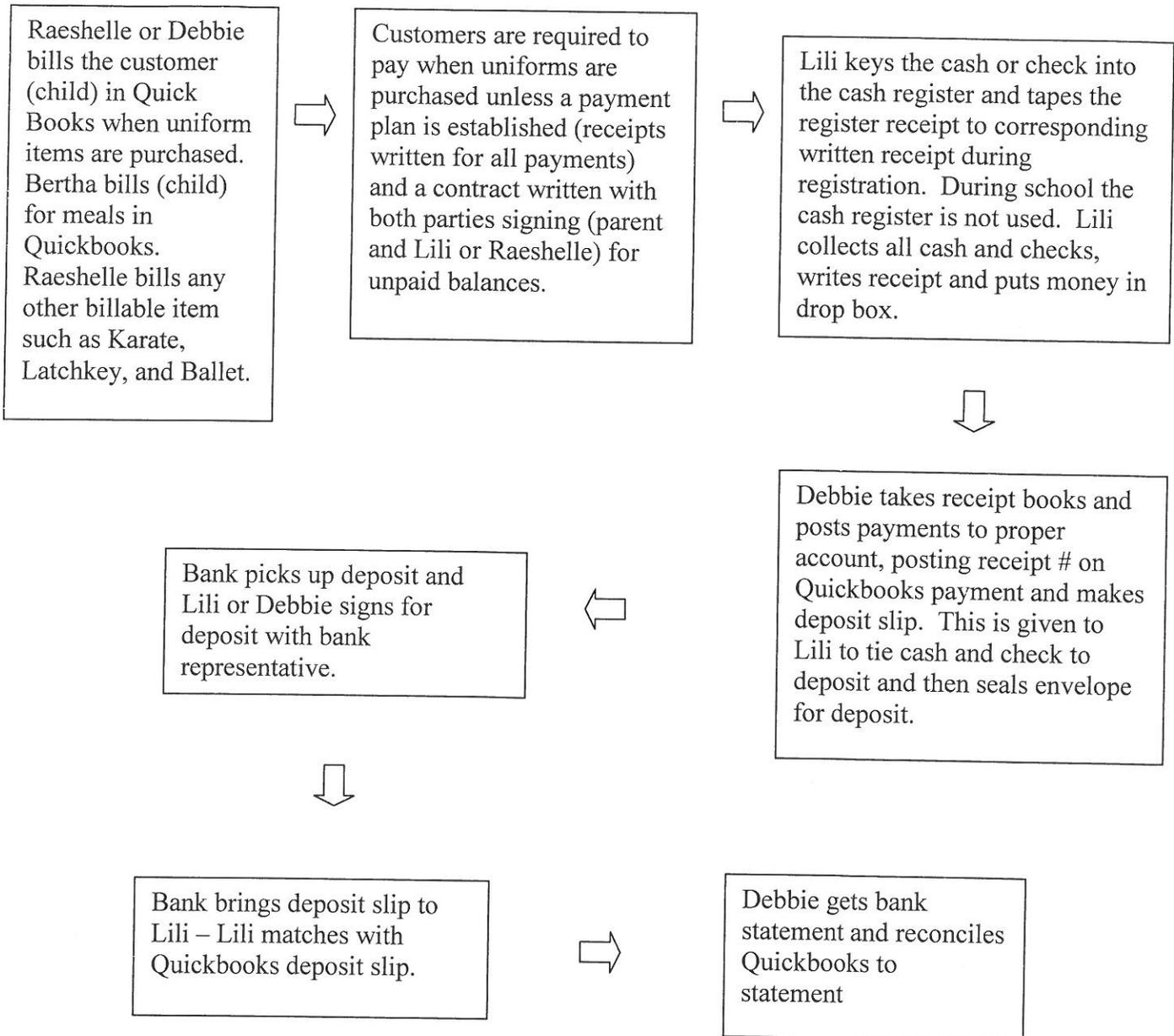


# SSCS ANNUAL REPORT

## Financial Management



**Four Rivers Community School, Inc.**  
**Chart of System for recording accounts receivable transactions**  
**Starting for the fiscal year 2011-2012**



**FOUR RIVERS COMMUNITY SCHOOL, INC.  
ONTARIO, OREGON  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY DATA  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**

**FOUR RIVERS COMMUNITY SCHOOL, INC.  
TITLE PAGE**

**Address**

2449 S.W. 4th Ave.  
Ontario, Oregon 97914

**Board of Trustees**

Penny Walters	President
James Aalgaard	Vice-President
Pam Wettstein	Secretary
Miguel Maldonado	Member
Michelle Rosales	Member
Blas Guerra	Member

**Registered Agent**

Chelle Robins

**Administrators**

Chelle Robins  
Executive Director and Principal

Raeshelle Meyer  
Director of Student Services

FOUR RIVERS COMMUNITY SCHOOL, INC.

