

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

DISTRICT OFFICIALS

YEAR ENDED JUNE 30, 2010

Lola Hagman, Chair
Culver, Oregon

Board Members

Steve Rankin, Vice Chair
Madras, Oregon

Benson Heath
Warm Springs, Oregon

Stephanie Franklin
Madras, Oregon

Dani Cowdrey
Ashwood, Oregon

Jon Sheldahl
Black Butte, Oregon

Marie Glenn
Madras, Oregon

Superintendent

Rick Molitor

District Office

295 S.E. Buff Street
Madras, Oregon 97741

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

ANNUAL FINANCIAL REPORT

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FINANCIAL SECTION



Board of Directors
Jefferson County Education Service District
Jefferson County, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of Jefferson County Education Service District, Jefferson County, Oregon (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's 2010 financial statements and, in our report dated December 22, 2009, and reissued February 4, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Jefferson County Education Service District, Jefferson County, Oregon, as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Special Revenue Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

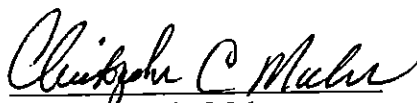
INDEPENDENT AUDITOR'S REPORT - continued

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and budgetary comparison information on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson County Education Service District, Jefferson County, Oregon's financial statements as a whole. The supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the District's basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

December 15, 2010

Greer, Mahr & Associates, LLP
Bend, Oregon

By: 
Christopher L. Mahr

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

Our discussion and analysis of Jefferson County Education Service District's financial performance provides an overview of the ESD's financial activities for the fiscal year ending June 30, 2010. Please read it in conjunction with the ESD's Financial Statements, which follow this Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS

- On June 30, 2010, the District's assets exceeded its liabilities by \$504,824.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's annual report consists of a series of financial statements that show information for the ESD as a whole, its funds and its fiduciary responsibilities. The Statement of Net Assets and the Statement of Activities provides information about the activities of the District as a whole and present a longer-term view of the ESD's finances. Our fund financial statements are included later in the financial report. For our governmental activities, these statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also report the District's operations in more detail than the government-wide financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

FUND FINANCIAL STATEMENTS

Governmental funds account for the same functions as reported as governmental activities in the government-wide financial statements. The governmental fund reporting focuses on how money flows in and out of the funds and the balances left at year-end that are available for spending. They are reported using the "modified accrual" method of accounting, which measures cash and all other financial assets that can be readily converted to cash. This information is essential for preparation of and compliance with annual budgets. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation following the government statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total assets, liabilities and net assets at June 30, 2010 were as follows:

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Assets		
Current and other assets	\$ 422,388	\$ 436,485
Capital assets, net	127,851	134,162
Total Assets	<u>550,239</u>	<u>570,647</u>
Liabilities		
Curent liabilities	<u>45,415</u>	<u>54,300</u>
Net Assets		
Investment in capital assets	127,851	134,162
Unrestricted	376,973	382,185
Total Net Assets	<u>\$ 504,824</u>	<u>\$ 516,347</u>

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

The District's revenues and expenses for the fiscal year 2009-10, were as follows:

	Year Ended June 30,	
	2010	2009
Revenues		(Restated)
Charges for services	\$ 290,908	\$ 45,272
Operating grants	63,030	127,694
General Revenues		
Property taxes	275,697	262,987
State school fund	1,140,788	1,226,718
State fiscal stabilization - federal		40,237
Earnings on investments	5,995	19,396
Miscellaneous	2,851	39,803
Total Revenues	1,779,269	1,762,107
Expenses		
Instruction	246,365	298,919
Support services	1,530,774	1,714,243
Facilities acquisition	6,311	6,181
Other uses	7,342	79,164
Total Expenses	1,790,792	2,098,507
Change in Net Assets	(11,523)	(336,400)
Beginning Net Assets	516,347	852,747
Ending Net Assets	\$ 504,824	\$ 516,347

The ESD has \$422,388 in current assets. Approximately 15% of the costs of the ESD's activities are paid by property taxes; 64% of the revenue comes from the State of Oregon-State School Fund with the balance coming from investment income, grants and charges for services.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2010

FUND FINANCIAL ANALYSIS

The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Unreserved fund balance measures the District's net resources available for appropriation in the next fiscal year. As of June 30, 2010, total fund balance of the governmental funds was \$360,993. These amounts are available to use, in accordance with applicable restrictions on the nature of the expenditures.

