Deletions	-	(915,000)	(30,000)	(290,000)	(139,386)	(1,374,386)	
6/30/2009	\$ -	\$ 19,630,000	\$ 26,590,000	\$ -	\$ 1,858,101	\$ 48,078,101	
Year Ended June 30,							INTEREST
2010	\$ -	\$ 1,000,000	\$ 115,000	\$ -	\$ 204,569	\$ 1,319,569	\$ 2,392,886
2011	-	1,090,000	205,000	-	214,757	1,509,757	2,336,237
2012	-	1,205,000	305,000	-	224,195	1,734,195	2,251,155
2013	-	1,300,000	410,000	-	234,047	1,944,047	2,185,422
2014	-	1,395,000	525,000	-	144,462	2,064,462	2,109,483
2015-19	-	8,955,000	4,765,000	-	424,019	14,144,019	8,813,882
2020-24	-	4,685,000	9,640,000	-	412,052	14,737,052	4,918,309
2025-29	-	-	10,625,000	-	-	10,625,000	1,382,276
	\$ -	\$ 19,630,000	\$ 26,590,000	\$ -	\$ 1,858,101	48,078,101	26,389,650
Unamortized Premium		79,223				79,223	-
Total		\$ 19,709,223				\$ 48,157,324	\$ 26,389,650

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. LONG-TERM DEBT (CONTINUED)

Accrued Compensated Absences

At June 30, 2009, there were \$123,335 of accrued compensated absences. The entire amount of accrued compensated absences is considered current.

9. OTHER POSTEMPLOYMENT BENEFITS (OPEBs)

POST EMPLOYEMENT STIPENDS

Plan Description - A single-employer defined benefit supplemental early retirement program is maintained, which covers all licensed employees not receiving explicit medical benefits and who have at least 18 years of service. This program has been established under collective bargaining agreements and provides employees with a stipend of 1/84 of their final annual salary per month. Payments are made for a maximum of seven years, but in no event past age 65 or death.

Funding Policy - The benefits from this program are fully paid and, consequently, no contributions by employees are required. There is no obligation to fund these benefits in advance. The only obligation is to make current benefit payments due each fiscal year. Consequently, it has not been found necessary to establish a pension trust fund, and makes benefit payments on a pay-as-you-go basis each year out of the General Fund. An estimate of this liability for current retirees is done annually. There is no separately issued financial report for the plan. For the fiscal year ended June 30, 2009, there were no expenditures recognized on a budgetary basis for early retirement stipends.

Annual Pension Cost and Net Pension Obligation - The annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 27. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year ending June 30, 2009, the amount actually contributed to the plan, and changes in the net OPEB obligation:

	2009	2010 (Projected)
Annual required contribution (ARC)	\$ 163,264	\$ 168,162
Interest on net pension obligation	-	6,531
Contributions made	-	(6,239)
	163,264	168,454
Increase (Decrease) in Net OPEB obligation		
	163,264	168,454
Net OPEB Obligation - Beginning of fiscal year	-	163,264
Net OPEB Obligation - End of fiscal year	\$ 163,264	\$ 331,718

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2009	163,264	0%	163,264

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. OTHER POSTEMPLOYMENT BENEFITS (OPEBs)

Actuarial methods and assumptions – The annual required contribution (ARC) for the current year was determined as part of the July 1, 2007 actuarial valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, claim cost and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

For the initial valuation, the Projected Unit Credit Actuarial Cost Method was the valuation method used to determine the Actuarial Accrued Liability and the Normal Cost.

Under this method, the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries and medical premiums) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year.

The present value of benefits accrued in as of the valuation date is called the accrued liability. The difference between the accrued liability and the actuarial value of plan assets is called the unfunded accrued liability. The unfunded accrued liability is being amortized over an initial period of 30 years as a level percent of payroll for stipend benefits.

Funding Status and Funding Progress – As of July 1, 2007, the actuarial accrued liability for benefits was \$1,322,774, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,322,774. The UAAL is 6.3% of the covered payroll. Using a 30-year amortization period, the Annual Required Contribution (ARC) for 2010 has been actuarially determined to be \$168,162 for contributions.

Schedule of Funding Progress – Stipend Benefit:

	(a)	(b)	(b)-(a)	(a/b)	(c)	(b-a)/c))
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2007	\$ -	\$ 1,322,774	\$ 1,322,774	0%	\$ 20,860,770	6.3%

POST EMPLOYMENT HEALTH AND LIFE INSURANCE SUBSIDY

Plan Description – A single-employer defined benefit plan is maintained that provides District paid postemployment health, dental vision and life insurance benefits to eligible employees and their spouses. There are active and retired members in the plan. Benefits and eligibility for members are established through the collective bargaining agreements.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. OTHER POSTEMPLOYMENT BENEFITS (OPEBs)

POST EMPLOYMENT HEALTH AND LIFE INSURANCE SUBSIDY (CONTINUED)

Current administrators who have served in the administrative capacity for more than ten years as of June 30, 2004 shall receive early retirement benefits of ten years of current health insurance benefits, but not beyond age 65. All other administrators who have served in an administrative capacity for seven years, or as a licensed teacher and administrator for 18 or more years, will receive seven years of current health insurance, but not beyond age 65. Notwithstanding the above, any administrator hired after August 15, 2007 will not be eligible for any early retirement benefits. Classified bargaining unit members who have at least 20 years of service as of June 30, 2004 shall receive early retirement benefits of ten years of current health insurance benefits, but not beyond age 65. Classified bargaining unit members who have at least 15 years of service in a classified position, and are on the highest step of the salary schedule, shall receive early retirement benefits of seven years of current health insurance benefits, but not beyond age 65. However, if such an employee retires after June 30, 2011, the coverage will be for the employee only. Notwithstanding the above, any classified employee hired after June 30, 2000 will not be eligible for any early retirement benefits. Licensed bargaining unit members who have at least 20 years of service and were hired in 1991 or earlier shall receive early retirement benefits of ten years of current health insurance benefits, but not beyond age 65. Notwithstanding the above, any licensed employee retiring after June 30, 2011 will not be eligible for any early retirement benefits.

Retirees pay the whole active (composite) premium unless they have District-paid coverage, in which case they pay according to the cost sharing shown under Current Premiums. There is an implicit subsidy with respect to retired employees because the medical premium rates charged for coverage typically are less than actual expected retiree claims costs. This is due to medical premium rates being determined by blending both active employee and retiree experience.

The post-retirement healthcare plan is established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims cost, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District's implicit employer contribution.

An irrevocable trust (or equivalent arrangement) has not been established to account for the plan.

Funding Policy – The benefits from this program are paid as described above and the required contribution is based on projected pay-as-you go financing requirements. There is no obligation to fund these benefits in advance.