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**STEPHEN D. LONG**

*Certified Public Accountant*

ONTARIO, OREGON 97914

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(541) 889-7249  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Four Rivers Community School, Inc.  
Ontario, Oregon 97914

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Four Rivers Community School, Inc., (the School), as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 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. I believe that my audit provides a reasonable basis for my opinion.

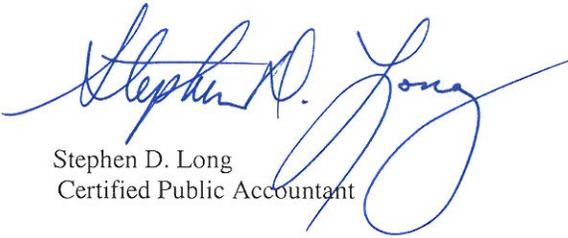
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Four Rivers Community School, Inc. as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 6 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. I 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 principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Four Rivers Community School, Inc.'s financial statements as a whole. The accompanying supplementary schedules which include the 'Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – Administrative Funds Only,' 'Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – Notes' and "Schedule of Activities by Individual Fund" are presented for purposes of additional analysis and are not a required part of the basic financial statements of Four Rivers Community School, Inc. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and

School's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the School'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 Four Rivers Community School, Inc. and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Stephen D. Long  
Certified Public Accountant

October 10, 2012

**FOUR RIVERS COMMUNITY SCHOOL, INC.**  
**ONTARIO, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2012**

The following is management's discussion and analysis of the Four Rivers Community School, Inc. financial activities for the fiscal year ending June 30, 2012, using accounting methods similar to those used by private sector companies. Please read it in conjunction with the Four Rivers Community School, Inc. financial statements.

**FINANCIAL HIGHLIGHTS**

- Net assets of the District increased \$204,236 during the fiscal year ending June 30, 2012, which was \$141,001 more than the prior fiscal year.
- The School had a seal coat and speed bumps added to the parking lot, a roof was added to the amphitheater, and ongoing technology improvements for the fiscal year ending June 30, 2012, which totaled \$101,662.
- General revenue from the Ontario School District was \$1,593,271 for the fiscal year and \$29,537 was received as an adjustment in income from the prior fiscal year. Aside from general revenue listed above, the School received \$163,774 from various federal programs, \$925 in investment earnings, and received \$256,074 in school lunch and other revenues.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of six parts:

**Required Supplemental Information:** Management's discussion and analysis (this section) represents financial information required by Government Accounting Standards (GASB) to be presented.

**The basic financial statements:**

- **Government-Wide Financial Statements:** the Statement of Net Assets and the Statement of Activities provide an overview of the entire School.
- **Fund Financial Statements:** General Fund (Operation and Maintenance Fund), School Lunch Fund and Other Government Funds financial statements provide detailed information about the revenue and expenses of the School.

**Notes to the Financial Statements:** Notes to the financial statements provide additional explanations about the activities of the School.

**Supplementary information:** The schedule of revenues, expenditures and changes in fund balance budget (non-GAAP basis) and actual for all funds combined.

**Audit comments and disclosures required by the state regulations:** This includes State mandated comments of eight areas related to the School's financial operations.

**FOUR RIVERS COMMUNITY SCHOOL, INC.  
ONTARIO, OREGON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**Government-wide Financial Statements:**

The government-wide financial statements are reported using 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. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Fund Financial Statements:**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

**Statement of Net Assets**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Current assets	\$ 683,361	\$ 544,026
Net Capital assets	<u>2,464,008</u>	<u>2,460,773</u>
<b>Total assets</b>	<b>3,147,369</b>	<b>3,004,799</b>
Current liabilities	77,251	103,151
Long-term liabilities	<u>1,662,867</u>	<u>1,698,633</u>
<b>Total liabilities</b>	<b>1,740,118</b>	<b>1,801,784</b>
<b>Net assets:</b>		
Invested in capital assets	763,256	726,862
Unrestricted	<u>643,995</u>	<u>476,153</u>
<b>Total net assets</b>	<b><u>\$ 1,407,251</u></b>	<b><u>\$1,203,015</u></b>