The summary of ending fund balances for the major governmental funds are as follows:

ENDING FUND BALANCE

	<u>2010</u>	<u>2009</u>	<u>Change</u>
General Fund	\$ 360,993	\$ 372,481	\$ (11,488)

BUDGET VARIATIONS

The District Board approved changes to the adopted budget for fiscal year 2009-10. The approved changes to the adopted budget are reflected in the fund financial statements. There were over expended appropriations as described in the financial statements of \$9,254 in the General Fund.

REQUESTS FOR INFORMATION

Our financial report is designed to provide our taxpayers, parents, teachers, students, investors and creditors with an overview of the ESD's finances. Requests for further information regarding this report should be addressed to Deputy Clerk, Jefferson County Education Service District, 295 SE Buff Street Madras, OR 97741.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

STATEMENT OF NET ASSETS

JUNE 30, 2010 AND COMPARATIVE DATA

	Governmental Activities	
	2010	2009
ASSETS		
Cash and investments	\$ 393,347	\$ 349,933
Receivables	29,041	86,552
Capital assets, net of depreciation		
Land	16,262	16,262
Buildings, improvements and equipment	111,589	117,900
TOTAL ASSETS	550,239	570,647
LIABILITIES		
Accounts payable	988	12,289
Accrued payroll and related liabilities	44,427	42,011
TOTAL LIABILITIES	45,415	54,300
NET ASSETS		
Invested in capital assets	127,851	134,162
Unrestricted	376,973	382,185
TOTAL NET ASSETS	\$ 504,824	\$ 516,347

See notes to financial statements

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010 AND COMPARATIVE DATA

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	
				2010	2009
Governmental activities:					
Instruction	\$ 246,365	\$	\$	\$ (246,365)	\$ (298,919)
Student support services	1,084,529	3,930		(1,080,599)	(995,282)
Instructional staff support	6,758		63,030	56,272	(75,272)
General administration	67,815	286,978		219,163	(68,049)
Business support services	50,313			(50,313)	(57,437)
Central activities	321,359			(321,359)	(377,474)
Facilities acquisition and construction	6,311			(6,311)	(6,181)
Other uses	7,342			(7,342)	(6,690)
Total governmental activities	\$ 1,790,792	\$ 290,908	\$ 63,030	(1,436,854)	(1,885,304)
General revenues:					
Property taxes				275,697	262,987
State school fund - general support				1,140,788	1,226,718
Earnings on investments				5,995	19,396
Other				2,851	39,803
Total general revenues				1,425,331	1,548,904
CHANGE IN NET ASSETS				(11,523)	(336,400)
Net assets - beginning				516,347	852,747
Net assets - ending				\$ 504,824	\$ 516,347

See notes to financial statements

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2010

ASSETS	General	Totals	
		2010	2009
Cash and investments	\$ 393,347	\$ 393,347	\$ 349,933
Receivables (no allowance for uncollectible accounts considered necessary):			
Property taxes	26,473	26,473	21,410
Intergovernmental	2,568	2,568	65,142
Total assets	\$ 422,388	\$ 422,388	\$ 436,485
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 988	\$ 988	\$ 12,290
Accrued payroll liabilities	37,163	37,163	33,822
Deferred revenue	23,244	23,244	17,892
Total liabilities	61,395	61,395	64,004
Fund balance			
Unreserved, undesignated	360,993	360,993	372,481
Total fund balance	360,993	360,993	372,481
Total liabilities and fund balances	\$ 422,388	\$ 422,388	\$ 436,485

See notes to financial statements

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS

JUNE 30, 2010

TOTAL FUND BALANCES		\$ 360,993
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Costs	\$ 163,554	
Accumulated depreciation	<u>(35,703)</u>	127,851
A portion of the District's property taxes are collected after year-end, but are not available soon enough to pay for the current years' operations, and therefore are not reported as revenue in the governmental funds		23,244
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities.		
These liabilities consisted of accrued vacation pay		<u>(7,264)</u>
TOTAL NET ASSETS		<u>\$ 504,824</u>