Annual Pension Cost and Net Pension Obligation - The annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance within the parameter 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) over a period not to exceed thirty years.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. OTHER POSTEMPLOYMENT BENEFITS (OPEBs)

The following table shows the components of the OPEB obligation at the end of the year:

	2009	2010 (Projected)
Annual required contribution	\$ 2,150,599	\$ 2,215,117
Interest on net pension obligation	-	6,262
Adjustment to annual required contribution	-	(8,279)
Annual pension cost	2,150,599	2,213,100
Contributions made	(1,994,059)	(2,044,080)
Increase in net pension obligation	156,540	169,020
NPO (Asset) at beginning of year	-	156,540
NPO (Asset) at end of year	\$ 156,540	\$ 325,560

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB cost contributed	Net OPEB Obligation
2009	\$ 2,150,599	93%	\$ 156,540

Actuarial Methods and Assumptions – The annual required contribution (ARC) for the current year was determined as part of the July 1, 2007 actuarial valuation using the projected unit credit method. The objective of this method is to fund each participant's benefits under the plans as they accrue. The unfunded accrued liability is amortized over various periods, which is dependent on the employee class for life insurance. The amortized periods range from 10, 20 and 30 years as a percentage of payroll. The actuarial assumptions included (a) an interest rate for discounting future liabilities of 4% compounded annually, a payroll growth rate of 3.0%, and a payroll growth plus merit and longevity increases of 4.0% annually (b) 100% of future retirees electing to participate. The demographic assumptions, such as mortality rates, disability incidence rates, retirement rates and withdrawal rates, are the same as those used by Oregon PERS for School Districts.

Funding Status and Funding Progress – As of July 1, 2007, the plan was 0% funded. The actuarial accrued liability for benefits was \$17,998,798, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$17,998,798. The covered payroll (annual payroll of active employees covered by the plan) was \$20,860,770, and the ratio of the UAAL to the covered payroll was 86.3%. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Progress – Postemployment Health Care and Life Insurance Benefits:

	(a)	(b)	(b)-(a)	(a/b)	(c)	(b-a)/c)) UAAL as a Percentage of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	AAL (UAAL)	Funded Ratio	Covered Payroll	
7/1/2007	\$ -	\$ 17,998,798	\$ 17,998,798	0%	\$ 20,860,770	86.3%

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

10. PROPERTY TAX LIMITATION

The State of Oregon imposes a constitutional limit on property taxes for schools and non-school government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for school operations are limited to \$5.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this requirement has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue.

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

11. COMMITMENTS AND CONTINGENCIES

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

A number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The federal audits for these programs for the year ended June 30, 2009 have not been conducted. Accordingly, compliance with grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although such amounts are expected by management to be immaterial.

12. RESTATEMENTS – CHANGE IN ACCOUNTING PRINCIPLES

GASB 45, effective June 30, 2009 requires an actuarial valuation to correctly report other post employment benefits (OPEB). In addition, GASB 27 was implemented, which requires an actuarial valuation for the early retirement program. As a direct result of these new GASB's, there is a restatement in the Statement of Activities for \$6,538,920 to remove the Early Retirement liability balance as of June 30, 2008. The actuarial valuation amortizes these other post employment benefit liabilities over multiple future years.

13. SUBSEQUENT EVENT

In September of 2009, a \$2,000,000 Qualified Zone Academy Bond (QZAB), with a stated coupon rate of 1.5%, was entered into for energy projects at multiple schools. Fifteen annual payments will be made beginning August 10, 2010. The first fourteen payments will be for \$133,332. As part of the terms of the QZAB agreement, the District has opted to maintain a sinking fund to pay for the fifteenth and final balloon payment of \$358,168.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

14. INTERFUND TRANSFERS

Amounts are comprised of the following:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 529,419	\$ 187,933
Special Revenue Fund	131,180	162,666
Capital Projects Fund	-	260,000
Self Insurance Fund	-	50,000
	<u> </u>	<u> </u>
Totals	<u>\$ 660,599</u>	<u>\$ 660,599</u>

During the 2008-2009 fiscal year, the Board of Directors approved transfers out of \$529,419 and \$131,180 from the General Fund and the Special Revenues, respectively. The General Fund received \$187,993 from fund 150 as a year end carryover. Special Revenue Funds received \$162,666 to fund a variety of special programs. Capital Projects fund received \$260,000 to fund energy projects and capital lease payments. The Self Insurance fund received \$50,000 to fund future obligation.

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009**

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE -NEGATIVE
REVENUES:				
From Local Sources:				
1110 Ad Valorem Taxes Levied by District	\$ 11,750,000	\$ 11,750,000	\$ 11,638,296	\$ (111,704)
1300 Tuition	-	-	14,327	14,327
1400 Local Sources	-	-	1,596	1,596
1510 Earnings on Investments	300,000	300,000	192,756	(107,244)
1700 Student Fees and Admissions	25,000	25,000	52,785	27,785
1910 Facility Rental	2,000	2,000	225	(1,775)
1930 Rentals	-	-	248	248
1960 Recovery of Prior Years Expenditures	-	-	18,410	18,410
1970 Services to Other Funds	-	-	33,995	33,995
1990 Miscellaneous	41,000	41,000	633,929	592,929
Total Local Revenue	12,118,000	12,118,000	12,586,567	468,567
From Intermediate Sources:				
2102 SOESD	820,000	820,000	786,496	(33,504)
Total Intermediate Revenue	820,000	820,000	786,496	(33,504)
From State Sources:				
3101 School Support Fund	28,152,619	28,152,619	26,537,678	(1,614,941)
3103 Common School Fund	386,260	386,260	378,432	(7,828)
3199 Other Unrestricted Grants	-	-	443,425	443,425
Total State Revenue	28,538,879	28,538,879	27,359,535	(1,179,344)
From Federal Sources:				
4500 Restricted Revenue from Federal Govt	-	135,000	1,030,536	895,536
4801 Federal Forest Fees	-	-	286,493	286,493
Total Federal Revenue	-	135,000	1,317,029	1,182,029
Total Revenues	\$ 41,476,879	\$ 41,611,879	\$ 42,049,627	\$ 437,748