**FOUR RIVERS COMMUNITY SCHOOL, INC.  
ONTARIO, OREGON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**Changes in Net Assets**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Dollar Change</u>
<b>Program revenues:</b>			
Uniforms, Latchkey and Other	\$ 45,142	\$ 43,540	1,602
Operating Grants and Contributions	370,457	243,978	124,365
Capital Grants and Contributions	0	18,326	( 18,326)
<b>General revenues:</b>			
Grants and Entitlements not restricted	1,627,056	1,481,644	145,412
Interest income	<u>926</u>	<u>1,560</u>	<u>( 634)</u>
Total revenues	2,043,581	1,789,048	252,419
<b>Expenses:</b>			
Instruction	1,009,890	968,174	( 41,716)
Support Services	<u>829,458</u>	<u>757,639</u>	<u>( 71,819)</u>
Total expenses	<u>1,839,348</u>	<u>1,725,813</u>	<u>(113,535)</u>
Increase (decrease) in net assets	204,236	63,235	<u>\$ 138,884</u>
Net assets beginning of the year	<u>1,203,015</u>	<u>1,139,780</u>	
<b>Net assets at end of the year</b>	<b><u>\$ 1,407,248</u></b>	<b><u>\$1,203,015</u></b>	

Overall revenues increased from the prior year due to more students in attendance at the grade school level. Total expenses increased partly due to an increase in retirement and health insurance. Revenue still exceeded expenses so there was an increase in net assets.

**REQUESTS FOR INFORMATION**

This report is designed to provide the Board with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions concerning any of the information provided in this report or requests for additional information, contact the Four Rivers Community School, Inc. Board of Directors, 2449 S.W. 4<sup>th</sup> Avenue, Ontario, Oregon 97914.

**FOUR RIVERS COMMUNITY SCHOOL, INC.**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

**Assets:**

Current Assets:	
Cash and Cash Equivalents	\$ 651,737
Other Receivables	3,638
Inventory	<u>27,986</u>
Total Current Assets	683,361
Capital Assets:	
Land	200,000
Buildings and Renovation, Net	2,116,845
Furniture and Fixtures, Net	33,807
Equipment, Net	<u>113,356</u>
Capital Assets, Net	<u>2,464,008</u>
Total Assets	3,147,369

**Liabilities:**

Current Liabilities:	
Student Meal Payments Received in Advance	5
Wages and Payroll Taxes Payable	29,228
Accrued Interest Payable	10,133
Current Portion of Long-term Debt	<u>37,885</u>
Total Current Liabilities	77,251
Long-term Debt, Net of Current Portion Above	<u>1,662,867</u>
Total Liabilities	<u>1,740,118</u>

**Net Assets:**

Invested in Capital Assets, Net of Related Debt	763,256
Unrestricted	<u>643,995</u>
Total Net Assets	<u><u>\$ 1,407,251</u></u>

See accompanying notes to the basic financial statements.



FOUR RIVERS COMMUNITY SCHOOL, INC.  
BALANCE SHEET  
GOVERNMENT FUNDS  
JUNE 30, 2012

	General Fund	School Lunch Fund	Other Government Funds	Total Government Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 614,096	\$ 39,758	\$ 0	\$ 653,854
Inventory	27,986			27,986
Other Receivables	1,521	0	2,117	3,638
<b>Total Assets</b>	<u>\$ 643,603</u>	<u>\$ 39,758</u>	<u>\$ 2,117</u>	<u>\$ 685,478</u>
<b>Liabilities:</b>				
Current Liabilities:				
Cash Borrowed from Other Funds			2,117	2,117
Student Meal Payments Received in Advance		5		5
Wages and Payroll Taxes Payable	27,647			27,647
<b>Total Current Liabilities</b>	<u>27,647</u>	<u>5</u>	<u>2,117</u>	<u>29,769</u>
<b>Total Liabilities</b>	27,647	5	2,117	29,769
<b>Fund Balances:</b>				
Fund Balances:				
Nonspendable Fund Balance:				
Inventory	27,986			27,986
Unassigned, Reported in:				
General Fund	587,970			587,970
School Lunch Fund		39,753		39,753
<b>Total Fund Balance</b>	<u>615,956</u>	<u>39,753</u>	<u>0</u>	<u>655,709</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 643,603</u>	<u>\$ 39,758</u>	<u>\$ 2,117</u>	<u>\$ 685,478</u>

See Accompanying Notes to the Basic Financial Statements.

FOUR RIVERS COMMUNITY SCHOOL, INC.

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012**

<b>Total Government Fund Balance Reported on the Balance Sheet</b>	\$	655,709
--	----	---------

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Add:	Land	\$	200,000	
	Buildings and Renovation, net		2,116,845	
	Furnitures and Fixtures, net		33,807	
	Equipment. Net		113,356	2,464,008

Long-term liabilities applicable to the School's government activities are not due and payable in the current period and accordingly are not reported as fund liabilities.

Interest on long-term debt is not accrued in government funds, but rather is recognized as an expenditure when the payment thereof becomes due.

Wages payable are not accrued in government funds, but rather recognized as an expenditure when the payments are paid.