See notes to financial statements

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2010 AND COMPARATIVE DATA

	General	Totals	
		2010	2009
Revenues			
Property taxes	\$ 270,345	\$ 270,345	\$ 257,291
Interest	5,995	5,995	19,396
Other	293,759	293,759	80,965
Intergovernmental revenues			
State	1,140,788	1,140,788	1,230,828
Federal	63,030	63,030	167,931
Total revenues	<u>1,773,917</u>	<u>1,773,917</u>	<u>1,756,411</u>
Expenditures			
Current			
Instruction	246,365	246,365	298,919
Support services	1,539,040	1,539,040	1,727,614
Other uses			72,474
Total expenditures	<u>1,785,405</u>	<u>1,785,405</u>	<u>2,099,007</u>
Excess (deficiency) of revenues over (under) expenditures	(11,488)	(11,488)	(342,596)
Fund balance - beginning of year	<u>372,481</u>	<u>372,481</u>	<u>715,077</u>
Fund balance - end of year	<u>\$ 360,993</u>	<u>\$ 360,993</u>	<u>\$ 372,481</u>

See notes to financial statements

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

NET CHANGE IN FUND BALANCE	\$ (11,488)
Amounts reported for governmental activities in the <i>Statement of Activities</i> are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.	
Expenditures for capital assets	
Less current year depreciation	(6,311)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities.	
These liabilities consist of:	
Compensated absences payable	924
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.	
	<u>5,352</u>
CHANGE IN NET ASSETS	<u>\$ (11,523)</u>

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues				
Local				
Property taxes	\$ 246,000	\$ 246,000	\$ 270,345	\$ 24,345
Interest	6,000	6,000	5,995	(5)
Other	166,757	166,757	293,759	127,002
Intergovernmental				
State	1,181,238	1,288,819	1,140,788	(148,031)
Federal			63,030	63,030
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,599,995	1,707,576	1,773,917	66,341
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current				
Instruction	237,111	237,111	246,365	9,254
Support services	1,502,884	1,610,465	1,539,040	(71,425)
Operating contingency	300,000	300,000		(300,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	2,039,995	2,147,576	1,785,405	(362,171)
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	(440,000)	(440,000)	(11,488)	428,512
Fund balance - beginning of year	440,000	440,000	372,481	(67,519)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance - end of year	\$ <u> </u>	\$ <u> </u>	\$ 360,993	\$ 360,993

See notes to financial statements

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Jefferson County Education Service District (District) was organized under provisions of Oregon Statutes pursuant to ORS Chapter 334 and provides support services to school age children in Jefferson County. The school districts served by the District include Ashwood School District #8, Black Butte School District #41, Culver School District #4 and Jefferson County School District #509J.

The financial statements of Jefferson County Education Service District, Jefferson County, Oregon have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental agencies and special service districts, which provide service within the District's boundaries. However, the District is not financially accountable for any of these entities, and therefore, none of them are considered component units or included in these basic financial statements.

Control of the Education Service District is vested in its Board of Directors, who are elected to office by voters within the district. The chief administrative officer is the Superintendent. The chief financial officer is the deputy clerk.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all financial activities of the government. There was no interfund activity during the year. Governmental activities are financed primarily through taxes, intergovernmental revenues and charges for services and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has neither business-type activities nor fiduciary-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund types are presented using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Principal and interest on long-term debt, as well as expenditures related to early retirement, are recorded only when payment is due. The fund financial statements provide information about the District's funds. 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. All remaining governmental funds are aggregated and reported as other governmental funds. The District does not maintain any non-major governmental funds.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Principal revenue sources are local property taxes and state school support.

The Special Revenue Fund accounts for revenues derived from specific grants and other earmarked revenue sources which are legally restricted to finance particular functions or activities. Principal revenue sources are federal grants.

Assets, Liabilities and Net Assets

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand; demand deposits, the State Treasurer's Investment Pool and cash in the Jefferson County Investment Pool.

State statutes authorize the District to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, commercial paper and the State Treasurer's Investment Pool (Oregon Short-Term Fund), among others.

Receivables and Payables

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.

Tax revenue is considered received when in the hands of the county as the intermediary collecting agency. Revenue is recorded when the tax collections are available to finance operations of the current period. Uncollected property taxes are shown on the balance sheet as receivables. Collections within sixty days subsequent to year-end are recognized as revenue. The remaining balance of taxes receivable is recorded as deferred revenue because it is not deemed available to finance operations of the current period.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Uncollected property taxes are recorded on the statement of net assets. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the District.

Accounts and other receivables are comprised primarily of claims for reimbursements under state and federal programs. Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues.

