

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

**SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon**

SCHOOL OFFICIALS

JUNE 30, 2018

Board Chair

Laurie Danzuka
Warm Springs, Oregon

Board Members

Courtney Snead
Vice Chair
Madras, Oregon

Jamie Hurd
Madras, Oregon

Board Members

Stan Sullivan
Madras, Oregon

Tom Norton, Jr.
Madras, Oregon

School Superintendent

Ken Parshall
Madras, Oregon

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Jefferson County, Oregon

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INDEPENDENT AUDITORS' REPORT



Board of Directors
School District 509J
Jefferson County, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of School District No. 509J, Jefferson County, Oregon (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year comparative information has been derived from the District's financial statements and, in our report dated October 3, 2017, we expressed opinions on the respective financial statements of the governmental activities and major funds.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

The District adopted the provisions of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement 85, *Omnibus 2017*. The requirements of the Statements included a restatement of the prior period, further described at Note 15. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to Management's Discussion and Analysis and the Required Supplementary Information as listed in the table of contents 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.

The Budgetary Comparison Schedules – General and Special Revenue Fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules – General and Special Revenue Fund, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Supplementary Information, Other Financial Schedules and Supplemental Information Required by Oregon Department of Education, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2018 on our consideration of the District's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated September 17, 2018, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Brenda Bartlett

Brenda Bartlett, CPA
SGA Certified Public Accountants and Consultants, LLP
Bend, Oregon

September 17, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

As management of Jefferson County School District 509J, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the balance of information presented in this report.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the liabilities of the District exceeded its assets at June 30, 2018 by \$2,524,498. Of this amount, \$14,222,681 represents the District's investment in capital assets net of debt service, \$126,608 is restricted for debt service, and \$30,735 is restricted with donor requirements leaving a deficit of \$16,904,523 in unrestricted net position.
- The District's total net position increased by \$833,916 from prior year ended June 30, 2017, as revised for comparison for the adoption of *GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*.
- The District's governmental funds reported combined ending fund balance of \$14,132,620 of which \$4,165,106 is unassigned and available for spending at the District's discretion (page 14).
- At the end of the fiscal year, unassigned fund balance for the general fund on a budget basis was \$4,165,106, or about 12% of total general fund expenditures and transfers (page 14, 16).
- The District's total bonded debt decreased by \$1,836,000 during the 2017-18 fiscal year. The decrease was attributed to the payment of long-term debt obligations and amortization of bond premium.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic 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:

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

The Statement of Net Position. The statement of net position presents information on all of the assets and liabilities of the District at year end. Net position is what remains after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position 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 position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless 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. Examples are uncollected property taxes and earned but unused vacation leave.

In the government-wide financial statements the District's activities are shown in one category:

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

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund financial statements. The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

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

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance are reconciled to the government-wide Statements of Net Position and Activities.

The District maintains 42 individual governmental funds for administrative purposes. These funds are combined into the following major funds:

- General Fund - includes various sub-funds.
- Special Revenue Fund – includes special revenue funds related to federal, state and local grants, food service and student activities.
- Debt Service Fund - includes General Obligation Bonds and Oregon School Boards Association (OSBA) State of Oregon Public Employees Retirement System (PERS) Bonds

Notes to the basic financial statements. These notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on page 18 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's compliance with the Oregon Minimum Standards for Audits of Oregon Municipal Corporations. The supplementary information is included in this report.

Oregon Department of Education requires certain schedules which are listed in the table of contents.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position. The following table reflects the condensed Statement of Net Position compared to the prior year.

	June 30,	
	2018	2017
Assets		
Current and other assets	\$ 17,517,481	\$ 15,159,792
Capital assets (net)	46,603,215	48,198,609
Total assets	64,120,696	63,358,401
Deferred Outflows	9,171,942	15,857,218
Liabilities		
Other liabilities	5,346,674	5,532,979
Long-term liabilities	68,043,522	75,454,065
Total liabilities	73,390,196	80,987,044
Deferred Inflows	2,426,940	1,586,989
Net Position		
Investment in capital assets, net of related debt	14,222,681	14,238,219
Restricted	157,344	317,038
Unrestricted	(16,904,523)	(17,913,671)
Total net position	\$ (2,524,498)	\$ (3,358,414)

Capital assets, which consist of the District's land, buildings, building improvement, vehicles, and equipment, represent 72.7% of total assets. The remaining assets consist primarily of cash, investments, receivables and other assets.

The District's largest liabilities (57.5%) are for repayment of general obligation bonds and pension bonds and PERS liability (35.5%).

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

A large portion of the District's net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students and other District residents. Consequently, these assets are not available for future spending.

Resources needed to repay general obligation debt must be provided from property taxes since the capital assets cannot be used to liquidate the general obligation liabilities.

Statement of Activities. The following schedule compares the revenues and expenditures for the current and previous year.

	Governmental Activities	
	2018	2017
REVENUES		
Program revenues		
Charges for services	\$ 1,112,033	\$ 949,505
Operating grants and contributions	6,901,880	6,150,640
Total program revenues	8,013,913	7,100,145
General revenues		
Property taxes levied for general purposes	4,337,140	4,183,908
Property taxes levied for debt service	2,499,631	2,341,509
County School Fund	91,301	65,786
State school fund general support	26,666,398	25,149,416
Common school fund	254,311	306,695
Unrestricted federal sources	3,002,099	2,834,071
Sale of capital assets	15,533	
Earnings on investments	312,167	177,347
Miscellaneous	139,399	104,583
Total general revenues	37,317,979	35,163,315
Total revenues	\$ 45,331,892	\$ 42,263,460
EXPENSES		
Instruction	\$ 24,461,972	\$ 23,851,771
Support services	15,551,265	15,384,994
Community services	2,736,722	2,621,038
Facilities acquisition and construction	15,283	
Interest on long-term debt	1,732,734	1,776,543
Total expenses	44,497,976	43,634,346
Change in net assets	833,916	(1,370,884)
Net position - beginning (as restated)	(3,358,414)	(1,653,899)
Net position - ending	\$ (2,524,498)	\$ (3,024,783)

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted above, the District uses Fund accounting to ensure and demonstrate compliance with finance-related legal requirement.

Governmental funds. The focus of the District's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At June 30, 2018 the District's governmental funds reported combined ending fund balances of \$14,132,620. Approximately \$4,165,106 constitutes unassigned ending fund balance, which is available for spending at the District's discretion.

Summary of ending fund balances for the governmental funds for 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
General Fund	\$ 13,648,648	\$ 11,596,638	\$ 2,052,010
Special Revenue Fund	453,237	394,659	58,578
Debt Service Fund	30,735	218,793	(188,058)
	<u>\$ 14,132,620</u>	<u>\$ 12,210,090</u>	<u>\$ 1,922,529</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The School Board approved changes to the adopted budget for fiscal year ended June 30, 2018. The approved changes to the adopted budget are reflected in the fund financial statements. The budget is adopted by the Board at the functional level.

The final budget for General Fund expenditures exceeded actual expenditures by \$2,818,481 of which \$1,509,887 is for instruction, \$1,005,198 is for support and community services and \$303,397 is for building acquisition and construction.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets includes land, buildings and improvements, vehicles and equipment. During the year the District's net investment in capital assets decreased by \$1,595,394. The decrease is attributed to depreciation expense. The summary of net investment in capital assets is as follows:

	Net Value	
	2018	2017
Land	\$ 2,604,701	\$ 2,604,701
Construction in progress	37,041	19,117
Buildings and improvements	42,006,998	43,725,859
Vehicles and equipment	1,954,475	1,848,932
Total capital assets	<u>\$ 46,603,215</u>	<u>\$ 48,198,609</u>

Additional information on the District's capital assets can be found in the footnotes to the basic financial statements.

Long-term liabilities. At the end of the fiscal year the District had \$68,043,522 in long-term liabilities, consisting of \$40,242,152 of long-term debt for the construction of a K-8 school in Warm Springs, the construction of the performing arts center and improvements to various District properties and pension obligation bonds to satisfy unfunded liability for employee retirement obligations, PERS net pension liability of \$26,035,437 compensated absences of \$98,775 and post-employment benefits of \$1,551,576.

Additional information on the District's long-term debt can be found in the footnotes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The most significant economic factor for the District is the Oregon State School Fund. For the year ended June 30, 2018 the State School Fund provided 57.7% of the revenue for the governmental funds and 73.4% of the funding for the general fund.
- Salaries and benefits costs are expected to increase in fiscal year 2018-2019 based on contractual obligations.
- The District's enrollment is expected to remain flat for fiscal year 2018-2019.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

- The District received a four-year Indian Demonstration grant beginning fiscal year 2017-2018. The grant will provide over \$1,000,000 in funding for the period.
- The District received the following grants in fiscal year 2017-2018:
 - An 18-month Career and Technical Education Revitalization grant for \$436,000
 - A two-year Meyer Memorial grant for \$350,000.

All of these factors were considered by the District Board and Budget Committee in preparing the Jefferson County School District 509-J budget for the 2018-2019 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to present the user with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Chief Financial Officer at 445 S.E. Buff Street, Madras, Oregon 97741.

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS	
Cash and investments	\$ 14,868,486
Receivables	2,470,494
Inventory	30,171
Prepaid expense	76,164
Capital assets, net of accumulated depreciation	
Land	2,604,701
Construction in progress	37,041
Buildings and improvements	42,006,998
Vehicles and equipment	1,954,475
Other postemployment benefit obligation - RHIA	72,166
TOTAL ASSETS	<u>64,120,696</u>
DEFERRED OUTFLOWS	
Pension related	9,051,205
Benefit payments made after measurement date	120,737
TOTAL DEFERRED OUTFLOWS	<u>9,171,942</u>
LIABILITIES	
Accounts payable	308,425
Accrued salaries and benefits	2,160,055
Accrued interest payable	872,958
Deposits	1,875
Noncurrent liabilities due within one year	
Early retirement benefits payable	54,911
Bonds payable	1,948,450
Noncurrent liabilities due within more than one year	
Early retirement benefits payable	115,582
Accrued compensated absences payable	98,775
Other postemployment benefit obligation - implicit rate subsidy	1,551,576
Bonds payable, net of unamortized premium/discount	40,242,152
Net pension liability	26,035,437
TOTAL LIABILITIES	<u>73,390,196</u>
DEFERRED INFLOWS	
Debt refunding proceeds	9,287
Pension related	2,177,600
Other postemployment benefit obligation - implicit rate subsidy	81,739
Other postemployment benefit obligation - RHIA	33,924
Unearned revenue	124,390
TOTAL DEFERRED INFLOWS	<u>2,426,940</u>
NET POSITION	
Net investment in capital assets	14,222,681
Restricted for:	
Debt service	30,735
Federal and state grants	126,608
Unrestricted	(16,904,523)
TOTAL NET POSITION	<u>\$ (2,524,498)</u>

See notes to financial statements

SCHOOL DISTRICT 509J
Jefferson County, Oregon

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental activities:	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Instruction				
Regular programs	\$ 16,652,860	\$ 567,635	\$ 702,311	\$ (15,382,914)
Special programs	7,569,928		1,742,818	(5,827,110)
Summer school programs	239,184		234,111	(5,073)
Total direct classroom services	24,461,972	567,635	2,679,240	(21,215,097)
Support Services				
Student support services	2,178,550	63,234	589,954	(1,525,362)
Instructional staff support	1,974,916		1,009,984	(964,932)
General administration	640,218			(640,218)
School administration	2,646,028		19,573	(2,626,455)
Business support services	6,758,377	270,038	102,298	(6,386,041)
Central activities	1,299,138	127,120	141,238	(1,030,780)
Supplemental retirement program	54,038			(54,038)
Total support services	15,551,265	460,392	1,863,047	(13,227,826)
Enterprise and Community Services				
Food service	2,328,198	31,782	2,164,808	(131,608)
Community services	294,366		186,733	(107,633)
Children and family services	114,158	52,224	8,052	(53,882)
Total enterprise and community services	2,736,722	84,006	2,359,593	(293,123)
Facilities Acquisition and Construction				
Building construction planning	15,283			(15,283)
Interest on long-term debt	1,732,734			(1,732,734)
Total governmental activities	\$ 44,497,976	\$ 1,112,033	\$ 6,901,880	(36,484,063)
General revenues:				
Property taxes levied for general purposes				4,337,140
Property taxes levied for debt service				2,499,631
County school fund				91,301
State school fund - general support				26,666,398
Common school fund				254,311
Impact Aid				3,002,099
Gain on sale of capital assets				15,533
Earnings on investments				312,167
Miscellaneous				139,399
Total general revenues				37,317,979
CHANGE IN NET POSITION				833,916
Net Position - beginning				(3,024,785)
Prior period adjustment				(333,629)
Net Position - ending				\$ (2,524,498)