Balances at June 30, 2012, are:

Less:	Wages Payable		(1,581)	
	Accrued Interest Payable		(10,133)	
	Long-term Debt, including current portion		(1,700,752)	(1,712,466)

<b>Net Assets of Governmental Activities</b>	\$	<b>1,407,251</b>
--	----	------------------

See Accompanying Notes to the Basic Financial Statements.

FOUR RIVERS COMMUNITY SCHOOL, INC.  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	School Lunch Fund	Other Government Funds	Total Government Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>				
Local Program Revenues:				
Earnings on Investments	\$ 925	\$	\$	\$ 925
School Food Service and Meal Sales		170,772		170,772
Other Local Revenue	36,851	5		36,856
Total Local Sources	<u>37,776</u>	<u>170,777</u>	<u>0</u>	<u>208,553</u>
State Program Revenues:				
School Year Subaccount Funds	48,446		0	48,446
Base Support	1,622,808			1,622,808
Federal Program Revenues		114	163,660	163,774
Total Revenues	<u>1,709,030</u>	<u>170,891</u>	<u>163,660</u>	<u>2,043,581</u>
<b>Expenditures:</b>				
Current:				
Instruction	884,436		125,454	1,009,890
Support Services	417,088	12,159	28,166	457,413
Non-instruction		147,279		147,279
Capital Outlay	91,622	0	10,040	101,662
Total Expenditures	<u>1,393,146</u>	<u>159,438</u>	<u>163,660</u>	<u>1,716,244</u>
Excess (Deficiency) of Revenues Over Expenditures	315,884	11,453	0	327,337
<b>Other Financing Sources (Uses):</b>				
Debt Payments	(158,111)			(158,111)
Operating Transfers In				0
Operating Transfers Out				0
Contingency Reserve				0
Total Other Financing Sources (Uses)	<u>(158,111)</u>	<u>0</u>	<u>0</u>	<u>(158,111)</u>
Net Change in Fund Balances	157,773	11,453	0	169,226
Fund Balance - Beginning of Year	<u>458,183</u>	<u>28,300</u>	<u>0</u>	<u>486,483</u>
<b>Fund Balance - End of Year</b>	<u>\$ 615,956</u>	<u>\$ 39,753</u>	<u>\$ 0</u>	<u>\$ 655,709</u>

See Accompanying Notes to the Basic Financial Statements.

FOUR RIVERS COMMUNITY SCHOOL, INC.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2012**

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	\$	169,226
--	----	---------

Governmental funds report capital outlays 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:

Expenditures for Capital Outlay	\$	101,662
Depreciation Expense		(98,425)

Wages payable are not accrued in government funds, but rather recognized as an expenditure when the payments are paid.		(1,581)
--	--	---------

Debt incurred is reflected as a financing source and principal payments of debt and related interest charges are reflected as expenditures in government funds. Since the debt and related accrued interest payable is recorded as a liability on the Statement of Net Assets the debt incurred or repaid does not affect the Statement of Activities.

Debt Principal Repaid		33,158
Reduction in Related Accrued Interest Payable		196
		196

<b>Change in Net Assets of Governmental Activities</b>	\$	<u><u>204,236</u></u>
--	----	-----------------------

See Accompanying Notes to the Basic Financial Statements.

FOUR RIVERS COMMUNITY SCHOOL, INC.  
STATEMENT OF NET ASSETS  
FIDUCIARY FUND  
AGENCY FUND  
JUNE 30, 2012

**Assets:**

Cash	\$ <u>119</u>
Total Assets	\$ <u><u>119</u></u>

**Liabilities:**

Due to Student Service Projects	\$ <u>119</u>
Total Liabilities	\$ <u><u>119</u></u>

See Accompanying Notes to the Basic Financial Statements.

**FOUR RIVERS COMMUNITY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Note 1 - General Statement and Summary of Significant Accounting Policies**

Four Rivers Community School, Inc. (the "School") was organized under the Oregon Non-Profit Corporation Act, October 4, 2001, as a tax-exempt organization under federal internal revenue code section 501(c)(3). The corporation was organized to operate and administer a public charter school. In the event of the dissolution of the corporation, all of the corporation's assets shall be distributed to the Oregon State Board of Education. The School operates under a Board of Directors filled by affirmative vote of the Directors who originally started the corporation. The School provides educational services as authorized by State statute and/or federal guidelines but is exempt from significant State or local rules that inhibit the flexible operation and management of public schools, but not from rules relating to other federal requirements. On October 17, 2003, a charter agreement was signed in which the State Board of Education is the School's sponsor. Pursuant to ORS 338.155 and ORS 338.165, the Ontario School District, where the school is located, receives funds from the State Board of Education and then disburses those funds to Four Rivers Community School, Inc. for payment of funds.