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009**

EXPENDITURES:	GENERAL FUND			VARIANCE POSITIVE -NEGATIVE
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Instruction:				
1111 Elementary K-3 (curricular)	\$ 5,149,701	\$ 5,259,701	\$ 4,363,574	\$ 896,127
1112 Elementary 4-5 (curricular)	2,391,647	2,391,647	2,603,588	(211,941)
1121 Middle School (curricular)	4,496,499	4,496,499	4,526,210	(29,711)
1122 Middle School (co-curricular)	500	500	13,550	(13,050)
1131 High School (curricular)	5,956,024	5,952,524	5,788,051	164,473
1132 Hi School (co-curricular)	665,471	671,771	717,354	(45,583)
1221 Restrictive Programs	1,225,528	1,225,528	1,165,046	60,482
1250 Less Restrictive Programs	2,489,662	2,489,662	2,426,274	63,388
1280 Alternative Education	299,339	299,339	691,504	(392,165)
1291 English Second Language	169,700	169,700	170,986	(1,286)
Total Instruction	22,844,071	22,956,871 (1)	22,466,137	490,734
Support Services:				
2110 Attendance & Social Work Services	1,800	1,800	1,195	605
2120 Guidance Services	630,243	630,243	649,567	(19,324)
2130 Health Services	6,860	6,860	3,045	3,815
2190 Service Direction	241,774	239,774	258,678	(18,904)
2210 Improvement of Instruction Services	334,565	334,565	197,500	137,065
2220 Educational Media Services	721,446	721,446	742,305	(20,859)
2240 Instructional Staff Development	18,500	18,500	15,230	3,270
2310 Board of Education Services	83,157	83,157	97,859	(14,702)
2320 Executive Administration	209,190	207,190	217,709	(10,519)
2410 School Administration	3,957,147	3,990,501	4,044,916	(54,415)
2510 Support Svc Direction	247,629	247,629	236,932	10,697
2520 Fiscal Services	348,818	348,818	315,342	33,476
2540 Operation & Maintenance	4,981,632	4,979,332	4,878,835	100,497
2550 Student Transportation	4,191,000	4,191,000	4,078,258	112,742
2570 Internal Services	126,204	126,204	151,776	(25,572)
2640 Staff Services	410,603	410,603	564,703	(154,100)
2660 Technology	1,028,789	1,028,789	1,131,126	(102,337)
2700 Supplemental Retirement	1,697,707	1,697,707	1,540,533	157,174
Total Support Services	19,237,064	19,264,118 (1)	19,125,509	138,609
Building Improvement Services	1,350	3,650 (1)	1,999,787	(1,996,137)
Contingency	1,516,891	1,516,891 (1)	-	1,516,891
Total Expenditures	43,599,376	43,741,530	43,591,433	150,097
Excess (Deficiency) of Revenues Over Expenditures	(2,122,497)	(2,129,651)	(1,541,806)	587,845
Other Financing Sources, -Uses:				
5160 Lease Purchase Receipts	-	-	1,997,487	1,997,487
5200 Transfers In	-	189,152	187,933	(1,219)
5200 Transfers Out	(340,000)	(664,152) (1)	(529,419)	134,733
Total Other Financing Sources, -Uses	(340,000)	(475,000)	1,656,001	2,131,001
Net Change in Fund Balance	(2,462,497)	(2,604,651)	114,195	2,718,846
Beginning Fund Balance	3,462,497	3,462,497	3,866,682	404,185
Ending Fund Balance	\$ 1,000,000	\$ 857,846	\$ 3,980,877	\$ 3,123,031

(1) Appropriation Level
Continued from Page 31

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009**

	<u>SPECIAL REVENUE FUND</u>			VARIANCE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>POSITIVE -NEGATIVE</u>
REVENUES:				
From Local Sources	\$ 1,717,479	\$ 1,717,479	\$ 2,270,389	\$ 552,910
From Intermediate Sources	30,000	30,000	27,197	(2,803)
From State Sources	4,347,533	4,347,533	2,523,774	(1,823,759)
From Federal Sources	4,589,060	4,724,060	5,809,327	1,085,267
Total Revenues	10,684,072	10,819,072	10,630,687	(188,385)
EXPENDITURES:				
Instruction:				
Salaries	3,376,040	3,380,040	3,472,607	(92,567)
Employee Benefits	1,727,105	1,727,105	1,868,207	(141,102)
Purchased Services	628,542	628,542	545,769	82,773
Supplies and Materials	1,105,725	1,105,725	1,194,932	(89,207)
Other Objects	569,210	569,210	264,394	304,816
Total Instruction	7,406,622	7,410,622 (1)	7,345,909	64,713
Support Services:				
Salaries	447,285	447,285	613,734	(166,449)
Employee Benefits	208,900	212,400	271,070	(58,670)
Purchased Services	567,327	567,327	290,129	277,198
Supplies and Materials	530,571	530,571	63,504	467,067
Other Objects	155,898	155,898	162,465	(6,567)
Total Support Services	1,909,981	1,913,481 (1)	1,400,902	512,579
Enterprise and Community Services				
Salaries	663,156	663,156	634,488	28,668
Employee Benefits	480,681	480,681	461,633	19,048
Purchased Services	1,206,832	1,206,832	1,137,126	69,706
Supplies and Materials	307,800	307,800	25,931	281,869
Other Objects	6,000	6,000	5,746	254
Enterprise and Community Services	2,664,469	2,664,469 (1)	2,264,924	399,545
Facilities Acquisition and Contruction	175,000	175,000 (1)	34,368	140,632
Total Expenditures	12,156,072	12,163,572	11,046,103	1,117,469
Excess (Deficiency) of Revenues Over Expenditures	(1,472,000)	(1,344,500)	(415,416)	929,084
Other Financing Sources (uses)				
Transfers in	47,650	55,150	162,666 (2)	107,516
Transfers out	(17,650)	(152,650) (1)	(131,180)	21,470
Total Other Financing Sources, -Uses	30,000	(97,500)	31,486	128,986
Net Change in Fund Balance	(1,442,000)	(1,442,000)	(383,930)	1,058,070
Beginning Fund Balance	1,442,000	1,442,000	1,591,247	149,247
Ending Fund Balance	\$ -	\$ -	\$ 1,207,317	\$ 1,207,317

(1) Appropriation Level

(2) Included in this transfer from the General Fund is the required state revenue match of \$23,986 the District must transfer to the Food Service Fund for National School Lunch Support in order to meet the general cash assistance match.

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009**

DEBT SERVICE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE -NEGATIVE</u>
REVENUES:				
From Local Sources:				
Other Local Sources	\$ 1,579,380	\$ 1,579,380	\$ 1,598,803	\$ 19,423
Interest On Investments	155,000	155,000	66,702	(88,298)
Taxes	<u>1,740,806</u>	<u>1,740,806</u>	<u>1,777,625</u>	<u>36,819</u>
Total Revenues	<u>3,475,186</u>	<u>3,475,186</u>	<u>3,443,130</u>	<u>(32,056)</u>
EXPENDITURES:				
Debt Service:				
Principal	945,000	945,000	927,728	17,272
Interest & Admin Fees	<u>2,352,232</u>	<u>2,352,232</u>	<u>2,368,004</u>	<u>(15,772)</u>
Total Debt Service	<u>3,297,232</u>	<u>3,297,232 (1)</u>	<u>3,295,732</u>	<u>1,500</u>
Contingency	<u>2,957,888</u>	<u>2,957,888 (1)</u>	<u>-</u>	<u>2,957,888</u>
Total Expenditures	<u>6,255,120</u>	<u>6,255,120</u>	<u>3,295,732</u>	<u>2,959,388</u>
Net Change in Fund Balance	(2,779,934)	(2,779,934)	147,398	2,927,332
Beginning Fund Balance	<u>2,779,934</u>	<u>2,779,934</u>	<u>2,506,046</u>	<u>(273,888)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,653,444</u>	<u>\$ 2,653,444</u>