Capital Assets

Capital assets are recorded at original or estimated original cost. The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of three years. 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, improvements and equipment	10 to 40 years
---------------------------------------	----------------

Retirement Plans

Substantially all of the District's 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 expenses/expenditures.

Compensated Absences

The majority of District personnel work under an annual contract based on the number of work days in each year. Employees under such contracts have no vested vacation pay benefits. A few classified employees have absences that are carried over year to year. At year end, five classified employees had vested vacation pay benefits. Sick pay does not vest.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Equity

In the fund financial statements governmental funds would 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.

Reserved fund balance indicates the portion of fund equity which has been legally segregated for specific purposes.

Unreserved designated fund balance indicates the portion of fund equity which the District has segregated for specific purposes.

Unreserved, undesignated fund balance indicates the portion of fund equity which is available for budgeting in future periods.

The District carries neither reserved fund balance nor unreserved, designated fund balance at year end.

Budgetary Information

Annual budgets, as required by state statutes, are adopted on the modified accrual basis of accounting for all governmental funds. The budget is prepared by fund, function and activity. The budget document includes actual information on the past two years, current year budget information, as well as requested appropriation and estimated revenues for the ensuing fiscal year.

The proposed budget is presented by the budget officer to the budget committee. Public meetings are held by the budget committee. The budget committee may make changes to the original document. The budget committee approves the budget document to be submitted to the governing body of the district. Once the budget document is received by the governing body, they hold a public hearing on a date as published. After the public hearing, the governing body gives consideration to matters discussed and makes amendments to the budget document prior to adoption. However, state statutes do not allow the governing body to increase estimated expenditures for each fund by more than ten percent. The amount of the total ad valorem taxes to be certified by the county for levy for all funds shall not exceed the amount presented by the budget committee unless the budget document is republished and another public hearing is held.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The governing body is then required by state statutes to adopt the budget, make appropriations, and certify the levy of ad valorem taxes for each fund. Except for the allowance of appropriation transfers, expenditures can not exceed appropriations. The level of control for appropriations is exercised at the program level. The program level consists of instruction, support services and operating contingency. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations ordinance. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the governing body. All appropriations lapse at the end of the District's fiscal year.

NOTE 2 - OVEREXPENDED APPROPRIATION

ORS 294.435 states, in part, that "no greater expenditure of public money shall be made for any specific purpose than the amount appropriated therefore." The following appropriations were overexpended:

	Actual Expenditures	Original and Final Budget	Over- expenditure
General Fund			
Instruction	\$ 246,365	\$ 237,111	\$ (9,254)

NOTE 3 - CASH AND INVESTMENTS

Cash and investments at June 30, 2010 were as follows:

Demand deposits - US Bank	\$ 58,819
Jefferson County Investment Pool	285,117
Wasco County Treasurer	28
Oregon Short-Term Fund	49,383
	\$ 393,347

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 3 – CASH AND INVESTMENTS - continued

Deposits

Deposits with financial institutions include bank demand deposits. The total of such deposits per the bank statements is \$138,723 as of June 30, 2010. Oregon Revised Statute Chapter 295 requires that bank depositories pledge collateral against any public fund deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank loss. The Office of the State Treasurer maintains a list of financial institutions in which deposits in excess of deposit insurance limits can be held. With respect to collateral requirements of ORS 295, the District was not out of compliance throughout the year ended June 30, 2010.

Investments

At June 30, 2010 the District's investments were held as follows:

Investment type:	Fair Value	Weighted Average Maturity in Years
State of Oregon Investment Pool	\$ 49,383	0.003
Jefferson County Investment Pool	285,117	Not Available
	\$ 334,500	

The "weighted average maturity in years" calculation assumes that all investments are held until maturity.

Custodial credit risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the investments above are held in safekeeping by a financial institution counterparty.

The District's investment policy, which adheres to State of Oregon law, is to limit its investments to the following: Issuers within Oregon must be rated "A" or better by Standard and Poor's or Moody's Investors Service, issuers not in Oregon must be rated AA/Aa or better. There is no credit rating available for the Local Government Investment Pool and the Jefferson County Investment Pool.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 3 – CASH AND INVESTMENTS - continued

Investments – External Investment Pools

State of Oregon statutes restrict the types of investments in which the District may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the LGIP.

The LGIP is one of five asset classes approved for the investment of State of Oregon (State) funds. A number of local governments in Oregon as well as all State agencies participate in the LGIP, thus it is an external investment pool as defined in Statement No. 31 of the Government Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution.