See notes to financial statements

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

<u>ASSETS</u>	General	Special Revenues	Debt Service	Totals	
				2018	2017
Cash and investment:	\$ 14,179,499	\$ 669,349	\$ 19,638	\$ 14,868,486	\$ 12,926,595
Receivables:					
Property taxes	210,997		121,582	332,579	331,718
Other	918,826			918,826	749,909
Reimbursement claim:		1,219,091		1,219,091	1,127,565
Due from other funds:	710,733			710,733	500,133
Inventory		30,171		30,171	24,005
Total assets	\$ 16,020,055	\$ 1,918,611	\$ 141,220	\$ 18,079,886	\$ 15,659,925
<u>LIABILITIES</u>					
Liabilities:					
Accounts payable	\$ 185,593	\$ 122,833	\$	\$ 308,426	\$ 510,503
Accrued payroll liability	1,648,377	511,678		2,160,055	1,948,762
State school fund overpayment					
Deposits	1,875			1,875	27,328
Due to other funds		710,733		710,733	500,133
Total liabilities	1,835,846	1,345,244		3,181,089	2,986,726
<u>DEFERRED INFLOWS</u>					
Unavailable property taxes:	191,924		110,485	302,409	284,355
Unavailable Impact Aid revenue	274,426			274,426	
Unearned revenue	69,211	120,130		189,341	178,755
Total deferred inflow:	535,561	120,130	110,485	766,176	463,110
<u>FUND BALANCES</u>					
Fund balances:					
Nonspendable:					
Inventory		30,171		30,171	24,005
Restricted for:					
Debt service			30,735	30,735	218,793
Federal programs		123,979		123,979	95,757
State and local grants and donation:		2,629		2,629	2,488
Committed to:					
Bus replacement	1,379,892			1,379,892	1,115,968
Equipment replacement	533,610			533,610	470,605
Employee wellness	21,515			21,515	19,534
Maintenance projects	1,260,546			1,260,546	1,027,475
Performing arts center fund	56,131			56,131	30,585
PERS bond reserve	1,010,000			1,010,000	1,010,000
Student activities		235,751		235,751	212,875
Technology replacement fund	382,030			382,030	293,631
Textbook replacement plan fund	966,733			966,733	762,941
Warm Springs housing	94,478			94,478	75,269
Warm Springs facility	426,334			426,334	426,334
Assigned for:					
Appropriated ending fund balance	3,352,273			3,352,273	2,825,908
Onsite child care		60,707		60,707	59,534
Unassigned	4,165,106			4,165,106	3,538,388
Total fund balances	13,648,648	453,237	30,735	14,132,620	12,210,090
Total liabilities, deferred inflows and fund balances	\$ 16,020,055	\$ 1,918,610	\$ 141,220	\$ 18,079,885	\$ 15,659,926

See notes to financial statements

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION

JUNE 30, 2018

TOTAL FUND BALANCES (Page 13)		\$ 14,132,620
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Capital assets	\$ 75,352,944	
Construction in progress	37,041	
Accumulated depreciation	<u>(28,786,770)</u>	46,603,215
The unamortized portion of prepaid expense not reported under the purchase method in the governmental funds		
		76,164
Other postemployment benefit obligation - RHIA is not a financial resource and therefore is not reported in the governmental funds		
		72,166
A portion of the District's revenues 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:		
Property taxes		302,408
State school fund receipts		64,952
Impact aid funding		274,425
Net pension liability is not a financial resource and therefore is not reported in the governmental funds.		
		(26,035,437)
Deferred inflows and outflows of resources do not provide or use current financial resources and therefore are not included in the governmental funds:		
Pension contributions made after measurement date	2,778,098	
Debt refunding proceeds	(9,287)	
Differences between expected and actual experience	1,259,085	
Net difference between projected and actual earnings on investment	268,226	
Changes in actuarial assumptions and other items related to pensions	2,568,196	
Changes of assumptions or inputs - OPEB implicit subsidy	(81,739)	
Benefit payments - OPEB implicit subsidy	120,737	
Net difference between projected and actual earnings on investment - OPEB RHIA	<u>(33,924)</u>	6,869,392
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. These liabilities consisted of:		
Accrued interest payable	(872,958)	
Bonds payable	(39,623,695)	
Unamortized portion of bond issuance premium	(2,566,906)	
Compensated absences payable	(98,775)	
Early retirement benefits payable	(170,493)	
Other postemployment benefits obligation	<u>(1,551,576)</u>	<u>(44,884,403)</u>
TOTAL NET POSITION (Page 12)		\$ <u>(2,524,498)</u>

See notes to financial statements

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

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

YEAR ENDED JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

	General	Special Revenue	Debt Service	Totals	
				2018	2017
Revenues					
Local Sources					
Property taxes	\$ 4,325,640	\$	\$ 2,493,078	\$ 6,818,718	\$ 6,561,346
Investment earnings	286,747		25,420	312,167	177,347
Admissions	21,136			21,136	13,212
PERS bond assessment	1,142,565			1,142,565	1,082,700
Miscellaneous	691,230	739,431		1,430,659	1,152,244
Intermediate sources					
County school fund	91,301			91,301	65,786
Grants	75,308	6,356		81,664	87,152
State sources					
State school fund	26,623,934	16,875		26,640,809	24,804,357
Common school fund	254,311			254,311	306,695
Grants		1,204,187		1,204,187	509,786
Federal sources	2,768,339	5,374,998		8,143,337	8,271,405
Total revenues	36,280,512	7,341,847	2,518,498	46,140,855	43,032,030
Expenditures					
Current					
Instruction	19,047,796	3,044,509		22,092,305	20,661,855
Support services	13,300,728	1,776,628		15,077,356	14,445,959
Enterprise and community services	102,074	2,579,148		2,681,222	2,510,070
Building acquisition and construction	83,103			83,103	23,516
Capital outlay	408,416	49,662		458,078	562,896
Debt service					
Principal			1,585,195	1,585,195	1,504,343
Interest			2,263,926	2,263,926	2,225,801
Total expenditures	32,942,117	7,449,947	3,849,121	44,241,185	41,934,440
Excess (deficiency) of revenues over (under) expenditures	3,338,395	(108,100)	(1,330,623)	1,899,670	1,097,590
Other financing sources (uses)					
Operating transfers in		166,678	1,142,565	1,309,243	1,262,224
Operating transfers out	(1,309,243)			(1,309,243)	(1,262,224)
Bond Proceeds					
Premium on bond proceeds					
Proceeds from sale of assets	22,859			22,859	
Total other financing sources and (uses)	(1,286,384)	166,678	1,142,565	22,859	
Net change in fund balances	2,052,011	58,578	(188,058)	1,922,529	1,097,590
Fund balances - beginning of year	11,596,638	394,659	218,793	12,210,090	11,112,500
Fund balances - end of year	\$ 13,648,648	\$ 453,236	\$ 30,735	\$ 14,132,620	\$ 12,210,090

See notes to financial statements

SCHOOL DISTRICT NO. 509J
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, 2018

NET CHANGE IN FUND BALANCES (Page 16)	\$	1,922,529
Amounts reported for governmental activities in the <i>Statement of Activities</i> are different because:		
Governmental funds report revenue when available and measurable. In the Statement of Activities it is not required that revenues be collected in time to settle current liabilities. Following are revenues recorded differently in government funds than are reported in the Statement of Activities:		
Adjustment to state school fund		25,589
Adjustment to impact aid funds		274,426
Governmental funds report prepayment of expenses under the purchase method		
		76,164
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 depreciation exceeded capital outlays in the current year.		
Expenditures for capital assets and construction in progress	525,900	
Disposal of capital assets, net of accumulated depreciation	(7,326)	
Less current year depreciation	<u>(2,113,965)</u>	(1,595,391)
Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Assets, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the in the liability Statement of Net Assets. This is the amount by which repayments exceeded proceeds:		
Debt principal repaid		<u>1,585,195</u>
Early retirement benefits, compensated absences and other postemployment benefits are recognized as expenditures in the governmental funds when they are paid. In the Statement of Activities they are recognized as an expenditure when incurred.		
Early retirement benefits	10,910	
Accrued compensated absences	(2,745)	
Other postemployment benefits	164,902	
Net Pension Expense	<u>(2,176,907)</u>	(2,003,840)
Governmental funds report the effect of issuance costs, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences:		
Amortization of premium/(discount)	251,105	
Amortization of debt refunding	<u>3,095</u>	254,200
In the Statement of Activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as an expense when due.		
		276,992
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>18,052</u>
CHANGE IN NET POSITION (Page 13)	\$	<u>833,916</u>

See notes to financial statements

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Jefferson County School District No. 509J (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The District's significant accounting policies are described below.

Reporting Entity

Jefferson County School District No. 509J, a political subdivision of the State of Oregon, was organized under provisions of Oregon Statutes pursuant to ORS Chapter 332 in 1962, and provides education services to children from grades K - 12 located in Madras and surrounding areas including Metolius, the Warm Springs Indian Reservation and Big Muddy Ranch. The District has two high schools, one middle school, two K-8 schools and three elementary schools with an approximate total enrollment of 3,000 students. The District is governed by a separately elected five-member Board of Directors who approve administrative officials. The daily functioning of the District is under the supervision of the Superintendent. As required by generally accepted accounting principles, all activities of the District have been included in the financial statements.

The accompanying financial statements present the governmental unit, Jefferson County School District No. 509J, Jefferson County, Oregon. The District qualifies as a primary government because it has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental agencies and 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 financial statements.

Government-wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District. These statements include the governmental financial activities of the overall District. Governmental activities are financed primarily through property taxes and intergovernmental revenues. The District has neither business-type activities nor fiduciary-type activities.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The Statement of Activities presents a comparison between direct expenses and the program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double-counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to students or others for tuition, fees, rental, material, supplies or services provided, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

Net position is reported as restricted when constraints placed on net position use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions. The government-wide statement of net position reports \$157,343 of restricted net position, of which \$30,735 is restricted by enabling legislation.

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. Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funds available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year end. Property taxes and interest are considered to be susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded as expenditures only to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt or capital leases are reported as other financing sources.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

The District reports the following major governmental funds:

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

The Special Revenue Fund accounts for revenues derived from federal, state and local grants and student activity funds which are restricted, committed or assigned for various grants, student activities and programs.

The Debt Service Fund provides for the payment of principal and interest on general obligation bonds and limited tax pension obligation bonds. Principal resources are property taxes and transfers from the General Fund.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition and monies invested with the Office of the State Treasurer (OST). Short-term investments are stated at cost which approximates fair value.

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 Oregon Short Term Fund (OSTF), among others.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The District's investments include the OSTF, including pooled cash balances held with the County Treasurer. Investments are stated at cost which approximates fair value of the pool shares.

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

Accounts and other receivables are comprised primarily of claims for reimbursement of costs under various federal and state grants. Grant revenues are recorded at the time eligible expenditures are incurred. Grant monies received prior to the occurrence of qualifying expenditures and those not received within the availability period for modified accrual are recorded as deferred inflows.

Property Taxes

Property taxes are assessed on a July 1 - June 30 fiscal year. The 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. The County Assessor is the tax collection agent for all taxing entities within the County.

Tax revenue is considered received when in the hands of the county as the intermediary collecting agency. Taxes not paid timely are subject to interest penalties and the applicable property is subject to lien, thus no allowance for uncollectible property taxes is considered necessary. All property taxes receivable are due from property owners within the District.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories

Inventory is stated at cost using the first-in/first-out (FIFO) method except USDA commodities which are stated at fair market value. The cost of inventory is recorded as an expenditure when consumed rather than when purchased.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide statements. For governmental fund statement purposes, the District uses the purchase method accounting, where the expenditure is recorded when expended, rather than when services are provided.