(1) Appropriation Level

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009**

<u>CAPITAL PROJECTS FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE -NEGATIVE</u>
REVENUES:				
From Local Sources:				
Earnings on Investments	\$ 66,000	\$ 66,000	\$ 27,339	\$ (38,661)
Miscellaneous	<u>290,218</u>	<u>290,218</u>	<u>212,282</u>	<u>(77,936)</u>
Total Revenue	<u>356,218</u>	<u>356,218</u>	<u>239,621</u>	<u>(116,597)</u>
EXPENDITURES:				
Support Services	436,500	436,500 (1)	222,010	214,490
Enterprise & Community	-	3,300 (1)	3,006	294
Facilities Acquisition and Construction	750,000	746,700 (1)	14,969	731,731
Debt Service	294,370	294,370 (1)	293,770	600
Contingency	<u>654,093</u>	<u>654,093 (1)</u>	<u>-</u>	<u>654,093</u>
Total Expenditures	<u>2,134,963</u>	<u>2,134,963</u>	<u>533,755</u>	<u>1,601,208</u>
Excess of Revenues Over -Under Expenditures	(1,778,745)	(1,778,745)	(294,134)	1,484,611
OTHER FINANCING USES				
Transfers In	<u>260,000</u>	<u>260,000</u>	<u>260,000</u>	<u>-</u>
Total Other Financing Uses	<u>260,000</u>	<u>260,000</u>	<u>260,000</u>	<u>-</u>
Net Change in Fund Balance	(1,518,745)	(1,518,745)	(34,134)	1,484,611
Beginning Fund Balance	<u>1,518,745</u>	<u>1,518,745</u>	<u>1,489,640</u>	<u>(29,105)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,455,506</u>	<u>\$ 1,455,506</u>
(1) Appropriation Level				

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009**

<u>SELF-INSURANCE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE -NEGATIVE</u>
REVENUES				
Earnings on Investments	\$ 22,000	\$ 22,000	\$ 9,942	\$ (12,058)
Local Sources	196,733	196,733	214,518	17,785
				-
Total Revenues	218,733	218,733	224,460	5,727
EXPENDITURES				
Support Services	660,313	660,313 (1)	175,279	485,034
Contingency	529,730	529,730 (1)	-	529,730
Total Expenditures	1,190,043	1,190,043	175,279	1,014,764
Excess of Revenues Over -Under Expenditures	(971,310)	(971,310)	49,181	1,020,491
Other Financing Sources				
Transfers in	50,000	50,000	50,000	-
Total Other Financing Uses	50,000	50,000	50,000	-
Net Change in Fund Balance	(921,310)	(921,310)	99,181	1,020,491
Beginning Fund Balance	921,310	921,310	978,330	57,020
Ending Fund Balance	\$ -	\$ -	\$ 1,077,511	\$ 1,077,511

(1) Appropriation Level

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009

PRIVATE PURPOSE TRUST SCHOLARSHIP FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE -NEGATIVE
REVENUES				
Local Sources	\$ 3,588	\$ 3,588	\$ 6,530	\$ 2,942
State Sources	-	-	168	168
Total Revenues	3,588	3,588	6,698	3,110
EXPENDITURES				
Instruction	6,300	6,300 (1)	6,813	(513)
Contingency & Unappropriated EFB	56,333	56,333 (1)	-	56,333
Total Expenditures	62,633	62,633	6,813	55,820
Net Change in Fund Balance	(59,045)	(59,045)	(115)	58,930
Beginning Fund Balance	59,045	59,045	61,367	2,322
Ending Fund Balance	\$ -	\$ -	\$ 61,252	\$ 61,252

(1) Appropriation Level

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

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For The Year Ended June 30, 2009**

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/2008	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/2009
<u>GENERAL FUND:</u>						
CURRENT:						
2008-09	\$ 12,151,890	\$ 285,848	\$ (13,410)	\$ 6,382	\$ 11,329,763	\$ 522,869
PRIOR YEARS:						
2007-08	404,876	(48)	(1,227)	467	213,401	190,296
2006-07	136,344	(10)	(478)	287	56,796	79,080
2005-06	53,063	(8)	(299)	324	33,124	19,648
2004-05	15,400	(5)	(98)	89	12,620	2,687
2003-04 and prior	8,623	(4)	(128)	68	1,220	7,279
Total Prior	618,306	(75)	(2,230)	1,235	317,161	298,990
Total General Fund	<u>\$ 12,770,196</u>	<u>\$ 285,773</u>	<u>\$ (15,640)</u>	<u>\$ 7,617</u>	<u>\$ 11,646,924</u>	<u>\$ 821,859</u>
<u>DEBT SERVICE</u>						
CURRENT:						
2008-09	\$ 1,854,099	\$ 43,614	\$ (2,050)	\$ 974	\$ 1,728,658	\$ 79,777
PRIOR YEARS:						
2007-08	62,494	(7)	(188)	72	32,940	29,373
2006-07	23,153	(2)	(81)	47	9,645	13,429
2005-06	9,010	(1)	(51)	53	5,624	3,336
2004-05	2,616	(1)	(17)	15	2,144	456
2003-04 and prior	1,460	(1)	(22)	11	206	1,233
Total Prior	98,733	(12)	(359)	198	50,559	47,827
Total Debt Service	<u>\$ 1,952,832</u>	<u>\$ 43,602</u>	<u>\$ (2,409)</u>	<u>\$ 1,172</u>	<u>\$ 1,779,217</u>	<u>\$ 127,604</u>
Total all Funds	<u>\$ 14,723,028</u>	<u>\$ 329,375</u>	<u>\$ (18,049)</u>	<u>\$ 8,789</u>	<u>\$ 13,426,141</u>	<u>\$ 949,463</u>
RECONCILIATION OF REVENUE:					GENERAL FUND	DEBT SERVICE FUND
Cash Collections by County Treasurer Above					\$ 11,646,924	\$ 1,779,217
Accrual of Receivables:						
June 30, 2008					(153,177)	(23,644)
June 30, 2009					144,549	22,052
Total Revenue					<u>\$ 11,638,296</u>	<u>\$ 1,777,625</u>

2008 - 09 DISTRICT REVENUE SUMMARY
Three Rivers / Josephine County Unit Joint School District