The School is a primary government, which has financial accountability, and is not included in any other governmental "reporting entity" as defined by the GASB pronouncement. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14, which are included in the School's reporting entity.

The financial statements of the Four Rivers Community School, Inc. have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School's accounting policies are described in subsequent subsections of this Note.

**Basis of Presentation**

The School's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements:**

The statement of net assets and the statement of activities display information about the School as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School's governmental activities. Direct expenses are those that are specifically associated with a service program or

**FOUR RIVERS COMMUNITY SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (Continued)**

department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

**Fund Financial Statements:**

The accounts of the School are organized on the basis of funds, each of which is considered a separate accounting entity related to a function or activity. The separate funds aid financial management and demonstrate legal compliance. Fund financial statements are designed to present financial information of the School at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column.

**Fund Accounting**

The School uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

**Governmental Funds:**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as a fund balance. The following are the School's major governmental funds:

**General Fund**

The General Fund is the general operating fund of the School and accounts for all revenues and expenditures of the School not accounted for and reported in another fund. The payments from the State School Fund are accounted for in this fund. General operating expenditures and the capital improvements costs that are not paid through the other funds are paid from the General Fund.

**School Lunch Fund**

The School Lunch Fund is used to account for food service revenues that are legally restricted to expenditure for food services.

**Agency Funds**

Agency Funds are used to report resources held by the reporting government in a purely custodial capacity. Agency Funds account for funds raised and held by the parent organization of the School.

**FOUR RIVERS COMMUNITY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Measurement Focus**

**Government-wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School are included on the Statement of Net Assets.

**Fund Financial Statements:**

All governmental funds are accounted for using a flow of current financial resources measurement focus in which only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are reported. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of the governmental funds.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: interest and grants.

**Deferred Revenue:**

Deferred revenue arises when assets are recognized before related revenue recognition criteria have been satisfied. Grants received before the eligibility requirements are met are also recorded as deferred revenue.

**Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decrease in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

**FOUR RIVERS COMMUNITY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Basis of Accounting (Continued)**

**Reporting Entity**

The Charter School Board of Education ("Board") is the basic level of government which has financial accountability and control over all activities related to the charter school's education. The Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since Board members have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14, which are included in the School's reporting entity.

**Cash and Cash Equivalents**

The School pools cash of all funds into a common bank account. The accounting records of each fund reflect the equity or deficiencies in pooled cash. Any deficiencies in cash of individual funds represent inter-fund payables for cash borrowed.

The School's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The external investment pool at the local bank is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty which is also deemed to be a cash equivalent.

**Inventory**

On government-wide financial statements, inventories are presented at the average unit cost method and are expensed when used.

Inventories in the general fund are adjusted to annual and periodic physical counts and are valued at cost utilizing the average unit cost method. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources." The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when acquired. The School had no significant inventories in any of the other funds.

**Capital Assets**

Capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at historical cost and updated for additions and retirement during the year. The School does not maintain a capitalization threshold and does not possess any infrastructure.

Improvements are capitalized. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets' lives are not capitalized. The cost of library and text books was capitalized.

**FOUR RIVERS COMMUNITY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Basis of Accounting (Continued)**

**Capital Assets**

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	39 years
Equipment and Furniture	5-15 years
Carpet and Replacement	7 years

**Compensated Absences**

Personal leave is allowed per school year as follows: full-time employees are allowed a total of twelve days, part-time employees are allowed eight or nine days total, and the School administrators are allowed fifteen days. Personal leave does not accrue from one year to the next under the School's policy; therefore, a liability for unused personal leave is not recorded in the financial statements.

**Net Assets**

In the government-wide financial statements, equity is classified as net assets which represent the difference between assets and liabilities. "Net assets invested in capital assets, net of related debt," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation imposed on the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net assets are all other net assets that do not meet either of the above criteria.

**Fund Balances**

The School implemented GASB Statement NO. 54, Fund Balance Reporting and Governmental Fund Type Definitions in the current fiscal year. In accordance with this Statement, fund balances is divided into five components:

- a. Nonspendable fund balance which consists of fund balances that cannot be spent because they must be maintained intact. The School has uniform inventory which is nonspendable.
- b. Restricted fund balance consists of fund balances with externally enforceable limitations on use. The School has no fund balances with externally enforceable limitations.
- c. Committed fund balance consists of fund balances with self-imposed limitations imposed at the highest level of decision-making that require formal actions at the same level to remove. The Board has not designated any amounts as committed to a self-imposed limitation.
- d. Assigned fund balance consists of fund balances limited as to intended use that does not require the action of the highest level of decision-making to impose, remove, or modify the constraint. The School has no assigned fund balances under this definition.
- e. Unassigned fund balance consists of total fund balance in the general fund in excess of the four prior limitations.