Capital Assets

Capital assets, which include property, buildings and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost greater than \$5,000 and an estimated useful life exceeding one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital leases are recorded at their inception as expenditures and other financing sources in the governmental funds and as assets and liabilities on the Statement of Net Position. They are recorded at the present value of the minimum lease payments, using the interest rates stated or implicit in the leases. Lease payments are recorded as expenditures on the due date; the portion of the payments applicable to principal, determined by using interest rates stated or implicit in the leases, is reported as a reduction of the lease liability on the Statement of Net Position.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Property, buildings and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	10 to 50 years
Equipment	5 to 30 years

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since sick pay does not vest. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Retirement Plans

Substantially all of the District's employees are participants in Oregon PERS. For governmental funds, contributions to Oregon PERS are made on a current basis as required by the plan and are charged to expenses/expenditures. Government-wide statements report the District's estimated proportionate share of the overall unfunded system liability, which is more fully described in Note 12.

The Board adopted a tax-deferred annuity plan established pursuant to Section 403(b) of the Internal Revenue Code. The plan allows the employer to make employer matching contributions. Under the terms of union employment agreements, the District is required to make a maximum monthly matching contribution not to exceed \$10 per month for all participating employees except certified employees eligible for the early retirement benefit described below. Participating employees have the option to make an unmatched contribution in excess of \$10 per month. Total pension expense recognized for the Section 403(b) plan was \$66,228.

Early Retirement Benefits

An early retirement plan is available to employees who meet guidelines of a plan adopted by the Board. Employees are eligible to apply for participation in the plan if they are 55 years of age or over and have been employed ten consecutive years with this District. In the case of certified employees, a total of 15 years of employment in a certified position in the Oregon public education system is required of which ten consecutive years are with the District.

Employees who apply and are approved by the Board receive, after they retire, 18% of the average of the highest three of the last five years annual earnings with the benefit not to exceed the computed amount times four years. Employees do not contribute to this plan. The Board may close the program at their discretion, eliminating additional participation and limiting the District's liability to those already participating in the program. Employees accrue no vested benefits prior to their acceptance in the program.

The program is limited to those employees who were hired prior to December 31, 1994.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The District's liability is funded on a pay-as-you-go basis. These benefits are in addition to benefits which may become available under the pension plan administered under the State of Oregon Public Employees Retirement System.

In the government-wide statements, a liability for the estimated present value of the future outflows has been reported.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, bond premiums and discounts are recognized when incurred and not deferred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Fund Equity

The District reports fund balance in accordance with GASB No 54, Fund Balance Reporting and Governmental Fund Type Definitions. As a result in the fund financial statements, governmental funds are categorized by the nature of the resources within the fund. The District reports fund balance using the following categories:

Nonspendable fund balance indicates the portion of fund equity that cannot be spent as it is not in a spendable form, such as inventories and prepaid expenditures.

Restricted fund balance indicates the portion of fund equity which is externally restricted by creditors, grantors or law.

Committed fund balance indicates the portion of fund equity which the board of directors has placed formal constraints on through resolution or board policy.

Assigned fund balance indicates the portion of fund equity which the District intends to use for specific purposes imposed by management. The authority for the Superintendent to assign resource for specific purposes is granted by the board of directors.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Unassigned fund balance indicates the portion of general fund equity which is available for budgeting in future periods.

When an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. For the classification of unrestricted ending fund balance, the District first reduces committed and assigned amounts, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those classifications could be used.

Use of Estimates

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

Budget

Annual budgets, as required by state statutes, are adopted on the modified accrual method of accounting, a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds.

The budget is prepared by fund and function. The budget document includes information on the past two years, current year budget and actual to date 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.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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 cannot exceed appropriations. The level of control for appropriations is exercised at the function level.

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 – BUDGETARY ACCOUNT GROUPINGS

The District has budgeted for administrative purposes, sub-fund account groupings within the General Fund. Intra-fund transfers among the sub-fund account groupings have been eliminated to properly present financial statement balances for the funds. The sub-funds have been employed to allow the administration flexibility in managing fiscal matters while complying with statutory requirements. The sub-fund account groupings used for administrative purposes are as follows:

General Fund

General Operations
Bus Purchase
Employee Wellness
Equipment Replacement
Maintenance Projects
Performing Arts Center

PERS Reserve
Technology Replacement
Textbook Replacement
Warm Springs Housing
Warm Springs Facility

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 3 - CASH AND INVESTMENTS

A reconciliation of cash and investments as shown on the financial statements for the District follows:

Petty Cash	\$ 300
Deposits with financial institutions	838,295
Investments	
Oregon Short Term Fund	13,183,038
Jefferson County Investment Pool	845,987
Wasco County Investment Pool	866
Total shown on Statement of Net Position	<u>\$ 14,868,486</u>

Deposits

At June 30, 2018 the District held cash of \$838,295 with a bank balance of \$1,176,846. 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. As of June 30, 2018 the District's cash balances exceeded FDIC insurance by \$926,846.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that all bank deposits in excess of the FDIC or FSLIC insurance amounts be collateralized through the Oregon State Treasurer's Public Funds Collateralization Program. This program provides a structure for specified depositories to participate in a shared liability collateral pool.

Securities pledged by individual institutions may range from 10% to 110% of public fund deposits depending on the financial institution's level of capitalization as determined by its federal regulatory authority. The aggregate Oregon public fund collateral pledged at June 30, 2018, was \$2,021,333,686 for reported uninsured public funds of \$1,184,299,785. The custodian, Federal Home Loan Bank of Seattle, is the agent for the depository bank. The securities pledged are designated as subject to the Pledge Agreement between the depository bank, custodian bank and Office of the State Treasurer (OST) and are held for the benefit of OST on behalf of the public depositors. The District's funds were held by financial institutions that participated in the State Treasurer's program and were in compliance with statutory requirements.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 3 - CASH AND INVESTMENTS - continued

Investments

As of June 30, 2018 the District held the following investments:

Investment Type	Fair Value	% of investment portfolio
Oregon Short Term Fund	\$ 13,183,038	93.97%
Jefferson and Wasco Counties Investment Pool	845,987	6.03%
	\$ 14,029,025	100.00%

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits investments as follows:

Investment Type	Maximum % of portfolio	Maximum length to maturity
US Treasury securities	100%	18 months
US Agency securities	100%	18 months
Banker's acceptance	25%	18 months
Repurchase agreements	25%	18 months
Certificates of deposit	25%	18 months
Oregon Short Term Fund	100%	One day
State and local government securities	50%	18 months

Maturities over 18 months will be allowed following review and approval of the District's Investment Policy by the Oregon Short Term Funds Board.

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 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. Investments in the Oregon Short Term Fund and the Jefferson and Wasco County Investment Pools are not required to be rated.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 3 - CASH AND INVESTMENTS – continued

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 Oregon Short Term Fund.

Investment in the Oregon Short Term Fund (OSTF)

The OSTF is one of five asset classes approved for the investment of State of Oregon funds. Local governments in Oregon as well as all State agencies participate in the OSTF, which 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 OSTF 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. 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 OSTF 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 OSTF was in compliance with all portfolio guidelines at June 30, 2018. The reported value of the OSTF approximates the fair value of the OSTF shares and is calculated on a daily basis.

Investment in Jefferson County Treasurer Investment Pool (JCIP)

The District voluntarily participates in an external investment pool through the Jefferson County Treasurer. Participants' equity in the JCIP is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Amortized discounts and premiums, accrued interest and realized gains and losses, net of expenses, are distributed on a monthly basis to participant account balances based on the average monthly cash balance in relation to total monthly average pool investments.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 3 - CASH AND INVESTMENTS – continued

The JCIP 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 and more specifically provides that the JCIP are limited to:

- US Government agency securities and instruments
- Municipal bonds
- Corporate bonds
- Oregon Short Term Fund
- Bankers acceptances
- Certificates of deposits / bank deposits

The Jefferson County annual financial report, which includes information for the JCIP, may be found at www.jeffco.net.

NOTE 4 –TAX COLLECTIONS

The levy for general operations is based on a permanent rate of \$4.5871 per \$1,000 of taxable assessed value. The levy for debt service is based on voter approved measures and assessed values of property within the district.

The levy, as extended on the tax rolls, is summarized as follows:

	General Fund		
	Jefferson	Wasco	Total
Levy per notice of levy	\$ 4,444,038	\$ 109,872	\$4,553,910
Truncation gain (loss)	1,444		1,444
Compression loss	(125,674)	(3,590)	(129,264)
Levy as extended on tax rolls	\$ 4,319,808	\$ 106,282	\$4,426,090
	Debt Service Fund		
	Jefferson	Wasco	Total
Levy as extended on tax rolls	\$ 2,490,785	\$ 59,219	\$2,550,004

Unpaid property 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/assessor.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 5 - RECEIVABLES

The reimbursement claims receivable in the special revenue fund represent balances due from state and federal governments for special program grants.

Receivables in the Statement of Net Position are comprised of the following as of June 30, 2018:

Property taxes	\$ 332,579
Grants	1,876,206
Other	<u>261,709</u>
	<u>\$2,470,494</u>

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES

The District uses common cash and cash investment accounts for the various funds. These pooled depository accounts may be over-drafted among the funds resulting in interfund receivables or payables. The General Fund reports the net receivables from other funds.

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 710,733	\$
Special Revenue Fund		710,733
	<u>\$ 710,733</u>	<u>\$ 710,733</u>

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated				
Land	\$ 2,604,701	\$	\$	\$ 2,604,701
Construction in progress	19,117	123,223	105,299	37,041
Total capital assets not being depreciated	<u>2,623,818</u>	<u>123,223</u>	<u>105,299</u>	<u>2,641,742</u>
Capital assets being depreciated				
Building and improvements	66,225,538	105,299	7,400	66,323,437
Vehicles and equipment	6,364,226	402,674	342,096	6,424,804
Total capital assets being depreciated	<u>72,589,764</u>	<u>507,973</u>	<u>349,496</u>	<u>72,748,241</u>
Less accumulated depreciation for				
Buildings and improvements	22,499,681	1,816,833	74	24,316,440
Vehicles and equipment	4,515,293	297,131	342,096	4,470,328
Total accumulated depreciation	<u>27,014,974</u>	<u>2,113,964</u>	<u>342,170</u>	<u>28,786,768</u>
Total capital assets being depreciated, net	<u>45,574,790</u>	<u>(1,605,991)</u>	<u>7,326</u>	<u>43,961,473</u>
Total capital assets, net	<u>\$ 48,198,608</u>	<u>\$ (1,482,768)</u>	<u>\$ 112,625</u>	<u>\$ 46,603,216</u>

Depreciation expense for the year was charged to the following programs:

Instruction	\$ 1,912,842
Special programs	2,639
Business services	190,881
Enterprise and community services	7,602
	<u>\$ 2,113,964</u>

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 7 - CAPITAL ASSETS – continued

Operating Leases

The District leases copy and postage machines under noncancelable operating leases. Total cost for the leases for the year ended June 30, 2018 was \$87,071. The future minimum lease payments for the machines are as follows:

Year Ending June 30,	Amount
2019	\$ 77,766
2020	74,841
2021	74,841
2022	74,841
2023	74,841
Total	\$ 377,130

NOTE 8 - LONG-TERM LIABILITIES

A summary of Long-term liability activity for the year ended is as follows. Additional detailed information is available on the following pages.