Revenue from Local Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
1110 Ad Valorem Taxes Levied by District	\$ 11,638,296	\$ -	\$ 1,777,625	\$ -	\$ -	\$ -	\$ -
1310 Regular Day School Tuition	14,327	-	-	-	-	-	-
1330 Summer School Tuition	-	400	-	-	-	-	-
1400 Local & Federal Sources	1,596	-	-	-	-	-	-
1500 Earnings on Investments	192,756	47,029	66,702	27,339	-	9,942	1,330
1600 Food Service	-	544,428	-	-	-	-	-
1700 Extracurricular Activities	52,785	1,429,279	-	-	-	-	-
1800 Community Services Activities	-	-	-	-	-	-	-
1910 Rentals	225	-	-	-	-	-	-
1920 Contributions and Donations From Private Sources	-	20,503	-	-	-	-	5,200
1930 Rental or Lease Payments From Private Contractors	248	-	-	-	-	-	-
1960 Recovery of Prior Years' Expenditure	18,410	-	-	-	-	-	-
1970 Services Provided Other Funds	33,995	-	1,578,037	-	-	-	-
1980 Fees Charged to Grants	-	-	-	-	-	206,662	-
1990 Miscellaneous	633,929	228,750	20,766	212,282	-	7,856	-
Total Revenue from Local Sources	\$ 12,586,567	\$ 2,270,389	\$ 3,443,130	\$ 239,621	\$ -	\$ 224,460	\$ 6,530
Revenue from Intermediate Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
2102 Education Service District Apportionment	\$ 786,496	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2200 Restricted Revenue	-	27,197	-	-	-	-	-
Total Revenue from Intermediate Sources	\$ 786,496	\$ 27,197	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue from State Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
3101 State School Fund - General Support	\$ 26,537,678	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3103 Common School Fund	378,432	-	-	-	-	-	-
3199 Other Unrestricted Grants-in-Aid	443,425	10,692	-	-	-	-	-
3299 Other Restricted Grants-in-Aid	-	2,513,082	-	-	-	-	168
Total Revenue from State Sources	\$ 27,359,535	\$ 2,523,774	\$ -	\$ -	\$ -	\$ -	\$ 168
Revenue from Federal Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
4500 Restricted Revenue From the Federal Government Through the State	\$ 1,030,536	\$ 5,674,497	\$ -	\$ -	\$ -	\$ -	\$ -
4801 Federal Forest Fees	286,493	-	-	-	-	-	-
4900 Revenue for/on Behalf of the District	-	134,830	-	-	-	-	-
Total Revenue from Federal Sources	\$ 1,317,029	\$ 5,809,327	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue from Other Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
5160 Lease Purchase Receipts	\$ 1,997,487	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5200 Interfund Transfers	187,933	162,666	-	260,000	-	50,000	-
5400 Resources - Beginning Fund Balance	3,866,682	1,591,247	2,506,046	1,489,640	-	978,330	61,367
Total Revenue from Other Sources	\$ 4,054,615	\$ 1,753,913	\$ 2,506,046	\$ 1,749,640	\$ -	\$ 1,028,330	\$ 61,367
Grand Totals	\$ 46,104,242	\$ 12,384,600	\$ 5,949,176	\$ 1,989,261	\$ -	\$ 1,252,790	\$ 68,065

2008 - 09 DISTRICT EXPENDITURE SUMMARY
Three Rivers / Josephine County Unit Joint School District

Fund: 100 - General Fund

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	\$ 4,363,574	\$ 2,815,062	\$ 1,468,250	\$ 6,296	\$ 73,966	\$ -	\$ -	\$ -
1112 Intermediate Programs	2,603,588	1,743,069	839,077	1,701	19,741	-	-	-
1121 Middle/Junior High Programs	4,526,210	3,011,354	1,466,829	2,732	45,225	-	70	-
1122 Middle/Junior High School Extracurricular	13,550	9,713	2,637	1,200	-	-	-	-
1131 Local & Federal Sources	5,788,051	3,799,994	1,820,221	22,836	140,045	-	4,955	-
1132 High School Extracurricular	717,354	435,330	145,325	54,954	21,672	-	60,073	-
1220 Restrictive Programs for Students with Disabilities	1,165,046	709,137	439,800	11,890	4,219	-	-	-
1250 Less Restrictive Programs for	2,426,274	1,565,587	838,493	10,245	11,949	-	-	-
1280 Alternative Education	691,504	372,386	223,312	90,717	5,089	-	-	-
1291 English Second Language Programs	170,986	98,131	48,521	24,091	243	-	-	-
Total Instruction Expenditures	\$ 22,466,137	\$ 14,559,763	\$ 7,292,465	\$ 226,662	\$ 322,149	\$ -	\$ 65,098	\$ -
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$ 1,195	\$ -	\$ -	\$ -	\$ 1,195	\$ -	\$ -	\$ -
2120 Guidance Services	649,567	420,438	222,642	4,705	1,749	-	33	-
2130 Health Services	3,045	-	-	-	3,045	-	-	-
2190 Service Direction, Student Support Services	258,678	150,734	69,092	35,885	2,402	-	565	-
2210 Improvement of Instruction Services	197,500	123,549	57,994	5,819	8,709	-	1,429	-
2220 Educational Media Services	742,305	313,534	217,949	122,528	88,294	-	-	-
2240 Instructional Staff Development	15,230	-	(2)	15,172	60	-	-	-
2310 Board of Education Services	97,859	12,607	6,963	66,897	2,039	-	9,353	-
2320 Executive Administration Services	217,709	142,669	60,229	850	13,376	-	585	-
2410 Office of the Principal Services	4,044,916	2,492,221	1,392,176	69,389	75,120	-	16,010	-
2510 Direction of Business Support Services	236,932	-	1,008	1,113	67	-	234,744	-
2520 Fiscal Services	315,342	187,482	21,969	87,486	4,243	-	14,162	-
2540 Operation and Maintenance of Plant Services	4,878,835	1,632,062	1,110,274	1,810,209	278,671	44,805	2,814	-
2550 Student Transportation Services	4,078,258	-	-	4,078,258	-	-	-	-
2570 Internal Services	151,776	81,832	50,338	5,628	11,978	2,000	-	-
2640 Staff Services	564,703	364,923	146,115	46,970	5,970	-	725	-
2660 Technology Services	1,131,126	303,755	156,563	501,916	168,592	-	300	-
2700 Supplemental Retirement Program	1,540,533	-	1,540,533	-	-	-	-	-
Total Support Services Expenditures	\$ 19,125,509	\$ 6,225,806	\$ 5,053,843	\$ 6,852,825	\$ 665,510	\$ 46,805	\$ 280,720	\$ -
Facilities Acquisition and Construction	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4150 Building Acquisition, Construction, and	\$ 1,999,787	\$ -	\$ -	\$ -	\$ 1,910	\$ 1,997,877	\$ -	\$ -
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction Expenditures	\$ 1,999,787	\$ -	\$ -	\$ -	\$ 1,910	\$ 1,997,877	\$ -	\$ -
Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5200 Transfers of Funds	\$ 529,419	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 529,419
5400 PERS UAL Bond Lump Sum	-	-	-	-	-	-	-	-
Total Other Uses Expenditures	\$ 529,419	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 529,419
Grand Total	\$ 44,120,852	\$ 20,785,569	\$ 12,346,308	\$ 7,079,487	\$ 989,569	\$ 2,044,682	\$ 345,818	\$ 529,419