**FOUR RIVERS COMMUNITY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Inter-fund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Budget**

The School does not levy a property tax and is not covered by the provisions of Oregon Budget Law. However, the School does prepare an annual cash basis budget for use by the School's management.

**Estimates**

The presentation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Subsequent Events**

Management has evaluated subsequent events through October 10, 2012, which is the date the financial statements were available to be issued.

**Note 2 - Cash and Investments**

**Deposits**

During the year the School had cash on deposit with Intermountain Community Bank and, at June 30, 2012, the carrying amount (reconciled to the bank balance,) of these deposits amounted to \$651,737, which consisted of the pooled checking account, \$39,182, and a money market account, \$612,555.

**Investments**

The money market account is held at a local bank which is an external investment pool manager and distributes investment income on an amortized cost basis. Participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the School's cash. Under ORS 295 collateral furnished by depositors is required to be 25% of the face amount of certificates of participation issued by the collateral pool manager. These funds are held in the School's name.

**Credit Risk-Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a policy for custodial credit risk for deposits and none of the School's bank deposits were exposed to custodial credit risk at June 30, 2012.

**FOUR RIVERS COMMUNITY SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Note 2 - Cash and Investments (Continued)**

**Interest Rate Risk**

The School does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

**Note 3 - Inventory**

Inventory as of June 30, 2012, consisted of uniforms purchased by the School for the following fiscal school year and will be sold to students at that time.

**Note 4 - Other Receivable**

The other receivable consisted of Title III-12 grant which is reimbursed after funds are spent, \$2,117, school supplies reimbursement owed by students, \$300, Karate classes owed by students, \$63, Refund from CenturyLink, \$1,105, and several smaller reimbursements, \$53, all of which has been collected during the next fiscal year.

**Note 5 - Risk Management**

The School 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 School purchases commercial insurance for claims, claims reserves, and administrative costs. For all other risks of loss, the School has purchased an excess coverage insurance policy. Amounts of settlements have not exceeded insurance coverage in the past three years.

**Note 6 - Capital Assets**

A summary of capital assets for the year ended June 30, 2012, follows:

	Balance June 30, 2011	Additions	Rounding	Balance June 30, 2012
Capital Assets, not Depreciated:				
Land	\$ 200,000	\$	\$	\$ 200,000
Capital Assets, Depreciated:				
Buildings and Renovation	2,291,861	58,274	(1)	2,350,134
Furniture and Fixtures	102,718	7,068		109,786
Equipment	217,516	36,320	(1)	253,835
Total Depreciable Assets	2,612,095	101,662	(2)	2,713,755
Less Accum. Depreciation:				
Buildings and Renovation	(173,237)	(60,052)		(233,289)
Furniture and Fixtures	(66,275)	(9,704)		(75,979)
Equipment	(111,810)	(28,669)		(140,479)
Total Accum. Depreciation	(351,322)	(98,425)	-	(449,747)
Net Capital Assets, Depreciated	2,260,773	3,237	(2)	2,264,008
Total Capital Assets, Net	\$ 2,460,773	\$ 3,237	\$ (2)	\$ 2,464,008

**FOUR RIVERS COMMUNITY SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Note 6 - Capital Assets (Continued)**

Depreciation was charged to governmental functions as follows:

Instruction	<u>\$ 98,425</u>
Total Depreciation Expense	<u>\$ 98,425</u>

**Note 7 - Public Employee's Retirement System**

The Oregon Public Service Retirement Plan (PERS) was created by the Oregon State Legislature. It is composed of a pension program, established and maintained with the Public Employees Retirement Plan as a defined benefit plan, and an individual account program, established and maintained as a tax-qualified governmental defined contribution plan. All full-time employees become members of PERS after six months of service. Part-time and temporary employees are covered by the plan after 600 hours of employment. After five years of credited service in which the member completes at least 600 hours of service each year, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For service, 1.5 percent of final average salary is multiplied by the number of years of retirement credit attributable to service. Benefits are established by state statute.

The rate of employee contribution is established by law. The contribution requirements of the School and its employees are established and may be amended by the Public Employees Retirement Board, based upon actuarial valuations. For the year ended June 30, 2012, the required contribution rate as a percentage of covered payrolls for members was 6.0% for general members (teachers and administrators). The employer rate as a percentage of covered payroll was 19.48% for Tier 1 and II employees who were hired prior to August 2003 and 17.97% for employees hired after August 2003. The School contributions required and paid were \$177,076 and were reimbursed \$15,098 by the Educational Jobs grant, \$10,079 by Title I grant and \$3,704 by the meals program for the year ended June 30, 2012.