	Beginning Balance	Additions	Adjustments/ Payments	Ending Balance	Due in One Year
Bonds Payable					
General obligation bonds	\$ 31,075,000	\$	\$ 1,325,000	\$ 29,750,000	\$ 1,435,000
Limited tax pension obligation bonds	10,133,891		260,195	9,873,696	262,345
Unamortized premium/discount	2,818,011		251,105	2,566,906	251,105
	44,026,902		1,836,300	42,190,602	1,948,450
Other Liabilities					
Early retirement benefits	181,403	49,373	60,283	170,493	54,911
Other post employment benefits	1,591,593		40,017	1,551,576	
Accrued compensated absences	96,030	266,558	263,813	98,775	
Total	\$ 45,895,928	\$ 315,931	\$ 2,200,413	\$ 44,011,446	\$ 2,003,361

Bonds Payable

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are general issued as 20-year serial bonds with equal amounts of principal maturing each year.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 8 - LONG-TERM LIABILITIES – continued

General Obligation Bonds

On March 15, 2002, the District issued \$15,800,000 in general obligation bonds to finance additions, improvements, capital renovation and reconstruction at District school sites. On May 23, 2013 the outstanding par amount of \$9,780,000 was refunded with a true interest cost of 1.63% and an average coupon rate of 3.65%. The net proceeds after payment of underwriting fees and other issuance costs were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the May 15, 2002 general obligation bonds. As a result, the 2002 general obligation bonds are considered to be defeased and the escrowed assets and liability for the bonds have been removed from the government-wide financial statements.

The refunding reduced total debt service by \$1,642,027 and obtained an economic gain defined as the difference between the present values of the debt service payments on the old and new debt of 16.62%.

In May 2012 voters of the District passed a \$26,700,000 bond issue for improvements to school facilities in Madras and Metolius and to pay for half of the cost of constructing a K-8 school in Warm Springs. On May 23, 2013, the District issued \$24,835,000 in general obligation and refunding bonds (General Obligation and Refunding Bonds, Series 2013). Of this issue, \$15,960,000 was issued to finance the improvements to school facilities in Madras and Metolius. The remaining funds were used to refund the March 15, 2002 general obligation bonds.

On July 23, 2013, the District issued the remaining \$10,740,000 in general obligations bonds approved by voters in May 2012. The proceeds were used to fund half of the cost of constructing a new Warm Springs K-8 school, in a joint project with the Confederated Tribes of Warm Springs.

Limited Tax Pension Obligation Bonds

On October 31, 2002, the District participated in the OSBA Pension Bond Pool (Series 2002 OSBA Limited Tax Pension) to finance the District's estimated PERS unfunded liability. The District issued \$12,506,637 in debt as part of the pooled issuance. Except for the payment of its pension bond payments and additional charges when due, each school district has no obligation or liability to any other participating school district's pension bonds or liabilities to PERS.

Bond proceeds were paid to the Oregon Public Employees Retirement System. An intercept agreement with the State of Oregon was required as a condition of issuance; therefore a portion of State School Fund support is withheld on a monthly basis to repay debt.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 8 - LONG-TERM LIABILITIES - continued

On January 31, 2012 the District participated with six other school districts to issue the OSBA Limited Tax Pension Refunding Obligations Series 2012 to advance refund the 2021 debt service obligation of the Series 2002 OSBA Limited Tax Pension Issuance. The District issued \$835,000 in debt as part of the \$22,000,000 pooled issuance. As a result, the 2021 portion of the Series 2002 OSBA Limited Tax Pension is considered to be defeased and the escrowed assets and the liability for bonds have been removed from the government-wide financial statements.

The following is a summary of long-debt transactions of governmental activity for the year ended June 30, 2018:

Type	Issue Date	Interest Rates	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Pension	October 31, 2002	2.06% to 6.1%	\$ 9,253,891	\$	\$ 260,194	\$ 8,993,697	\$ 262,345
Pension	January 31, 2012	2.75%	880,000			880,000	
General	May 23, 2013	1.25% to 5.0%	20,445,000		1,275,000	19,170,000	1,370,000
General	July 23, 2013	1.25% to 5.0%	10,630,000		50,000	10,580,000	65,000
Total			<u>\$41,208,891</u>	<u>\$</u>	<u>\$ 1,585,194</u>	<u>\$39,623,697</u>	<u>\$ 1,697,345</u>

Bonds payable on the Statement of Net Position are presented as follows:

	Balance	Bond Premium/ Discount, net	Statement of Net Position
Current	\$ 1,697,345	\$ 251,105	\$ 1,948,450
Noncurrent	37,926,352	2,315,800	40,242,152
Total Bonds Payable	<u>\$ 39,623,697</u>	<u>\$ 2,566,905</u>	<u>\$ 42,190,602</u>

Payments on the general obligation bonds are made by the debt service fund from property taxes and earnings on investments. Payments on pension bonds are made by the debt service fund from revenue from charges to other funds.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 8 - LONG-TERM LIABILITIES - continued

Future bond maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,697,345	\$ 2,263,919	\$ 3,961,264
2020	1,821,352	2,260,813	4,082,165
2021	2,550,000	1,694,963	4,244,963
2022	2,740,000	1,603,963	4,343,963
2023	2,510,000	1,474,777	3,984,777
2024-2028	15,520,000	5,230,001	20,750,001
2029-2033	12,785,000	1,845,056	14,630,056
	<u>\$ 39,623,697</u>	<u>\$ 16,373,492</u>	<u>\$ 55,997,189</u>

The District is subject to statutory limitations on indebtedness. Presently the District's net bonded debt is \$77,664,234 less than the statutory debt limit. No interest was capitalized during 2018.

Other Post-Employment Benefits

Special termination benefits have been made available to employees who meet guidelines of a plan adopted by the Board, as described in Note 1.

The liability is funded on a pay-as-you-go basis by the general fund. The liability is measured at the discounted present value of expected future benefit payments using a discount rate of 3.87%. These benefits are in addition to benefits which may become available under the pension plan administered under the Oregon PERS.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 8 - LONG-TERM LIABILITIES - continued

Future maturities of termination benefits payable are as follows:

Year Ending June 30,	Amount
2019	\$ 54,911
2020	29,999
2021	19,213
2022	18,497
2023	17,807
Thereafter	30,066
	\$ 170,493

In prior years, the general fund has been used to liquidate long-term liabilities other than long-term debt.

NOTE 9 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018 are as follows:

	Transfer In	Transfer Out
General Fund	\$	\$ 1,309,243
Special Revenue Fund	166,678	
Debt Service Fund	1,142,565	
Total	\$ 1,309,243	\$ 1,309,243

The District made transfers from the General Fund to the Special Revenue Fund in recognition that expenditures in food service exceed revenue and to the Debt Service Fund for payment of principal and interest for the OSBA PERS bond issue.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – IMPLICIT RATE SUBSIDY

Postemployment Healthcare Plan

The District reports its liability for other postemployment benefits consistent with established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

Plan Description

The District sponsors a self-pay early retirement health insurance program for its retirees. The plan provides post-retirement healthcare benefits for eligible retirees and their dependents through the District's group health insurance plans. The District's post-retirement plan was established in accordance with Oregon Revised Statutes (ORS) 243.303 which states, in part, that for the purposes of establishing healthcare premiums, the calculated rate must be based on the cost of all plan members, including both active employees and retirees. Because claim costs are generally higher for retiree groups than for active members, the premium amount does not represent the full cost of coverage for retirees. The resulting additional cost, or implicit subsidy, is required to be valued under GASB Statement 75 related to Other Post-Employment Benefits (OPEB). Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the OPEB plan reflect a long-term perspective. The plan does not issue a stand-alone financial report.

Funding Policy

The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan. The benefits from this program are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is no obligation on the part of the District to fund these benefits in advance.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – IMPLICIT RATE SUBSIDY
(continued)**

Actuarial Methods and Assumptions

The District engaged an actuary to perform an evaluation as of June 30, 2018 using entry age normal, level percent of salary Actuarial Cost Method. The OPEB liability was determined based on a valuation date of July 1, 2017 and using the following actuarial assumptions:

Discount Rate	3.58% Increased from prior year rate of 2.85%
General Inflation	2.50%
Annual Salary Increases	3.50%
Health Care Cost Trend	

Medical:

<u>Year</u>	<u>Pre-65 Trend</u>	<u>Year</u>	<u>Pre-65 Trend</u>
2017	4.25%	2042-2043	6.00%
2018	5.50%	2044-2048	5.75%
2019	6.75%	2049-2057	5.50%
2020-2030	5.00%	2058-2064	5.25%
2031-2032	5.25%	2065-2067	5.00%
2033	5.50%	2068-2069	4.75%
2034	6.00%	2070-2073	4.50%
2035-2041	6.25%	2074+	4.25%

Dental and Vision 4.00%

Health care cost trend affects both the projected health care costs as well as the projected health care premiums.

Demographic assumptions regarding retirement, mortality and turnover are based on Oregon PERS valuation assumptions as of December 31, 2016. Disability rates were not used. Mortality rates used the RP-2014 Employee and Healthy Annuitant tables, white collar, sex distinct for members and dependents. For members only, a one-year setback is applied. Future mortality improvement is not projected.

Future retiree coverage: 50% of active members were assumed to elect coverage upon retirement. 60% of male members and 35% of female members who elect coverage upon retirement are assumed to elect spouse coverage. Female spouses are assumed to be two years younger than male spouses. Benefit payments credited to the plan were based on the difference between assumed retiree health care costs less actual retiree paid premiums.

The discount rate assumptions reflect the Bond Buyer 20-Year General Obligation Bond Index.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – IMPLICIT RATE SUBSIDY
(continued)

For the measurement date of July 1, 2017, 391 participants were covered under the plan, including 373 active employees, 17 eligible retirees, and one spouse of ineligible retiree.

Changes in OPEB Liability

Balance as of June 30, 2017	1,591,593
Changes for the year:	
Service cost	173,218
Interest on total OPEB liability	47,921
Effect of assumptions changes or inputs	(93,252)
Benefit payments	<u>(167,904)</u>
Balance as of June 30, 2018	<u>1,551,576</u>

The District recognized \$209,626 of OPEB expense related to the implicit rate subsidy for the year ended June 30, 2018.

Sensitivity Analysis

The following analysis presents the net OPEBB liability using a discount rate of 3.58%, as well as what the District's net OPEB liability would be if it was calculated using a discount rate that is one percentage point lower and one percentage point higher than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumption:

	1% Decrease	Current Discount Rate	1% Increase
	2.58%	3.58%	4.58%
Total OPEB Liability	<u>\$1,680,659</u>	<u>\$ 1,551,576</u>	<u>\$ 1,432,567</u>
	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	<u>\$1,382,533</u>	<u>\$ 1,551,576</u>	<u>\$ 1,741,651</u>

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – IMPLICIT RATE SUBSIDY
(continued)**

Deferred Inflow and Outflows

Under GASB 75, gains and losses which are amortized over future year are referred to as deferred inflows (gains) and deferred outflows (losses). Economic and demographic gains and losses and changes in the Total OPEB Liability due to changes in assumptions are recognized over the closed period equal to the average expected remaining service lives of all covered active and inactive participants. The amortization period of 8.1 year is calculated as the weighted average of expected remaining service lives assuming zero years for all retirees.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources as follows:

	Deferred Inflows of Resources	Deferred Outflow of Resources
Changes of assumptions or inputs	\$ (81,739)	\$
Benefit payments		120,737
Total	\$ (81,739)	\$ 120,737

Changes of assumptions or inputs reported as deferred outflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2019	\$ (11,513)
2020	(11,513)
2021	(11,513)
2022	(11,513)
Thereafter	(35,687)
	\$ (81,739)

The benefit payments of \$120,737 classified as deferred outflows of resources will be recognized as a reduction of the net OPEB liability in the subsequent year.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS – PERS RETIREE HEALTH INSURANCE PLAN

Plan Description

The District contributes to the Oregon Public Employees Retirement System (PERS) which is a cost sharing multiple employer defined benefit pension plan. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. Participation by school districts is mandatory. PERS administers the Retirement Health Insurance Account (RHIA), a cost-sharing, multiple employer defined benefit other postemployment benefit plan (OPEB). RHIA plan assets may be used to pay the benefits of any employer that is a member of PERS. Contributions to RHIA are mandatory for PERS members.

RHIA was established by ORS 238.420. The plan was closed to new entrants hired on or after August 29, 2003. As of June 30, 2017, there were 47,769 plan participants receiving benefits, and there were 61,208 active and 16,369 inactive members who meet the requirements to receive RHIA benefits when they retire.

Contributions

PERS sets required contribution rates biannually for members. The RHIA portion of this required contribution is .43%. The District's total contribution to the RHIA plan for the year ended June 30, 2018 was \$80,588.