2008 - 09 DISTRICT EXPENDITURE SUMMARY
Three Rivers / Josephine County Unit Joint School District

Fund: 200 - Special Revenue

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	\$ 714,134	\$ 482,564	\$ 230,656	\$ -	\$ 914	\$ -	\$ -	\$ -
1112 Intermediate Programs	2,450	1,900	550	-	-	-	-	-
1113 Elementary Extracurricular	210,229	-	-	31,734	178,495	-	-	-
1121 Middle/Junior High Programs	20,358	-	-	-	20,358	-	-	-
1122 Middle/Junior High School Extracurricular	214,128	-	-	40,585	148,169	-	25,374	-
1131 Local & Federal Sources	610,412	400,643	198,404	4,533	6,832	-	-	-
1132 High School Extracurricular	1,038,877	-	-	215,303	630,225	-	193,349	-
1210 Programs for the Talented and Gifted	1,949	1,548	401	-	-	-	-	-
1220 Restrictive Programs for Students with Disabilities	436,823	199,804	113,207	112,686	7,742	-	3,384	-
1250 Less Restrictive Programs for	1,352,486	812,450	482,010	5,689	10,133	-	42,204	-
1271 Remediation	88,406	56,809	16,249	4,879	10,386	-	83	-
1272 Title I	1,726,631	994,792	586,700	14,913	130,226	-	-	-
1280 Alternative Education	191,062	45,105	38,942	107,015	-	-	-	-
1291 English Second Language Programs	3,990	3,400	535	-	55	-	-	-
1294 Youth Corrections Education	676,285	430,809	187,901	7,197	50,378	-	-	-
1299 Other Programs	3,505	2,019	614	249	623	-	-	-
1400 Summer School Programs	54,184	40,764	12,038	986	396	-	-	-
Total Instruction Expenditures	\$ 7,345,909	\$ 3,472,607	\$ 1,868,207	\$ 545,769	\$ 1,194,932	\$ -	\$ 264,394	\$ -
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$ 82,164	\$ 30,291	\$ 27,253	\$ 17,537	\$ 6,617	\$ -	\$ 466	\$ -
2120 Guidance Services	294,069	120,673	47,572	106,499	19,238	-	87	-
2130 Health Services	95,589	-	-	95,589	-	-	-	-
2190 Service Direction, Student Support Services	31,022	12,315	8,712	30	9,965	-	-	-
2210 Improvement of Instruction Services	281,011	118,279	52,891	4,341	7,639	-	97,861	-
2220 Educational Media Services	1,456	1,078	330	-	48	-	-	-
2240 Instructional Staff Development	444,140	260,437	100,202	42,069	10,685	-	30,747	-
2320 Executive Administration Services	2,321	-	-	2,321	-	-	-	-
2410 Office of the Principal Services	142,998	70,361	34,085	4,992	256	-	33,304	-
2550 Student Transportation Services	12,556	-	-	12,556	-	-	-	-
2620 Planning, Research, Development, Evaluation	627	-	-	627	-	-	-	-
2660 Technology Services	12,949	300	25	3,568	9,056	-	-	-
Total Support Services Expenditures	\$ 1,400,902	\$ 613,734	\$ 271,070	\$ 290,129	\$ 63,504	\$ -	\$ 162,465	\$ -
Enterprise and Community Services	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$ 2,263,245	\$ 634,488	\$ 461,633	\$ 1,136,136	\$ 25,242	\$ -	\$ 5,746	\$ -
3200 Other Enterprise Services	1,679	-	-	990	689	-	-	-
Total Enterprise and Community Services Expenditures	\$ 2,264,924	\$ 634,488	\$ 461,633	\$ 1,137,126	\$ 25,931	\$ -	\$ 5,746	\$ -
Facilities Acquisition and Construction	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4150 Building Acquisition, Construction,	\$ 34,368	\$ -	\$ -	\$ -	\$ 6,868	\$ 27,500	\$ -	\$ -
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction Expenditures	\$ 34,368	\$ -	\$ -	\$ -	\$ 6,868	\$ 27,500	\$ -	\$ -
Other Uses Expenditures	Totals		Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5200 Transfers of Funds	\$ 131,180	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,180
5400 PERS UAL Bond Lump Sum	-	-	-	-	-	-	-	-
Total Other Uses Expenditures	\$ 131,180	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,180
Grand Total	\$ 11,177,283	\$ 4,720,829	\$ 2,600,910	\$ 1,973,024	\$ 1,291,235	\$ 27,500	\$ 432,605	\$ 131,180

2008 - 09 DISTRICT EXPENDITURE SUMMARY
Three Rivers / Josephine County Unit Joint School District

Fund: 300 - Debt Service

Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600
5100 Debt Service	\$ 3,295,732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,295,732
5200 Transfers of Funds	-	-	-	-	-	-	-
Total Other Uses							
Expenditures	\$ 3,295,732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,295,732
Grand Total	\$ 3,295,732	\$	\$	\$	\$	\$	\$ 3,295,732

2008 - 09 DISTRICT EXPENDITURE SUMMARY
Three Rivers / Josephine County Unit Joint School District

Fund: 400 - Capital Projects

Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600
2540 Operation and Maintenance of Plant Services	\$ 222,010	\$ -		\$ 213,409	\$ 7,195		\$ 1,406
2550 Student Transportation Services	-	-	-	-	-	-	-
Total Support Services Expenditures	\$ 222,010	\$ -	\$ -	\$ 213,409	\$ 7,195	\$ -	\$ 1,406
Enterprise and Community	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600
3100 Food Services	\$ 3,006	\$ -	\$ -	\$ -	\$ 3,006	\$ -	\$ -
3200 Other Enterprise Services	-	-	-	-	-	-	-
Total Enterprise and Community Services Expenditures	\$ 3,006	\$ -	\$ -	\$ -	\$ 3,006	\$ -	\$ -
Facilities Acquisition and	Totals		Object 200	Object 300	Object 400	Object 500	Object 600
4110 Service Area Direction	\$ 809	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 809
4150 Building Acquisition,	14,160	-	-	1,280	-	12,880	-
Total Facilities Acquisition and Construction Expenditures	\$ 14,969	\$ -	\$ -	\$ 1,280	\$ -	\$ 12,880	\$ 809
Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600
5100 Debt Service	\$ 293,770	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 293,770
5200 Transfers of Funds	-	-	-	-	-	-	-
Total Other Uses Expenditures	\$ 293,770	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 293,770
Grand Total	\$ 533,755	\$	\$	\$ 214,689	\$ 10,201	\$ 12,880	\$ 295,985

2008 - 09 DISTRICT EXPENDITURE SUMMARY
Three Rivers / Josephine County Unit Joint School District