Following is a summary of the additional information required to comply with Governmental Accounting Standards Board Statement Number 27 (GASB 27) "Accounting for Pensions by State and Local Governmental Employers:"

Valuation Date	Value of Assets *	Actuarial Liability *	Unfunded Actuarial Liability *	Funded Percent	Covered Payroll *	Unfunded Actuarial Liability as Percent of Payroll
12/31/08	\$ 14,847.1	\$ 21,742.7	( 6,895.6)	68%	2,815.4	(245%)
12/31/09	22,517.6	16,577.4	( 5,940.2)	74%	2,873.7	(207%)

\* In Millions

The actuarial funding method used for this report is the Entry Age Cost Method. Projected benefits are

**FOUR RIVERS COMMUNITY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Note 7 - Public Employee's Retirement System (Continued)**

determined for all members and the associated liabilities are spread in a manner that produces level annual costs as a percent of pay in each year from the age at entry until the assumed age at exit from active membership. The cost allocated to the current year is the Normal Cost.

The Actuarial Liability for active members is calculated as the portion of the total costs of benefits allocated to prior years. The Actuarial Liability for members currently receiving benefits and for members entitled to deferred benefits is equal to the present value of the benefits expected to be paid. No Normal Costs are applicable for these members.

The excess of the total Actual Liability over the Value of Assets is called the Unfunded Actuarial Liability. Employer contributions are determined by adding the Normal Costs less the Member contribution rate, and a thirty-year amortization of the Unfunded Actuarial Liability as a level percentage of projected annual payrolls.

The Fair Market Value of all PERS assets reduced by the sum of all Member contribution accounts (Member Reserves) and the value of all benefits currently being paid (Benefit Reserves), is allocated to all participating employers in proportion to the funds in each employer's account (Employer Reserves).

The major assumptions used in the actuarial valuation of PERS as of December 31, 2009, as indicated above and for determining required contributions are: (1) investment earnings will average 8% per year on all assets; (2) consumer price inflation will average 2.750% per year; (3) in addition to increases in salary due to promotions and longevity, general wage increases will average 3.75% per year. PERS issues a publicly available financial result that includes financial statements and required supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon, 97281-3700 or by calling 1 (503) 598-7344.

**Note 8- Contingencies under Grant Provisions**

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collection of any related receivable at June 30, 2012, may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**Note 9 – Note Payable NCB Capital Impact Loan**

Four Rivers Community School obtained a loan from NCB Capital Impact to purchase property, two buildings, paved parking, and a large area for a playground and the related renovations, located at 2449 S.W. 4<sup>th</sup> Avenue, Ontario, Oregon, in the amount of \$1,823,000, July 17, 2007. The construction loan was finalized April 24, 2008. The monthly payments of \$13,175.95 include principal and interest at 7.15% beginning June 1, 2008.

**FOUR RIVERS COMMUNITY SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Note 9 – Note Payable NCB Capital Impact Loan (Continued)**

Long-term debt transactions for the fiscal year ending June 30, 2012, were as follows:

Balance Due	Payments:		Balance Due
<u>June 30, 2011</u>	<u>Interest</u>	<u>Principal</u>	<u>June 30, 2012</u>
\$ 1,733,911	\$ 124,953	\$ 33,159	\$ 1,700,752

Following is a schedule of annual payments required under the promissory note:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>
2013	158,111	124,952	33,159
2014	158,111	120,226	37,885
2015	158,111	117,427	40,684
2016	158,111	114,421	43,690
2017	158,111	111,193	46,918
Beyond 5 years	<u>2,600,856</u>	<u>1,102,440</u>	<u>1,498,416</u>
	<u>\$3,391,411</u>	<u>\$ 1,690,659</u>	<u>\$ 1,700,752</u>

## SUPPLEMENTARY DATA

FOUR RIVERS COMMUNITY SCHOOL, INC.  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ADMINISTRATIVE FUNDS ONLY  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Annual Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Local Program Revenues:			
Earnings on Investments	\$ 0	\$ 925	\$ 925
Other Local Revenue	4,410	10,966	6,556
Total Local Sources	<u>4,410</u>	<u>11,891</u>	<u>7,481</u>
State Program Revenues:			
School District Funding to School	1,494,413	1,622,808	128,395
Federal Program Revenues	0	91,580	91,580
Total Revenues	<u>1,498,823</u>	<u>1,726,279</u>	<u>227,456</u>
 <b>Expenditures:</b>			
Current:			
Staff	1,153,529	1,147,790	5,739
Building and Equipment	52,223	50,207	2,016
Curriculum, Materials, Supplies	49,745	40,616	9,129
Student Activities and Transportation	4,191	12,531	(8,340)
General Operations	240,199	236,257	3,942
Capital Outlay	94,328	92,280	2,048
Contingency	0	0	0
Total Expenditures	<u>1,594,215</u>	<u>1,579,681</u>	<u>14,534</u>
 Excess (Deficiency) of Revenues Over Expenditures	 (95,392)	 146,598	 \$ <u><u>241,990</u></u>
 Fund Balance - Beginning of Year	 <u>219,737</u>	 <u>504,425</u>	
 <b>Fund Balance - End of Year</b>	 <u><u>\$ 124,345</u></u>	 <u><u>\$ 651,023</u></u>	