Net OPEB asset

At June 30, 2018, the District reported an asset of \$72,166 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Proportionate share allocation methodology

The basis for the employer's proportion is actuarially determined by comparing the employer's actual, legally required contributions made during the fiscal year to the plan with the total actual contributions made in the fiscal year of all employers.

Net OPEB income

For the year ended June 30, 2018, the District recognized net OPEB income of \$79,015. The District's proportionate share of the collective net OPEB asset was .172918%, a decrease from its proportionate share of .175449% of the OPEB liability at the previous measurement date.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS – PERS RETIREE HEALTH INSURANCE PLAN (continued)

Deferred inflows and outflows

At June 30, 2018, the District reported deferred inflows of resources related to RHIA OPEB from the following sources:

	Deferred Inflow of Resources
Differences between projected and actual earnings on investment	\$ 33,423
Changes in employer proportionate share	501
Total	\$ 33,924

Deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,		
2019	\$	(8,542)
2020		(8,542)
2021		(8,485)
2022		(8,355)
Thereafter		(33,924)
	\$	(33,924)

Deferred inflows and outflows of resources are calculated at the Plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2017, the following deferred items are reported:

- Changes in employer proportion since the prior measurement date, which is being amortized over the remaining service lives of all plan participants, including retirees. The average remaining service life as of the beginning of the June 30, 2017 measurement period was 3.7 years.
- Net difference between projected and actual investment earnings, which is being amortized over a closed five-year period.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS – PERS RETIREE HEALTH INSURANCE PLAN (continued)

Actuarial Assumptions

The total OPEB liability in the December 31, 2015 actuarial valuation was determined based on the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.50 percent
Projected salary increase	3.5 percent
Discount rate	7.5 percent
Long-term expected rate of return	7.50 percent
Retiree healthcare participation	Healthy retirees: 38%; disabled retirees: 20%

Mortality rates for healthy retirees were based on the RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members' mortality rates are a percentage of healthy retiree rates that vary by group. Disabled retirees' mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for 2014, published September 2015.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS – PERS RETIREE HEALTH INSURANCE PLAN (continued)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	8.00%	4.10%	4.00%	4.68%
Short-Term Bonds	8.00%	3.65%	3.61%	2.74%
Bank/Leverage Loans	3.00%	5.69%	5.42%	7.82%
High Yield Bonds	1.00%	6.67%	6.20%	10.28%
Large/Mid Cap US Equities	15.75%	7.96%	6.70%	17.07%
Small Cap US Equities	1.31%	8.93%	6.99%	21.35%
Micro Cap US Equities	1.31%	9.37%	7.01%	23.72%
Developed Foreign Equities	13.13%	8.34%	6.73%	19.40%
Emerging Market Equities	4.12%	10.56%	7.25%	28.45%
Non-US Small Cap Equities	1.88%	9.01%	7.22%	20.55%
Private Equity	17.50%	11.60%	7.97%	30.00%
Real Estate (Property)	10.00%	6.48%	5.84%	12.00%
Real Estate (REITS)	2.50%	8.74%	6.69%	22.02%
Hedge Fund of Funds - Diversified	2.50%	4.94%	4.64%	8.09%
Hedge Fund - Event-driven	0.63%	7.07%	6.72%	8.90%
Timber	1.88%	6.60%	5.85%	13.00%
Farmland	1.88%	7.11%	6.37%	13.00%
Infrastructure	3.75%	8.31%	7.13%	16.50%
Commodities	1.88%	6.07%	4.58%	18.40%
Assumed Inflation Mean			2.50%	1.85%

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 3, 2014. The revised allocation was adopted at the June 3, 2015 OIC meeting.

Discount Rate

The discount rate used to measure the total pension liability of the Plan was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS – PERS RETIREE HEALTH INSURANCE PLAN (continued)

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	Discount rate	Proportionate share of net OPEB liability (asset)
1% decrease	6.50%	\$ 10,060
Current discount rate	7.50%	(72,166)
1% increase	8.50%	(142,103)

Plan Fiduciary Net Position

GASB 75 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected rate of return on plan investments may be used to discount liabilities to the extent that the plan’s Fiduciary Net Position is projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 75 often requires that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 75 (paragraph 82) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of solvency; it is left to professional judgment.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS – PERS RETIREE HEALTH INSURANCE PLAN (continued)

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 75 specifies that the projections regarding future solvency assume the plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is the PERS' independent actuary's opinion that the detailed depletion date projections outlined in GASB 75 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

NOTE 12 – PUBLIC PENSION RETIREMENT PLAN

Plan Description

The District contributes to the Oregon Public Employees Retirement System (PERS) which is a cost sharing multiple employer defined benefit pension plan. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. Participation by school districts is mandatory. As of June 30, 2017 there were 920 participating employers and State Agencies. PERS issues a publicly available financial report which can be obtained on their website, www.oregon.gov/PERS.

PERS is administered in accordance with Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The Oregon Legislature has delegated authority to the Public Employees Retirement Board (Board) to administer and manage the System. All members of the Board are appointed by the governor and confirmed by the state Senate. The governor designates the chairperson. One member must be a public employer manager or a local elected official, one member must be a union-represented public employee or retiree, and three members must have experience in business management, pension management, or investing.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 12 – PUBLIC PENSION RETIREMENT PLAN - continued

The 1995 Legislature enacted Chapter 654, Section 3, Oregon Laws 1995, which has been codified into ORS 238.435. This legislation created a second tier of benefits for those who established membership on or after January 1, 1996. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to 58 for Tier One. As of June 30, 2017, there were 24,528 active plan members, 125,344 inactive plan members or their beneficiaries currently receiving benefits, 14,037 inactive plan members entitled to but not yet receiving benefits for a total of 163,909 Tier One members. For Tier Two members, as of June 30, 2017, there were 37,097 active plan members, 12,234 inactive plan members or their beneficiaries currently receiving benefits, 15,692 inactive plan members entitled to but not yet receiving benefits, for a total of 65,023 Tier Two members in the System.

The 2003 Legislature enacted HB 2020, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program (defined benefit), which is part of the Plan and the Individual Account Program, which is reported as a separate plan in PERS financial statements. Membership includes public employees hired on or after August 29, 2003. As of June 30, 2017, there were 111,680 active plan members, 3,437 retired plan members or their beneficiaries currently receiving benefits, 4,215 inactive plan members entitled to but not receiving benefits, and 11,765 inactive plan members not eligible for refund or retirement, for a total of 131,097 OPSRP Pension Program members.

Beginning January 1, 2004, PERS active Tier One and Tier Two members became members of the Individual Account Program (IAP) of OPSRP. PERS members retain their existing Plan accounts, but member contributions are now deposited into the member's IAP account, not into the member's Defined Benefit Plan account. Accounts are credited with earnings and losses net of administrative expenses. OPSRP is part of PERS and is administered by the Board. The PERS Board is directed to adopt any rules necessary to administer OPSRP, and such rules are to be considered part of the plan for IRS purposes.

For the year ended June 30, 2018, the District's total payroll for all employees was \$21,222,753. Total covered payroll was \$18,741,483. Covered payroll refers to all compensation paid by the District to active employees covered by PERS.

Contributions

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 One and Tier Two for the year ended June 30, 2018 was 18.79% of covered annual payroll. The rate for OPSRP for the year ended June 30, 2018 was 13.46%. 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 year ended June 30, 2018 was \$2,858,169. In addition, employee contributions made by the District under employment contracts were \$1,108,597 employee contributions for the year ended June 30, 2018.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 12 – PUBLIC PENSION RETIREMENT PLAN - continued

Pension Assets, Pension Income, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a liability of \$26,035,437 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. Update procedures were used to roll forward the total pension liability to the measurement date.

The basis for the employer's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers. The projected long-term contribution effort is equal to the sum of the present value of the future normal costs (PVFNC) and the unfunded actuarial liability (UAL). The contribution rate for every employer has at least two major components; Normal Cost Rate and Unfunded Actuarial Liability (UAL) Rate.

The projected long-term contribution effort is estimated by projecting the present value of all future normal cost rate contributions. The PVFNC represents the portion of the projected long-term contribution effort related to future service.

An employer's PVFNC depends on both the Normal Cost Rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For PERS funding, employers have three different payrolls, each with a different Normal Cost Rate:

- Tier One/Tier Two payroll
- OPSRP General Service payroll
- OPSRP Police & Fire payroll

A UAL exists when Plan assets are less than the actuarial liability as measured by the Plan's actuarial funding valuations. UAL can arise in a biennium when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises in a given biennium over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The UAL represents the portion of the projected long-term contribution effort related to past service. In determining the employer's projected long-term contribution effort to the Plan, the UAL component was adjusted for supplemental lump-sum payments made during the measurement period, if applicable.

After the employer's projected long-term contribution effort is calculated, that amount is reduced by the value of the employer's supplemental lump-sum payments, known as side accounts, transition surpluses and pre-SLGRP (State and Local Government Rate Pool) surpluses as of the valuation date. Side accounts decrease the employer's projected long-term contribution effort because side accounts are effectively pre-paid contributions.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 12 – PUBLIC PENSION RETIREMENT PLAN - continued

The employer’s projected long-term contribution effort does not include contributions toward the current value of transition liabilities and pre-SLGRP (State and Local Government Rate Pool) liabilities, which PERS has determined meet the definition of separately financed employer liabilities.

For the year ended June 30, 2018, the District recognized pension expense of \$2,176,907. The District’s proportionate share of the collective net pension liability was .19310468%, a decrease from its proportionate share of .20920767% at the previous measurement date. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 1,259,085	\$
Differences between projected and actual earnings on investment	4,745,796	
Changes in employer proportionate share	268,226	1,797,006
Difference between employer contributions and employer's proportionate share of system contributions		380,594
District contributions subsequent to the measurement date	2,778,098	
Total	\$ 9,051,205	\$ 2,177,600

Deferred inflows and outflows of resources are calculated at the Plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2017, the following deferred items are reported:

- Difference between expected and actual experience
- Changes in assumptions
- Changes in employer proportion since the prior measurement date
- Net difference between projected and actual investment earnings
- Employer contributions made after the measurement date

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 12 – PUBLIC PENSION RETIREMENT PLAN - continued

Differences between expected and actual experience, changes in assumptions, changes in employer proportion and changes between employer contributions and proportionate share of contributions are amortized over the remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize pension expense based on the balance of the closed period “layers” attributable to each measurement period. The average remaining service lives determined at the beginning of each measurement period are:

- Year ended June 30, 2017 – 5.3 years
- Year ended June 30, 2016 – 5.3 years
- Year ended June 30, 2015 – 5.4 years
- Year ended June 30, 2014 – 5.6 years

The difference between projected and actual earnings attributable to each measurement period is amortized over a closed five-year period.

The \$2,778,098 of deferred outflows of resources resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	
2019	\$ 580,204
2020	2,722,568
2021	1,765,371
2022	(931,937)
Thereafter	<u>(40,699)</u>
	<u>\$ 4,095,507</u>

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 12 – PUBLIC PENSION RETIREMENT PLAN - continued

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.50 percent
Projected salary increase	3.5 percent
Discount rate	7.5 percent
Long-term expected rate of return	7.50 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/.15%) in accordance with <i>Moro</i> decision; blended based on service

Mortality rates were based on the RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members' mortality rates are a percentage of healthy retiree rates that vary by group. Disabled retirees' mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for 2014, published September 2015.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 12 – PUBLIC PENSION RETIREMENT PLAN - continued

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	8.00%	4.10%	4.00%	4.68%
Short-Term Bonds	8.00%	3.65%	3.61%	2.74%
Bank/Leverage Loans	3.00%	5.69%	5.42%	7.82%
High Yield Bonds	1.00%	6.67%	6.20%	10.28%
Large/Mid Cap US Equities	15.75%	7.96%	6.70%	17.07%
Small Cap US Equities	1.31%	8.93%	6.99%	21.35%
Micro Cap US Equities	1.31%	9.37%	7.01%	23.72%
Developed Foreign Equities	13.13%	8.34%	6.73%	19.40%
Emerging Market Equities	4.12%	10.56%	7.25%	28.45%
Non-US Small Cap Equities	1.88%	9.01%	7.22%	20.55%
Private Equity	17.50%	11.60%	7.97%	30.00%
Real Estate (Property)	10.00%	6.48%	5.84%	12.00%
Real Estate (REITS)	2.50%	8.74%	6.69%	22.02%
Hedge Fund of Funds - Diversified	2.50%	4.94%	4.64%	8.09%
Hedge Fund - Event-driven	0.63%	7.07%	6.72%	8.90%
Timber	1.88%	6.60%	5.85%	13.00%
Farmland	1.88%	7.11%	6.37%	13.00%
Infrastructure	3.75%	8.31%	7.13%	16.50%
Commodities	1.88%	6.07%	4.58%	18.40%
Assumed Inflation Mean			2.50%	1.85%

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 3, 2014. The revised allocation was adopted at the June 3, 2015 OIC meeting.