Fund: 600 - Self Insurance

Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500
2190 Service Direction, Student Support Services	1,291	\$ 1,191	\$ 100	\$ -	\$ -	\$ -
2520 Fiscal Services	69,000	46,156	22,334	-	510	-
2540 Operation and Maintenance of Plant Services	29,827	1,100	338	8,318	20,071	-
2640 Staff Services	75,161	19,625	55,427	-	109	-
Total Support Services Expenditures	\$ 175,279	\$ 68,072	\$ 78,199	\$ 8,318	\$ 20,690	\$ -
Grand Total	\$ 175,279	\$ 68,072	\$ 78,199	\$ 8,318	\$ 20,690	\$ -

2008 - 09 DISTRICT EXPENDITURE SUMMARY
Three Rivers / Josephine County Unit Joint School District

Fund: 700 - Trust & Agency

Instruction Expenditures

1299 Other Programs

1300 Adult/Continuing Education
Programs

1400 Summer School Programs

Totals	Object 100	Object 200	Object 300	Object 400	Object 500
\$ 6,813	\$ -	\$ -	\$ 6,813	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-

Total Instruction Expenditures

\$ 6,813 \$ - \$ - \$ 6,813 \$ - \$ -

Grand Total

\$ 6,813	\$	\$	\$ 6,813	\$	\$
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**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SUPPLEMENTAL INFORMATION
As Required by The Oregon Department of Education
For The Year Ended June 30, 2009**

A. Energy bills for heating - all funds:

	Objects 325 and 326
Function 2540	\$ 1,037,117
Function 2550	

B. Replacement of equipment - General Fund:

Include all General Fund expenditures in Object 542, except for the following exclusions:

Exclude these functions:

	Amount
1113, 1122 & 1132 Co-curricular activities 4150 Construction	\$ 34,704
1140 Pre-kindergarten 2550 Pupil transportation	
1300 Continuing education 3100 Food service	
1400 Summer school 3300 Community services	



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

November 1, 2009

2008-09 AUDITORS' COMMENTS AND DISCLOSURES

Oregon Administrative Rules 162-10-000 through 162-16-000 the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding pages of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as follows.

REPORT ON INTERNAL ACCOUNTING CONTROL

We have audited the basic financial statements of Three Rivers School District, Josephine County, Oregon, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 1, 2009.

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

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

In planning and performing our audit of the basic financial statements of Three Rivers School District, Josephine County, Oregon, for the year ended June 30, 2009, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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

REPORT ON INTERNAL ACCOUNTING CONTROL (CONT.)

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by internal controls.

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in the schedule of findings and questioned costs on page 56.

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

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

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

ACCOUNTING RECORDS

The accounting records were adequate for audit.

BUDGET TRANSACTIONS

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2009, except as noted on page 20 on this report.

2008-09 AND 2009-10 BUDGETS

Based on our testing, there appeared to be compliance with legal requirements related to the preparation and adoption of the annual budgets for the years ended June 30, 2009 and 2010.

COLLATERAL SECURING BANK DEPOSITS

Deposits throughout the year appeared to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury based upon our testing. Deposits in the State Local Government Investment Pool are not required to be collateralized.

INVESTMENTS

The investments for the year ending June 30, 2009 were reviewed, and based on our testing, appear to comply with the legal requirements pertaining to the investment of public funds contained in ORS 294.035.

PUBLIC CONTRACTS AND PURCHASING

The procedures for awarding public contracts were reviewed, and based on our testing, appear to be in compliance with ORS Chapter 279.

INSURANCE AND FIDELITY BONDS

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

STATUTORY BONDED DEBT LIMITATION

The bonded debt outstanding appeared to be within the provisions of ORS 552.645.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

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

STATE HIGHWAY

There were no programs funded from State Highway funds during the year ended June 30, 2009.

INDEPENDENT ELECTED OFFICIALS

There was no elected official collecting or receiving funds on behalf of the District.

STATE SCHOOL FUND DISTRIBUTION INFORMATION

We have performed the procedures recommended by the Oregon Secretary of State, Audits Division, regarding compliance with the requirements of ORS 327.013 as further defined by the Oregon State Department of Education pertaining to the calculation and reporting of the factors used to compute the State School Fund distribution for the year ended June 30, 2009.

There was compliance with ORS 327.013 requirements, except for two instances involving student attendance. Two students were not dropped from the attendance rolls after being absent for more than ten consecutive days.


PAULY, ROGERS AND CO., P.C.

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THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

GRANT COMPLIANCE REVIEW

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2009**

	<u>GRANT PERIOD</u>	<u>FEDERAL CFDA NUMBER</u>	<u>SUB GRANT NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>2008-09 EXPENDITURES</u>
<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>					
U.S. DEPARTMENT OF EDUCATION					
Local & Federal Sources					
Passed Through State Department of Education:					
TITLE I					
Title IA	7/2007-9/2008	84.010	10028	\$ 2,016,380	\$ 280,165
Title IA	7/2008-9/2009	84.010	12886	2,141,383	1,809,012
Rural Ed Achievement	7/2007-9/2008	84.358	11671	166,056	20,893
Rural Ed Achievement	7/2008-9/2009	84.358	14337	135,033	134,833
McKinney Homeless	9/2007-8/2008	84.196	11008	11,400	9,845
McKinney Homeless	9/2008-8/2009	84.196	13968	10,206	3,922
TITLE IIA					
Title IIA	7/2007-9/2008	84.367	10246	507,693	75,912 (1)
Title IIA	7/2008-9/2009	84.367	13117	494,027	417,796 (1)
Statewide Literacy Outreach	10/2008-4/2009	84.367	12494	1,919	1,919 (1)
TITLE IID					
Title IID	7/2007-9/2008	84.318	10428	19,621	13,668
Title IID	7/2008-9/2009	84.318	13299	20,143	20,143
Enhanced Education thru Tech	12/2007-9/2008	84.318	9680	80,695	25,166
TITLE IV - SDFS Part I					
Public Law 99-570	7/2006-9/2007	84.186	8671	37,132	3,510
Public Law 99-570	7/2007-9/2008	84.186	11190	35,306	2,182
Public Law 99-570	7/2008-9/2009	84.186	14148	28,341	23,567
IDEA					
IDEA Part B	7/2007-12/2008	84.027	11502	937,053	238,429 (1)
IDEA Part B	7/2008-12-2009	84.027	13711	923,508	903,841 (1)
SPR&I	8/2008-6/2009	84.027	13513	4,409	869 (1)
IDEA Enhancement	8/2008-9/2009	84.027	14723	7,500	3,000 (1)
Extended Assessment	10/2008-6/2009	84.027	13877	1,106	694 (1)
Title I - N&D SOASTC	7/2007-6/2009	84.027			4,434 (1)
OTHER FEDERAL PROGRAMS					
Oregon Adv Placement Inc	12/2007-9/2008	84.330	11655	10,000	2,598
Oregon Adv Placement Inc	12/2008-9/2009	84.330	14203	10,000	2,244
21st Century Community Learning	2/2007-1/2008	84.287	9202	117,093	29,273
21st Century Community Learning	2/2008-1/2009	84.287	12076	121,378	114,521
Statewide Literacy Outreach	10/2008-4/2009	84.048	12494	402	402
Gear Up	10/2007-9/2008	84.334		35,500	8,259
Gear Up	10/2008-9/2009	84.334		40,000	28,466
SFSF	2/2009-6/2009	84.394		1,030,536	1,030,536 (1)
TOTAL U.S. DEPARTMENT OF EDUCATION				\$ 8,943,820	\$ 5,210,099
U.S. DEPARTMENT OF AGRICULTURE					
Passed Through State Department of Education:					
NATIONAL SCHOOL BREAKFAST PROGRAM		10.553		385,890	371,230
NATIONAL SCHOOL LUNCH PROGRAM		10.555		1,167,244	1,198,308
SUMMER FOOD SERVICE PROGRAM		10.559		60,543	60,226
Total National School Lunch Program				1,613,677	1,629,764
Passed Through Josephine County:					
FEDERAL FOREST FEES		10.665		286,493	286,493 (1)
TOTAL U.S. DEPARTMENT OF AGRICULTURE				286,493	286,493
TOTAL FEDERAL ASSISTANCE				\$ 10,843,990	\$ 7,126,356
(1) Indicates major program					