**FOUR RIVERS COMMUNITY SCHOOL, INC.**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – BUDGET (NON-GAAP BASIS) - NOTES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Budgetary Basis of Accounting**

While the School is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a modified basis. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual is presented for the administrative funds only, but does not include depreciation expense of \$98,425. The expenditures for capital outlay, \$98,2810 are included in actual expenditures.

The budget comparison on page 28 presents the administrative funds only. The general fund included on page 11 contains other funds such as the after school program (latchkey), karate, and school uniform purchases.

As reported in Note 1 of the basic financial statements, state budget laws do not apply to the School.

**FOUR RIVERS COMMUNITY SCHOOL, INC.**  
**SCHEDULE OF ACTIVITIES BY INDIVIDUAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	School			Educational			Title III Fund	Title III-12 Fund	Title V-B II Fund	Total Government Funds
		Lunch Fund	Jobs Fund	Title I Fund	Jobs Fund	Title I Fund	Title V-B II Fund				
<b>Revenues:</b>											
Earnings on Investments	\$ 925	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 925
School Food Service and Meal Sales		170,772									170,772
Other Local Revenue	36,851	5									36,856
State Program Revenues:											0
Base Support	1,622,808										1,622,808
School Year Subaccount Funds	48,446										48,446
Federal Program Revenues		114	43,134	76,572	6,089	11,612	26,253				163,774
<b>Total Revenues</b>	<b>1,709,030</b>	<b>170,891</b>	<b>43,134</b>	<b>76,572</b>	<b>6,089</b>	<b>11,612</b>	<b>26,253</b>	<b>11,612</b>	<b>26,253</b>	<b>2,043,581</b>	
<b>Expenses:</b>											
Payroll Expenses	1,108,846	32,650	43,134	76,572			20,160				1,281,362
Professional Fees	27,631						1,940				29,571
Assemblies and Family Involvement	4,476										4,476
Materials, Curriculum, and Supplies	50,494				98	6,687	660				57,939
Utilities	28,141										28,141
Transportation	2,362										2,362
Repairs and Maintenance	50,207	182									50,389
Professional Development	7,783				522	1,391	2,456				12,152
Meals		126,606									126,606
Insurance	7,448										7,448
<b>Interest Expense</b>	<b>124,756</b>										124,756
<b>Depreciation Expense</b>	<b>88,385</b>				5,469	3,534	1,037				98,425
Office Expense and Other	15,718										15,718
<b>Total Expenditures</b>	<b>1,516,247</b>	<b>159,438</b>	<b>43,134</b>	<b>76,572</b>	<b>6,089</b>	<b>11,612</b>	<b>26,253</b>	<b>11,612</b>	<b>26,253</b>	<b>1,839,345</b>	
<b>Change in Net Assets</b>	<b>\$ 192,783</b>	<b>\$ 11,453</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 204,236</b>	

See Accompanying Notes to the Basic Financial Statements.

**AUDIT COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS**

**FOUR RIVERS COMMUNITY SCHOOL, INC.  
ONTARIO, OREGON**

**Independent Auditor's Report  
Required by Oregon State Regulations**

I have audited the basic financial statements of the Four Rivers Community School, Inc. as of and for the year ended June 30, 2012, and have issued my report thereon dated October 10, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the Four Rivers Community School, Inc.'s financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion.

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

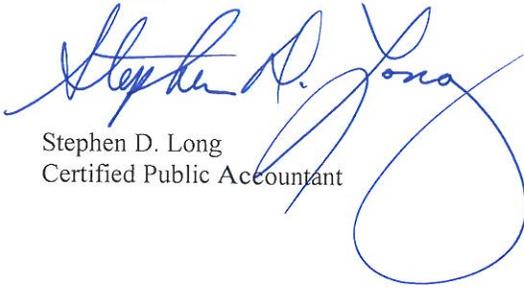
- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **State school fund factors and calculation.**
- **Public charter school requirements.**

In connection with my testing nothing came to my attention that caused me to believe the School 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 my audit, I considered the School's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the

reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Stephen D. Long  
Certified Public Accountant

Ontario, Oregon  
October 10, 2012