Investments in the LGIP are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The LGIP was in compliance with all portfolio guidelines at June 30, 2010. The reported value of the LGIP is the same as the fair value of the LGIP shares.

In addition, the District voluntarily participates in an external investment pool through the Jefferson County Treasurer. The reported value of the pool is the same as the fair value of the pool shares. The fund is not registered with the U.S. Securities and Exchange Commission as an investment company. The County's investment policies follow investment guidance of Oregon Revised Statutes (ORS 294.035 through 294.046) and more specifically provides that the Jefferson County Investment Pool shall be limited to:

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 3 – CASH AND INVESTMENTS - continued

- a. Legally issued obligations of the United States, the agencies and Instruments of the United States or enterprises sponsored by the United State government.
- b. Time deposit open accounts, certificates of deposit and savings accounts in banks, mutual savings banks and savings and loan associations which maintain a head office or branch in Oregon.
- c. Governmental Repurchase Agreements, fully collateralized, not to exceed 30 days.
- d. Bankers' Acceptance that are guaranteed by an Oregon financial institution.
- e. LGIP.

Investments held by the County Treasurer at June 30, 2010 were in compliance with investment guidelines.

Similar to cash deposits, investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

- Category 1- Investments that are insured, registered or held by the entity or by its agent in the District's name.
- Category 2- Investments that are uninsured and unregistered held by the counter-party's trust department or agent in the District's name.
- Category 3- Uninsured and unregistered investments held by the counter-party, its trust department or its agent, but not in the District's name.

At June 30, 2010, the District held no Category 1, 2 or 3 investments.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 4 - CAPITAL ASSETS

District policy specifies a capitalization threshold of \$5,000.

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
Capital assets not subject to depreciation				
Land	<u>\$ 16,262</u>	<u>\$</u>	<u>\$</u>	<u>\$ 16,262</u>
Capital assets subject to depreciation				
Building, improvements, and equipment	<u>147,292</u>			<u>147,292</u>
Less accumulated depreciation for				
Building, improvements and equipment	<u>29,392</u>	<u>6,311</u>		<u>35,703</u>
Total capital assets subject to depreciation, net	<u>117,900</u>	<u>(6,311)</u>		<u>111,589</u>
Total capital assets, net	<u>\$ 134,162</u>	<u>\$ (6,311)</u>	<u>\$</u>	<u>\$ 127,851</u>

NOTE 5 - TAX COLLECTIONS

The levies, as extended on the tax rolls, are summarized as follows:

	<u>Wasco</u> <u>County</u>	<u>Jefferson</u> <u>County</u>	<u>Total</u>
Levy per notice of levy (.2398/\$1,000)	\$ 3,921	\$ 286,760	\$ 290,681
Other adjustments		328	328
Compression loss	<u>(121)</u>	<u>(7,464)</u>	<u>(7,585)</u>
Levy as extended on tax rolls	<u>\$ 3,800</u>	<u>\$ 279,624</u>	<u>\$ 283,424</u>

Unpaid taxes become subject to foreclosure four years after they become a lien on the property. Tax collections and foreclosure are the responsibility of the County Tax Collector.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 5 - TAX COLLECTIONS - continued

A comparison of the levies, collections and uncollected balances for the current and two prior years of Jefferson County Education Service District's General Fund is as follows:

<u>Tax Year</u>	<u>Levy</u>	<u>Turnovers to District</u>		<u>Uncollected Balance</u>	
		<u>Amount</u>	<u>Percent</u>	<u>At End of Year of Levy</u>	<u>Amount</u>
2009-10	\$ 283,424	\$ 259,951	91.7%	\$ 15,435	5.4%
2008-09	269,149	247,757	92.1%	14,225	5.3%
2007-08	253,007	235,719	93.2%	10,693	4.2%

NOTE 6 - PENSION PLAN

Plan Description

Jefferson County Education Service District is participating in the State of Oregon Public Employees Retirement System (PERS), a cost-sharing, multiple-employer defined benefit pension plan administered by PERS. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute. In 2003, a successor plan for PERS was created. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or IAP). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary, years of service and a factor based on the type of service.

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment. The plan accounts for its activity on an accrual basis and includes 881 participating employers.

Both PERS plans provide retirement and disability benefits, post-employment benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 6 – PENSION PLAN - continued

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board (OPERB). Oregon PERS issues a publicly available financial report that includes financial statements and required supplementary information for Oregon PERS. That report may be obtained by writing to Oregon PERS at PO Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at <http://oregon.gov/PERS/>.