Discount Rate

The discount rate used to measure the total pension liability of the Plan was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 12 – PUBLIC PENSION RETIREMENT PLAN - continued

	Discount rate	Proportionate share of net pension liability (asset)
1% decrease	6.50%	\$ 44,369,138
Current discount rate	7.50%	26,035,437
1% increase	8.50%	10,705,067

Plan Fiduciary Net Position

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected rate of return on plan investments may be used to discount liabilities to the extent that the plan’s Fiduciary Net Position is projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 often requires that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of solvency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume the plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan’s funded position.

Based on these circumstances, it is the PERS’ independent actuary’s opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 13 - ENVIRONMENTAL MATTERS

The District has complied with EPA standards for asbestos encasement as well as maintenance of an asbestos management plan. In addition, the District's fuel storage facilities meet EPA standards including annual testing requirements. Testing of lead pipes during the summer showed no elevated lead levels.

NOTE 14 - 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 15 – RESTATEMENT OF BEGINNING NET POSITION

The District adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, during fiscal year ended June 30, 2018. The net position of the District's governmental activities as of June 30, 2017 has been restated to reflect the change in accounting principle. The impact of the restatement on net position is as follows:

	Governmental Activities
Net position at June 30, 2017	<u>(3,024,785)</u>
Changes in employer's share of OPEB liability	(285,984)
Employer's share of OPEB liability - RHIA	<u>(47,645)</u>
Net position at June 30, 2017, as restated	<u>(3,358,414)</u>

The restatement had no effect on the fund balance as of June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

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

YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actuals			Variance with Final Budget Over (Under)
	Adopted	Final	Budget Basis	Adjustments	GAAP Basis	
Revenues						
Property taxes	\$ 4,309,000	\$ 4,309,000	\$ 4,325,640	\$	\$ 4,325,640	\$ 16,640
Investment earnings	123,000	123,000	286,747		286,747	163,747
Admissions	20,000	20,000	21,136		21,136	1,136
Other local sources	1,627,338	1,680,118	1,833,795		1,833,795	153,677
Intermediate sources	115,000	115,000	166,610		166,610	51,610
State sources	25,778,979	25,778,979	26,878,245		26,878,245	1,099,266
Federal sources	2,323,500	2,323,500	2,768,339		2,768,339	444,839
Total revenues	34,296,817	34,349,597	36,280,512		36,280,512	1,930,914
Expenditures						
Current						
Instruction	20,163,687	20,557,683	19,047,796		19,047,796	(1,509,887)
Support services	14,592,287	14,701,071	13,709,144	(408,416)	13,300,728	(991,927)
Community services	115,345	115,345	102,074		102,074	(13,271)
Facilities acquisition	386,500	386,500	83,103		83,103	(303,397)
Contingency	450,000					
Capital outlay				408,416	408,416	
Total expenditures	35,707,818	35,760,598	32,942,117		32,942,117	(2,818,481)
Excess (deficiency) of revenue over (under) expenditures:	(1,411,001)	(1,411,001)	3,338,395		3,338,395	4,749,396
Other financing sources (uses)						
Operating transfers in	534,900	534,900				(534,900)
Operating transfers out	(1,949,807)	(1,949,807)	(1,309,243)		(1,309,243)	640,564
Proceeds from sales of asset			22,859		22,859	22,859
Total other financing sources and (uses)	(1,414,907)	(1,414,907)	(1,286,384)		(1,286,384)	128,523
Net change in fund balance	(2,825,908)	(2,825,908)	2,052,011		2,052,011	4,877,919
Fund balance - beginning of year	9,939,946	9,939,946	11,596,638		11,596,638	1,656,692
Fund balance - end of year:	<u>\$ 7,114,038</u>	<u>\$ 7,114,038</u>	<u>\$ 13,648,648</u>	<u>\$</u>	<u>\$ 13,648,648</u>	<u>\$ 6,534,611</u>

The adjustments column represents differences between Budget and GAAP basis of accounting. Oregon local budget law requires budgeting at the functional level, whereas GAAP requires additional classifications into capital outlay.

Adjustments to GAAP basis are also necessary where budgeted transfers in and out were made within the general fund sub-fund.

**SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon**

**SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actuals			Variance with Final Budget Over (Under)
	Adopted	Final	Budget Basis	Adjustments	GAAP Basis	
Revenues						
Other local sources	\$ 335,060	\$ 655,883	\$ 739,431	\$	\$ 739,431	\$ 83,548
Intermediate sources	6,150	6,356	6,356		6,356	
State sources	843,929	1,446,154	1,221,062		1,221,062	(225,092)
Federal sources	5,137,479	5,304,719	5,374,998		5,374,998	70,279
Total revenues	6,322,619	7,413,112	7,341,847		7,341,847	(71,265)
Expenditures						
Current						
Instruction	2,736,030	3,270,987	3,044,509		3,044,509	(226,478)
Support services	1,418,871	1,869,906	1,826,290	(49,662)	1,776,628	(43,616)
Community services	2,547,438	2,651,938	2,579,148		2,579,148	(72,790)
Capital outlay				49,662	49,662	
Total expenditures	6,702,339	7,792,832	7,449,947		7,449,947	(342,885)
Excess (deficiency) of revenues over (under) expenditures	(379,720)	(379,720)	(108,100)		(108,100)	271,620
Other financing sources (uses)						
Operating transfers in	276,700	276,700	166,678		166,678	(110,022)
Operating transfers out	(5,000)	(5,000)				5,000
Gain on sale of capital assets						
Total other financing sources and (uses)	271,700	271,700	166,678		166,678	(105,022)
Net change in fund balance	(108,020)	(108,020)	58,578		58,578	166,598
Fund balance - beginning of year	253,020	253,020	394,659		394,659	141,639
Fund balance - end of year	<u>\$ 145,000</u>	<u>\$ 145,000</u>	<u>\$ 453,236</u>	<u>\$</u>	<u>\$ 453,236</u>	<u>\$ 308,237</u>

The adjustments column represents differences between Budget and GAAP basis of accounting. Oregon local budget law requires budgeting at the functional level, whereas GAAP requires additional classifications into capital outlay

SCHOOL DISTRICT 509-J
Jefferson County, Oregon

SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)

YEAR ENDED JUNE 30, 2018

Year Ended June 30,	(a) Employer's proportion of the net pension liability (asset) (NPL(A))	(b) Employer's proportionate share of the NPL(A)	(c) CAL's covered payroll	(b/c) NPL(A) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.193105%	\$ 26,035,437	\$ 17,983,977	144.8%	83.1%
2017	0.209208%	31,406,929	17,076,143	183.9%	80.5%
2016	0.222334%	12,765,490	16,894,802	75.6%	91.9%
2015	0.240095%	(5,442,268)	15,688,932	-34.7%	103.6%
2014	0.240095%	12,252,398	15,935,387	76.9%	92.0%

Notes to RSI

Schedule will be reported on a prospective basis for 10-years as information prior to June 30, 2014 was not available.

SCHOOL DISTRICT 509-J
Jefferson County, Oregon

SCHEDULE OF CONTRIBUTIONS
PENSION PLAN

YEAR ENDED JUNE 30, 2018

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2018	\$ 2,778,098	\$ 2,778,098	\$	\$ 18,741,483	14.82%
2017	1,915,106	1,915,106		17,983,977	10.65%
2016	1,850,319	1,850,319		17,076,143	10.84%
2015	2,352,176	2,352,176		16,894,802	13.92%
2014	2,197,888	2,197,888		15,688,932	14.01%

Notes to RSI

Schedule will be reported on a prospective basis for 10-years as information prior to June 30, 2014 was not available.

SCHOOL DISTRICT 509-J
Jefferson County, Oregon

**SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT
BENEFIT (OPEB) LIABILITY - IMPLICIT RATE SUBSIDY**

YEAR ENDED JUNE 30,

	<u>2018</u>
Total OPEB, beginning	\$ 1,591,593
Service Cost	173,218
Interest on total OPEB liability	47,921
Effect of assumptions changes or inputs	(93,252)
Benefit payments	<u>(167,904)</u>
Net change in OPEB liability	<u>(40,017)</u>
Total OPEB, ending	<u><u>\$ 1,551,576</u></u>

Notes to RSI

Schedule will be reported on a prospective basis for 10-years as information prior to June 30, 2018 was not available.

**SCHOOL DISTRICT 509-J
Jefferson County, Oregon**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
OTHER POSTEMPLOYMENT BENEFIT LIABILITY (ASSET) - RHIA**

YEARS ENDED JUNE 30,

	(a) Employer's proportion of the OPEB liability (asset)	(b) Employer's proportionate share of the OPEB liability (asset)	(c) CAL's covered payroll	(b/c) OPL(A) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.17291765	(72,166)	17,983,977	(0.4)	(108.90)
2017	0.17544888 %	\$ 47,645	\$ 17,076,143	0.3 %	94.20 %

Notes to RSI

Schedule will be reported on a prospective basis for 10-years as information prior to June 30, 2017 was not available.

SCHOOL DISTRICT 509-J
Jefferson County, Oregon

SCHEDULE OF CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS - RHIA PLAN

YEAR ENDED JUNE 30, 2018

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2018	\$ 80,588	\$ 80,588	\$	\$ 18,741,483	0.43%
2017	76,944	76,944		17,983,977	0.43%

Notes to RSI

Schedule will be reported on a prospective basis for 10-years as information prior to June 30, 2017 was not available.

SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

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

YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actuals			Variance with Final Budget Over (Under)
	Adopted	Final	Budget Basis	Adjustments	GAAP Basis	
Revenues						
Property taxes	\$ 2,491,600	\$ 2,491,600	\$ 2,493,078	\$	\$ 2,493,078	\$ 1,478
Investment earnings	9,275	9,275	25,420		25,420	16,145
Total revenues	<u>2,500,875</u>	<u>2,500,875</u>	<u>2,518,498</u>		<u>2,518,498</u>	<u>17,623</u>
Expenditures						
Current						
Debt service	3,849,764	3,849,764	3,849,121	(3,849,121)		(643)
Principal				1,585,195	1,585,195	
Interest				2,263,926	2,263,926	
Total expenditures	<u>3,849,764</u>	<u>3,849,764</u>	<u>3,849,121</u>		<u>3,849,121</u>	<u>(643)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,348,889)</u>	<u>(1,348,889)</u>	<u>(1,330,623)</u>		<u>(1,330,623)</u>	<u>18,266</u>
Other financing sources (uses)						
Operating transfers in	<u>1,143,207</u>	<u>1,143,207</u>	<u>1,142,565</u>		<u>1,142,565</u>	<u>(642)</u>
Net change in fund balance	(205,682)	(205,682)	(188,058)		(188,058)	17,624
Fund balance - beginning of year	<u>237,600</u>	<u>237,600</u>	<u>218,793</u>		<u>218,793</u>	<u>(18,807)</u>
Fund balance - end of year	<u>\$ 31,918</u>	<u>\$ 31,918</u>	<u>\$ 30,735</u>	<u>\$</u>	<u>\$ 30,735</u>	<u>\$ (1,183)</u>

The adjustments column represents differences between Budget and GAAP basis of accounting. Oregon local budget law requires budgeting at the functional level, whereas GAAP requires additional classifications into principal and interest.