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CERTIFIED PUBLIC ACCOUNTANTS

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

November 1, 2009

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

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

We have audited the financial statements of Three Rivers School District as of and for the year ended June 30, 2009, and have issued our report thereon dated November 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Three Rivers School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal controls.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Three Rivers School District in the schedule findings and questioned costs on page 56.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board, the federal award agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Pauly, Rogers and Co. P.C.
PAULY, ROGERS AND CO., P.C.



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

November 1, 2009

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

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

Compliance

We have audited the compliance of Three Rivers School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Three Rivers School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Three Rivers School District's management. Our responsibility is to express an opinion on Three Rivers School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Three Rivers School District's compliance with those requirements.

In our opinion, Three Rivers School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Three Rivers School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the internal controls over compliance.

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

A *control deficiency* in internal controls over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the internal controls.

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

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

This report is intended solely for the information and use of management, *the Board*, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pauly, Rogers and Co. P.C.
PAULY, ROGERS AND CO., P.C.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements

Type of Auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses

_____ Yes X No

 X Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses

_____ Yes X No

_____ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

_____ Yes X No

Identification of major programs

CFDA Number(s):

Name of Federal Program:

84.367
84.394
84.027
10.665

Title IIA
State Fiscal Stabilization Fund
IDEA
Federal Forest Fees

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

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

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section II – Financial Statement Findings

2009-1

Condition: Adequate controls were not in place to ensure cash collections were properly recorded at an elementary school.

Criteria: Proper controls should be in place and monitored to ensure that all cash received is properly recorded. At a minimum, documentation should include the following information: payer(s) name, form of payment, amount paid, date of payment, serviced or product rendered, account code, and initials of person(s) collecting cash.

Effect: Without adequate controls or procedures in place to properly record cash receipts, the likelihood of an intentional error or irregularity existing and not being detected over time could result in a material misstatement in the financial statements.

Cause: Madrona Elementary School is not issuing prenumbered cash receipts on an individual basis when cash is received.

Recommendations: We recommend that when cash is taken in to custody, that a prenumbered cash receipt is immediately issued and at a minimum it identifies the payer(s) name, form of payment, amount paid, date of payment, serviced or product rendered, account code, and initials of person(s) collecting cash. In addition, all receipts should be reconciled to corresponding bank deposit batches.

Response: Currently, the district student activity fund guidelines do not require elementary schools to issue pre-numbered receipts. The accounting system used by the elementary bookkeepers does provide all of the information required in the "Criteria" above. At the annual district bookkeeper meeting in January 2010, we will discuss changing this procedure and the process to implement it keeping in mind the uniqueness of an elementary setting, limited personnel, and minute transaction amounts.

2009-2

Condition: Adequate controls were not in place to ensure activity fund bank reconciliations were reviewed for completeness and accuracy by someone independent of the person reconciling cash. In most cases, the person receiving and recording cash was also the same person who was reconciling the bank statements. Due to the limited number of available personnel at the activity fund level, it may not be possible to properly segregate duties. Therefore compensating controls should be in place to mitigate risks.

Criteria: Proper controls should be in place and monitored to ensure monthly bank reconciliations are accurate and complete.

Effect: Without adequate controls or procedures in place to ensure the bank reconciliations are reviewed for accuracy and completeness, the likelihood of an intentional error or irregularity existing and not being detected over time could result in a material misstatement in the financial statements.

Cause: Insufficient resources appeared to be allocated to monitoring the bank reconciliation function at the activity fund level.

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Recommendations: We recommend that someone independent of the bank reconciliation, such as the building principal, review the bank reconciliation for accuracy and completeness on a monthly basis.

Response: Management disagrees with the Condition and Criteria of this finding because there are written controls and procedures in place, and audits of those controls take place. However, management does agree with the recommendation from Pauly, Rogers and Co., P.C., that the building principal be responsible for the review of monthly reconciliations instead of the accounting manager. As of January 2010, all administrators will be required to review and sign the monthly reports.

2009-3

Condition: Inadequate controls over activity fund disbursements at Madrona Elementary School & Hidden Valley High School. No formal purchase order or requisition appeared to be in place which documented approval.

Criteria: All disbursements should be processed with a formal purchase order, or requisition. Purchase orders, or requisitions, should be used to identify the purpose of the purchase, the specific account number, and ensure that proper approval has been made, and is evident, prior to issuing payment.

Effect: Due to the lack of District wide controls over activity fund disbursements, the likelihood of an intentional error or irregularity existing and not being detected over time could result in a material misstatement in the financial statements.

Cause: Madrona Elementary School did not appear to have a formal purchasing policy in place; as a result, a reimbursement for a T-Shirt purchase was made without a receipt to substantiate the reimbursement. Hidden Valley High School also made a disbursement without an invoice or a receipt to substantiate the disbursement.

Recommendations: We recommend that the District develop and implement formal purchasing policies and procedures for student activity funds. The District should consider developing a standard purchase order/ requisition which documents the purpose of the expenditure, the account code, and evidence of approval for the disbursement.

Response: The district has a formal policy and detailed guidelines to direct the schools with their use and oversight of student body funds. All bookkeepers meet annually to review the policies, and discuss best practices for their duties. These items and their importance will be discussed at the January 2010 meeting. In addition, these types of discrepancies will be addressed at the all administrator meeting in January 2010. Administrators will be directed to educate club and athletic coordinators on the purchasing guidelines.

Section III – Federal Award Findings and Question Costs

There were no federal award findings or questions costs for the audit ending June 30, 2009.

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