Funding Policy

PERS members are required to contribute 6% of their salary and the employer makes contributions at an actuarially determined rate as adopted by the PERS Board. The rate for Tier I and Tier II for the year ended June 30, 2010 was 14.22% of covered annual payroll. The rate for OPSRP for the year ended June 30, 2010 was 14.74%. The contribution requirements of plan members are established by state statute. The employer contribution is set and may be amended by the Retirement Board. The District's contributions to Oregon PERS for the years ended June 30, 2010, 2009 and 2008 were \$152,835, \$209,128 and \$142,626, respectively. Because all PERS employers are required by law to submit the contributions adopted by the Retirement Board, and employer contributions are calculated in conformance with the standards of GASB Statement 27, there is no Net Pension Obligation. The contributions actually made are equivalent to the Annual Pension Cost.

In addition, employee contributions for the years ended June 30, 2010, 2009 and 2008 of \$63,628, \$61,981 and \$45,870, respectively, were paid by the District under terms of employment contracts.

NOTE 7 – PROGRAMS FUNDED FROM OUTSIDE SOURCES

Reimbursement claims under federal and state program grants may be subject to further audit and adjustment by grantor agencies. Disallowed claims could become a liability of the General Fund. Any such amounts are not expected to be significant.

NOTE 8 – OPERATING LEASE

The District has entered into an operating lease for office equipment which contains a cancellation provision and is subject to annual appropriations. For the reporting period, payments were \$2,388 for this lease. The lease supports governmental activities.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Insurance coverage has not changed significantly from prior years.

NOTE 10 - RECLASSIFICATION OF PRIOR YEAR AMOUNTS

The prior year information included in the financial statements has been reclassified to reflect revenue in the amount of \$40,237 from general revenue to program revenue in the Statement of Activities. This represents the amount received as pass-through revenue from the federal government (CFDA 84.394) and was identified as State Fiscal Stabilization Fund (ARRA). This amount was expended by the District on instructional staff support. The Statements of Activities is the only statement affected by this reclassification, and there was no change to either fund balance or net assets.

SUPPLEMENTARY INFORMATION

GENERAL FUND

The General Fund accounts for the financial resources of the District which are not accounted for in any other fund. The principal revenues are local property taxes and state school support. The primary purpose of expenditures is for general education.

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT NO. 15
Jefferson County, Oregon

GENERAL FUND

SCHEDULE OF EXPENDITURES BY OBJECT

YEAR ENDED JUNE 30, 2010

	Salaries	Employee Benefits	Purchased Services	Supplies and Materials	Other	Total	Original	Original and Final Budget	Variance with Final Budget Over (Under)
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Expenditures									
Instruction-Regular									
Regular instruction		81,222	4,982	3,617		246,365	237,111	237,111	
Instruction-Special Programs									
Students with disabilities	156,544								
Total Instruction	156,544	81,222	4,982	3,617		246,365	237,111	237,111	9,254
Support Services-Students									
Attendance and social work services	4,659	366		1,905	1,049	7,979	10,212	10,212	
Psychological services	234,347	125,131	4,520	3,750	375	368,123	351,445	351,445	
Speech pathology and audiology services	398,827	233,130	3,519	1,717	509	637,702	635,558	635,558	
Service direction, student support services	32,189	7,996	16,583	4,580	10,084	71,432	41,679	149,260	
Support Services-Instructional Staff									
Improvement of instructional services			5,408			5,408			
Instructional staff development		1,350				1,350	3,500	3,500	
Support Services-General Administration									
Board of Education services			17,997	10	6,695	24,702	22,500	22,500	
Executive administration services	29,118	12,117	1,673		200	43,108	36,450	36,450	
Support Services-Business									
Fiscal services	12,157	7,363	4,347	246	1,446	25,559	26,489	26,489	
Operation and maintenance of plant services			16,727	4,029	3,994	24,750	28,675	28,675	
Support Services-Central Activities									
Technology services	198,111	92,443	7,310	24,454		322,318	339,681	339,681	
Supplemental Retirement Program	6,134	475				6,609	6,695	6,695	
Total Support Services	915,542	480,371	78,084	40,691	24,352	1,539,040	1,502,884	1,610,465	(71,425)
Contingency							300,000	300,000	(300,000)
Total expenditures	\$ 1,072,086	\$ 561,593	\$ 83,066	\$ 44,308	\$ 24,352	\$ 1,785,405	\$ 2,039,995	\$ 2,147,576	\$ (362,171)

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

YEAR ENDED JUNE 30, 2010

<u>Tax Year</u>	<u>Beginning Receivable and 2009-10 Levy</u>	<u>Adjustments</u>	<u>Interest (Discount)</u>	<u>Collections</u>	<u>Ending Receivable</u>
Jefferson County					
2009-10	\$ 279,624	\$ (1,469)	\$ (6,477)	\$ 256,401	\$ 15,277
2008-09	14,074	(731)	518	6,854	7,007
2007-08	4,572	(99)	288	1,823	2,938
2006-07	1,994	(14)	337	1,520	797
2005-06	321	(10)	74	286	99
2004-05	68	(9)	5	18	46
2003-04	19	(10)	1	5	5
Prior	83	(69)	2	4	12
Total Jefferson County	<u>300,755</u>	<u>(2,411)</u>	<u>(5,252)</u>	<u>266,911</u>	<u>26,181</u>
Wasco County					
2009-10	3,800	(5)	(87)	3,550	158
2008-09	151	(5)	5	72	79
2007-08	78	(4)	5	38	41
2006-07	36		7	33	10
2005-06	12		3	13	2
2004-05	1	(1)			
2003-04					
Prior	1				1
Total Wasco County	<u>4,079</u>	<u>(15)</u>	<u>(67)</u>	<u>3,706</u>	<u>291</u>
Total all counties	<u>\$ 304,834</u>	<u>\$ (2,426)</u>	<u>\$ (5,319)</u>	<u>270,617</u>	<u>\$ 26,472</u>
Foreclosures					
Less taxes accrued June 30, 2009				(3,518)	
Add taxes accrued June 30, 2010				3,229	
Adjustments-various				<u>17</u>	
Total tax revenue				<u>\$ 270,345</u>	
				Current	\$ 260,949
				Prior	<u>9,396</u>
					<u>\$ 270,345</u>

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT
Jefferson County, Oregon

SUPPLEMENTAL INFORMATION FOR DEPARTMENT OF EDUCATION

YEAR ENDED JUNE 30, 2010

Item A: N/A - No vehicles or garages purchased.

Item B: Total expenditures for electricity and heating fuel (gas, oil and coal) for the following two functions, for all funds, were as follows:

<u>Function</u>	
2540	\$ 3,024
2550	\$ -0-

Item C: General Fund expenditures for replacement of equipment (Object 542) for all functions were \$0.

Item D: Tuition Expenditures were as follows:

<u>Object</u>	<u>Amount</u>
371	\$ -0-
372	-0-
373-374	-0-

Item E: Tuition and Transportation Fees Received from other LEAs are as follows:

<u>Function</u>	<u>Amount</u>
1311	\$ -0-
1312	-0-
1313	-0-
1411	-0-
1412	-0-
1413	-0-

JEFFERSON COUNTY EDUCATION SERVICE DISTRICT

Jefferson County, Oregon

SUMMARY OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2010

Federal Grantor Pass through Grantor	Program Title	Grant Period	CFDA Number	2009-10 Revenues
U.S. Department of Education				
Passed through State Department of Education				
	Special Education-Grants to States-SG 18281	2009-10	84.027	1,164
	IDEA Enhancement-SG 18527	2009-10	84.027	2,560
	State Fiscal Stabilization (ARRA)	2009-10	84.394	50,000
	State Fiscal Stabilization (ARRA)	2009-10	84.394	9,306
				<u>\$ 63,030</u>

Amounts above provided to sub-recipients

\$

Notes to Schedule:

- The District follows the modified accrual basis of accounting in preparing this schedule. This method is consistent with preparation of the District's financial statements

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



INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Jefferson County Education Service District
Madras, Oregon

We have audited the basic financial statements of Jefferson County Education Service District, Madras, Oregon (the District) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

Budgets legally required (ORS Chapter 294).

Insurance and fidelity bonds in force or required by law.

Programs funded from outside sources.

Authorized investment of surplus funds (ORS Chapter 294).

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

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS - continued

In connection with our testing nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

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

This report is intended solely for the information and use of the board of directors/council members/commissioners and management of District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Greer, Mahr & Associates, LLP

By: 
Christopher L. Mahr

December 15, 2010