SCHOOL DISTRICT NO.509J
Jefferson County, Oregon

COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES
GENERAL FUND SUB FUNDS

JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

<u>ASSETS</u>	100 - General Operations	101 - Bus Purchase	102 - Employee Wellness	104 - Warm Springs Housing	105 - PAC Fund	107 - Technology Replacement Fund
Cash and investments	\$ 8,034,066	\$ 1,379,892	\$ 21,591	\$ 100,932	\$ 59,005	\$ 385,030
Receivables						
Property taxes	210,997					
Other	901,320				5,989	
Due from other funds	710,733					
Total assets	\$ 9,857,116	\$ 1,379,892	\$ 21,591	\$ 100,932	\$ 64,994	\$ 385,030
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities						
Accounts payable	\$ 165,702	\$	\$	\$ 319	\$ 3,295	\$ 3,000
Accrued payroll liability	1,642,733		76		5,568	
Other current liabilities						
Tenant deposit				1,875		
Total liabilities	1,808,435		76	2,194	8,863	3,000
<u>DEFERRED INFLOWS</u>						
Unavailable property taxes	191,924					
Unearned revenue	339,378			4,260		
Total deferred inflows	531,302			4,260		
<u>FUND BALANCES</u>						
Committed to:						
Bus replacement		1,379,892				
Equipment replacement						
Employee Wellness			21,515			
Maintenance projects						
Performing arts center fund					56,131	
Stabilization of general fund						
Technology replacement plan fund						382,030
Textbook replacement plan fund						
Warm Springs housing				94,478		
Warm Springs school construction						
Assigned to:						
Appropriated ending fund balance	3,352,273					
Unassigned	4,165,106					
Total fund balances	7,517,379	1,379,892	21,515	94,478	56,131	382,030
Total liabilities, deferred inflows and fund balances	\$ 9,857,116	\$ 1,379,892	\$ 21,591	\$ 100,932	\$ 64,994	\$ 385,030

SCHOOL DISTRICT NO.509J
Jefferson County, Oregon

COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES
GENERAL FUND SUB FUNDS

JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

<u>ASSETS</u>	108 - Textbook Replacement Fund	109 - Equipment Fund	110 - Maintenance Projects	111 - PERS Bond Reserve
Cash and investments	\$ 966,733	\$ 533,379	\$ 1,262,538	\$ 1,010,000
Receivables				
Property taxes				
Other		5,942	5,575	
Due from other funds				
Total assets	\$ 966,733	\$ 539,321	\$ 1,268,113	\$ 1,010,000
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$	\$ 5,711	\$ 7,567	\$
Accrued payroll liability				
Other current liabilities				
Tenant deposit				
Total liabilities		5,711	7,567	
<u>DEFERRED INFLOWS</u>				
Deferred revenues				
Unearned revenue				
Total deferred inflows				
<u>FUND BALANCES</u>				
Committed to:				
Bus replacement				
Equipment replacement		533,610		
Employee Wellness				
Maintenance projects			1,260,546	
Performing arts center fund				
PERS reserve fund				1,010,000
Technology replacement plan fund				
Textbook replacement plan fund	966,733			
Warm Springs housing				
Warm Springs school construction				
Assigned to:				
Appropriated ending fund balance				
Unassigned				
Total fund balances	966,733	533,610	1,260,546	1,010,000
Total liabilities, deferred inflows and fund balances	\$ 966,733	\$ 539,321	\$ 1,268,113	\$ 1,010,000

SCHOOL DISTRICT NO.509J
Jefferson County, Oregon

COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES
GENERAL FUND SUB FUNDS

JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

<u>ASSETS</u>	119 -Warm Springs Facility	<u>Total</u>	
		2017	2016
Cash and investments	\$ 426,334	\$ 14,179,499	\$ 12,317,174
Receivables			
Property taxes		210,997	239,022
Other		918,826	241,460
Due from other funds		710,733	529,714
		<hr/>	<hr/>
Total assets	<u>\$ 426,334</u>	<u>\$ 16,020,055</u>	<u>\$ 13,327,370</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$	\$ 185,594	\$ 285,014
Accrued payroll liability		1,648,377	1,535,221
Other current liabilities			991,215
Tenant deposit		1,875	1,125
		<hr/>	<hr/>
Total liabilities		1,835,846	2,812,575
 <u>DEFERRED INFLOWS</u>			
Unavailable property taxes		191,924	198,531
Unearned revenue		343,637	4,015
		<hr/>	<hr/>
Total deferred inflows		535,561	202,546
 <u>FUND BALANCES</u>			
Committed to:			
Bus replacement		1,379,892	972,653
Equipment replacement		533,610	426,132
Employee wellness		21,515	14,534
Maintenance projects		1,260,546	869,584
Performing arts center fund		56,131	9,000
Stabilization of general fund		1,010,000	667,812
Technology replacement plan fund		382,030	150,395
Textbook replacement plan fund		966,733	700,192
Warm Springs housing		94,478	68,004
Warm Springs school construction	426,334	426,334	426,334
Assigned to:			
Appropriated ending fund balance		3,352,273	3,166,757
Unassigned		4,165,106	2,840,852
		<hr/>	<hr/>
Total fund balances	426,334	13,648,648	10,312,249
 Total liabilities, deferred inflows and fund balances			
	<u>\$ 426,334</u>	<u>\$ 16,020,055</u>	<u>\$ 13,327,370</u>

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND SUB FUNDS

YEAR ENDED JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

	100 - General Operations	101 - Bus Purchase	102 - Employee Wellness	104 - Warm Springs Housing	105 - PAC Fund	107 - Technology Replacement Fund
<u>Revenues</u>						
Property taxes	\$ 4,325,640	\$	\$	\$	\$	\$
Interest	286,747					
Admissions	21,136					
Other local sources	1,666,767		660	24,483	19,848	122,035
Intermediate sources	91,301					
State sources	26,703,709	174,535				
Federal sources	2,765,687					
Total revenues	35,860,987	174,535	660	24,483	19,848	122,035
<u>Expenditures</u>						
Current						
Instruction	18,777,153					
Support services	12,994,234		8,679	5,273	73,238	158,036
Enterprise and community services	30,510				71,564	
Capital outlay	11,863	320,611				
Total expenditures	31,813,760	320,611	8,679	5,273	144,802	158,036
Excess (deficiency) of revenues over (under) expenditures	4,047,227	(146,076)	(8,019)	19,210	(124,954)	(36,001)
Other financing sources (uses)						
Operating transfers in		410,000	10,000		150,500	124,400
Operating transfers out	(2,894,143)					
Gain on sale of capital assets						
Total other financing sources and (uses)	(2,894,143)	410,000	10,000		150,500	124,400
Net change in fund balance	1,153,084	263,924	1,981	19,210	25,546	88,399
End balance - beginning of year	6,364,296	1,115,968	19,534	75,269	30,585	293,631
End balance - end of year	\$ 7,517,380	\$ 1,379,892	\$ 21,515	\$ 94,478	\$ 56,131	\$ 382,030
	7,517,379	1,379,892	21,515	94,478	56,131	382,030
	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND SUB FUNDS

YEAR ENDED JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

	108 - Textbook Replacement Fund	109 - Equipment Replacement Fund	110 - Maint and Repair Projects	111- PERS Bond Reserve
<u>Revenues</u>				
Property taxes	\$	\$	\$	\$
Interest				
Admissions				
Other local sources				
Intermediate sources			75,308	
State sources				
Federal sources		2,653		
		<hr/>		
Total revenues		2,653	75,308	
		<hr/>	<hr/>	
<u>Expenditures</u>				
Current				
Instruction	270,642			
Support services	10,566	6,566	44,135	
Enterprise and community services				
Facilities acquisition and construction			83,102	
Capital outlay		75,941		
		<hr/>		
Total expenditures	281,208	82,507	127,237	
	<hr/>	<hr/>	<hr/>	
Excess (deficiency) of revenues over (under) expenditures	(281,208)	(79,854)	(51,929)	
	<hr/>	<hr/>	<hr/>	
Other financing sources (uses)				
Operating transfers in	485,000	120,000	285,000	
Operating transfers out				
Gain on sale of capital assets		22,859		
		<hr/>		
Total other financing sources and (uses)	485,000	142,859	285,000	
	<hr/>	<hr/>	<hr/>	
Net change in fund balance	203,792	63,005	233,071	
Fund balance - beginning of year	762,941	470,605	1,027,475	1,010,000
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance - end of year	\$ 966,733	\$ 533,610	\$ 1,260,546	\$ 1,010,000
	<hr/>	<hr/>	<hr/>	<hr/>
	966,733	533,610	1,260,546	1,010,000

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND SUB FUNDS

YEAR ENDED JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

	119 - Warm Springs Facility	Total	
		2018	2017
<u>Revenues</u>			
Property taxes	\$	\$ 4,325,640	\$ 4,202,015
Interest		286,747	160,413
Admissions		21,136	13,212
Other local sources		1,833,795	1,634,143
Intermediate sources		166,610	142,193
State sources		26,878,245	25,101,191
Federal sources		2,768,339	2,917,574
		<hr/>	<hr/>
Total revenues		36,280,512	34,170,741
<u>Expenditures</u>			
Current			
Instruction		19,047,796	18,191,366
Support services		13,300,728	12,857,921
Enterprise and community services		102,074	87,164
Facilities acquisition and construction		83,103	23,516
Capital outlay		408,416	464,162
		<hr/>	<hr/>
Total expenditures		32,942,117	31,624,129
Excess (deficiency) of revenues over (under) expenditures		<hr/>	<hr/>
		3,338,395	2,546,612
Other financing sources (uses)			
Operating transfers in		1,584,900	1,397,724
Operating transfers out		(2,894,143)	(2,659,947)
Gain on sale of capital assets		22,859	
		<hr/>	<hr/>
Total other financing sources and (uses)		(1,286,384)	(1,262,224)
Net change in fund balance		2,052,011	1,284,389
Fund balance - beginning of year	426,334	11,596,638	10,312,249
	<hr/>	<hr/>	<hr/>
Fund balance - end of year	\$ 426,334	\$ 13,648,648	\$ 11,596,638
	<hr/>	<hr/>	<hr/>

SCHOOL DISTRICT NO.509J
Jefferson County, Oregon

COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES
SPECIAL REVENUE FUND SUB FUNDS

JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

<u>ASSETS</u>	203 - Title 1A: Grant to LEAs	205 - Title VII: Indian Education	211 -District Improvement	212 - WS K-8 School Improvement Grant	213 - IDEA	216 - Title III: English Language Acquisition
Cash and investments	\$	\$	\$	\$	\$	\$
Receivables - reimbursement claims	324,611	37,438	22,652	5,996 9,364	124,228	18,333
Inventory						
Total assets	\$ 324,611	\$ 37,438	\$ 22,652	\$ 15,360	\$ 124,228	\$ 18,333
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities						
Accounts payable	\$ 107	\$	\$	\$	\$ 52,348	\$
Accrued payroll liability	107,805	19,182	1,054	15,360	67,651	9,751
Deposits						
Due to other funds	216,699	18,256	21,598		4,229	8,582
Total liabilities	324,611	37,438	22,652	15,360	124,228	18,333
<u>DEFERRED INFLOWS</u>						
Deferred Revenues						
<u>FUND BALANCES</u>						
Nonspendable:						
Inventory and prepaid expenses						
Restricted for:						
Federal Programs						
State and local grants and donations						
Committed to:						
Student Activities						
Assigned for:						
Onsite child care						
Total fund balances						
Total liabilities, fund balances and deferred inflows	\$ 324,611	\$ 37,438	\$ 22,652	\$ 15,360	\$ 124,228	\$ 18,333

SCHOOL DISTRICT NO.509J
Jefferson County, Oregon

COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES
SPECIAL REVENUE FUND SUB FUNDS

JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

<u>ASSETS</u>	217 - Elementary Counseling Grant	218 - Indian Demonstration Grant	222 - Smile Program	223 - Youth Development Program	226 - Title X: McKinney Vento	227 - Title 1-C Migrant Education	232 - Onsite Child Care
Cash and investments	\$	\$	\$	\$	\$	\$	\$
Receivables - reimbursement claims	51,337	6,083	1,655	116,321	3,912	6,479	73,348
Inventory							232
Total assets	\$ 51,337	\$ 6,083	\$ 1,655	\$ 116,321	\$ 3,912	\$ 6,479	\$ 73,580
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities							
Accounts payable	\$ 22	\$ 220	\$	\$ 48,552	\$	\$	\$
Accrued payroll liability	21,318	814	386	19,918	149		12,873
Deposits							
Due to other funds	29,997	5,049	1,269	47,851	3,763	6,479	
Total liabilities	51,337	6,083	1,655	116,321	3,912	6,479	12,873
<u>DEFERRED INFLOWS</u>							
Deferred Revenues							
<u>FUND BALANCES</u>							
Nonspendable:							
Inventory and prepaid expenses							
Restricted for:							
Federal Programs							
State and local grants and donations							
Committed to:							
Student Activities							
Assigned for:							
Onsite child care							60,707
Total fund balances							60,707
Total liabilities, fund balances and deferred inflows	\$ 51,337	\$ 6,083	\$ 1,655	\$ 116,321	\$ 3,912	\$ 6,479	\$ 73,580

SCHOOL DISTRICT NO.509J
Jefferson County, Oregon

COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES
SPECIAL REVENUE FUND SUB FUNDS

JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

	234 - HDESD Grants	235 - ODE State Grants	236 - Measure 98	237 - Outdoor School	242 - Miscellaneous State & Local Grants	249 - School Enrichment Fund	258 -Title VI- B: Rural Education Achievement	260 - Summer Nutrition Program
ASSETS								
Cash and investments	\$	\$	\$	\$	\$	\$	\$	\$
Receivables - reimbursement claims	49,915	217,990	86,826	33,366	101,203	57,876	1,759	18,981
Inventory								12,729
Total assets	\$ 49,915	\$ 217,990	\$ 86,826	\$ 33,366	\$ 101,203	\$ 57,876	\$ 1,759	\$ 31,710
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$	\$ 3,273	\$	\$	\$ 1,413	\$ 669	\$	\$ 878
Accrued payroll liability	3,250	19,415	30,672		221		111	5,350
Deposits								
Due to other funds	45,164	195,302	56,154	33,366			1,648	
Total liabilities	48,414	217,990	86,826	33,366	1,634	669	1,759	6,228
DEFERRED INFLOWS								
Deferred Revenues	1,500				99,569			
FUND BALANCES								
Nonspendable:								
Inventory and prepaid expenses								
Restricted for:								
Federal Programs								
State and local grants and donations								
Committed to:								
Student Activities								
Assigned for:								
Onsite child care								
Total fund balances						57,207		25,483
Total liabilities, fund balances and deferred inflows	\$ 49,914	\$ 217,990	\$ 86,826	\$ 33,366	\$ 101,203	\$ 57,876	\$ 1,759	\$ 31,711

SCHOOL DISTRICT NO.509J
Jefferson County, Oregon

COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES
SPECIAL REVENUE FUND SUB FUNDS

JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

	261 - Title II-A: Quality Teacher's Fund	262 - Student Body Funds	265 - Classroom Mini Grants	270- Student After School Meals	280 - Food Services	290 - Donations	Total	
							2018	2017
ASSETS								
Cash and investments								
Receivables - reimbursement claims	38,008	178,544	2,752	58,286	153,423	18,938	669,349	467,126
Inventory				2,048	53,808		1,219,091	1,127,565
					30,171		30,171	24,005
Total assets	<u>\$ 38,008</u>	<u>\$ 178,544</u>	<u>\$ 2,752</u>	<u>\$ 60,334</u>	<u>\$ 237,402</u>	<u>\$ 18,938</u>	<u>\$ 1,918,611</u>	<u>\$ 1,618,697</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	8,387				6,963		122,833	111,904
Accrued payroll liability	14,293			2,083	160,023		511,678	477,064
Deposits								1,203
Due to other funds	15,328						710,733	500,133
Total liabilities	<u>38,008</u>			<u>2,083</u>	<u>166,986</u>		<u>1,345,244</u>	<u>1,090,304</u>
DEFERRED INFLOWS								
Unearned revenue			2,752			16,309	120,130	133,734
FUND BALANCES								
Nonspendable:								
Inventory and prepaid expenses					30,171		30,171	24,005
Restricted for:								
Federal Programs				57,325	41,171		123,979	95,757
State and local grants and donations						2,629	2,629	2,488
Committed to:								
Student Activities		178,544					235,751	212,875
Assigned for:								
Onsite child care							60,707	59,534
Total fund balances		<u>178,544</u>		<u>57,325</u>	<u>71,342</u>	<u>2,629</u>	<u>453,237</u>	<u>394,659</u>
Total liabilities, fund balances and deferred inflows	<u>\$ 38,008</u>	<u>\$ 178,544</u>	<u>\$ 2,752</u>	<u>\$ 59,408</u>	<u>\$ 238,328</u>	<u>\$ 18,938</u>	<u>\$ 1,918,611</u>	<u>\$ 1,618,697</u>

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE:
SPECIAL REVENUE FUND SUB FUNDS

YEAR ENDED JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

	203 - Title 1A: Grant to LEAs	205 - Title VII: Indian Education	206 - Johnson O'Malley	211 - District Improvement	212 - WS K-8 School Improvement	213 - IDEA	216 - Title III: English Language
Revenues							
Other local sources:	\$	\$	\$ 2,500	\$	\$	\$	\$
Intermediate sources:							
State sources							
Federal sources	1,226,423	202,636		37,081	166,894	545,560	105,629
Total revenues	1,226,423	202,636	2,500	37,081	166,894	545,560	105,629
Expenditures							
Current							
Instruction	757,105	133,328			137,932	400,186	10,932
Support services	450,124	69,308	8,928	36,637	28,962	145,374	14,125
Enterprise and community service	19,194			444			80,572
Capital outlay							
Total expenditures	1,226,423	202,636	8,928	37,081	166,894	545,560	105,629
Excess (deficiency) of revenue: over (under) expenditure:			(6,428)				
Other financing sources (uses)							
Operating transfers ii			6,428				
Total other financing sources and (uses)			6,428				
Net change in fund balance							
Fund balance - beginning of year							
Fund balance - end of year	\$	\$	\$	\$	\$	\$	\$

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE:
SPECIAL REVENUE FUND SUB FUNDS

YEAR ENDED JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

	217 - Elementary Counseling Grant	218 - Indian Demonstration Grant	222 - Smile Program	223 - Youth Development Program	226 - Title X: McKinney Vento	227 - Title 1-C Migrant Education	232 - Onsite Child Care
Revenues							
Other local sources:	\$	\$	\$	\$	\$	\$	\$ 52,224
Intermediate sources:							
State sources:			11,175				7,114
Federal sources:	246,094	179,586		202,638	12,152	31,573	937
Total revenues	<u>246,094</u>	<u>179,586</u>	<u>11,175</u>	<u>202,638</u>	<u>12,152</u>	<u>31,573</u>	<u>60,275</u>
Expenditures							
Current							
Instruction		89,809	15,877	193,322		23,940	
Support services	234,094	81,725	1,272	9,316	12,152	7,633	
Enterprise and community service		8,052					110,252
Facilities acquisition and construction							
Capital outlay	12,000						
Total expenditures	<u>246,094</u>	<u>179,586</u>	<u>17,149</u>	<u>202,638</u>	<u>12,152</u>	<u>31,573</u>	<u>110,252</u>
Excess (deficiency) of revenue: over (under) expenditures:			<u>(5,974)</u>				<u>(49,977)</u>
Other financing sources (uses)							
Operating transfers in			5,974				51,150
Total other financing sources and (uses)			<u>5,974</u>				<u>51,150</u>
Net change in fund balance:							1,173
Fund balance - beginning of year							59,534
Fund balance - end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 60,707</u>

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUND SUB FUNDS

YEAR ENDED JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

	234 - HDESD Grants	235 - ODE State Grants	236 - Measure 98	237 - Outdoor School	242 - Miscellaneous State & Local	249 - School Enrichment Fund	258 -Title VI-B: Rural Education Achievement	260 - Summer Nutrition Program
<u>Revenues</u>								
Other local sources	\$ 4,478	\$	\$	\$	\$ 186,012	\$ 45,438	\$	\$
Intermediate sources		6,356						
State sources	78,150	670,969	402,245	33,366				1,171
Federal sources	3,124						75,583	76,872
Total revenues	85,752	677,325	402,245	33,366	186,012	45,438	75,583	78,043
<u>Expenditures</u>								
Current								
Instruction	4,478	241,099	326,410	33,366	173,778	31,769	65,048	
Support services	81,274	330,456	70,054		11,735	327	6,660	
Enterprise and community services		75,080			499		3,875	77,029
Facilities acquisition and construction								
Capital outlay		30,690	5,781					
Total expenditures	85,752	677,325	402,245	33,366	186,012	32,096	75,583	77,029
Excess (deficiency) of revenues over (under) expenditures						13,342		1,014
<u>Other financing sources (uses)</u>								
Operating transfers in								
Total other financing sources and (uses)								
Net change in fund balance						13,342		1,014
Fund balance - beginning of year						43,865		24,468
Fund balance - end of year	\$	\$	\$	\$	\$	\$ 57,207	\$	\$ 25,482

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUND SUB FUNDS

YEAR ENDED JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

	261 - Title	262 -	265 -	270- Student	280 - Food	290 -	Total	
	II-A: Quality	Student Body Funds	Classroom Mini Grants	After School Meals	Services	Donations	2018	2017
Revenues								
Other local sources	\$	\$ 405,285	\$ 2,749	\$	\$ 31,742	\$ 9,002	\$ 739,431	\$ 600,801
Intermediate sources							6,356	10,745
State sources					16,875		1,221,062	519,647
Federal sources	176,432			43,327	2,042,454		5,374,998	5,353,831
Total revenues	<u>176,432</u>	<u>405,285</u>	<u>2,749</u>	<u>43,327</u>	<u>2,091,071</u>	<u>9,002</u>	<u>7,341,847</u>	<u>6,485,024</u>
Expenditures								
Current								
Instruction		394,560	2,707			8,861	3,044,509	2,470,489
Support services	176,432		42				1,776,628	1,588,039
Enterprise and community service				36,295	2,167,855		2,579,148	2,422,906
Capital outlay		1,191					49,662	98,734
Total expenditures	<u>176,432</u>	<u>395,751</u>	<u>2,749</u>	<u>36,295</u>	<u>2,167,855</u>	<u>8,861</u>	<u>7,449,947</u>	<u>6,580,168</u>
Excess (deficiency) of revenue: over (under) expenditures:		9,534		7,032	(76,784)	141	(108,100)	(95,144)
Other financing sources (uses) Operating transfers in					103,126		166,678	182,635
Total other financing sources and (uses)					<u>103,126</u>		<u>166,678</u>	<u>182,635</u>
Net change in fund balance		9,534		7,032	26,342	141	58,578	87,491
Fund balance - beginning of year		169,010		50,293	45,000	2,488	394,659	307,168
Fund balance - end of year	<u>\$</u>	<u>\$ 178,544</u>	<u>\$</u>	<u>\$ 57,325</u>	<u>\$ 71,342</u>	<u>\$ 2,629</u>	<u>453,236</u>	<u>394,659</u>

SCHOOL DISTRICT NO.509J
Jefferson County, Oregon

COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES
DEBT SERVICE FUND SUB FUNDS

JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

<u>ASSETS</u>	303 - PERS	304 - 2013 GO	Total	
	Bonds	Bonds	2018	2017
Cash and investments	\$ 16,821	\$ 2,817	\$ 19,638	\$ 200,717
Receivables				
Property taxes		121,582	121,582	122,008
Total assets	<u>\$ 16,821</u>	<u>\$ 124,399</u>	<u>\$ 141,220</u>	<u>\$ 322,725</u>
<u>DEFERRED INFLOWS</u>				
Unavailable property taxes		110,485	110,485	103,932
Total deferred inflows		<u>110,485</u>	<u>110,485</u>	<u>103,932</u>
<u>FUND BALANCES</u>				
Restricted for:				
Debt Service	16,821	13,914	30,735	218,793
Total fund balances	<u>16,821</u>	<u>13,914</u>	<u>30,735</u>	<u>218,793</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 16,821</u>	<u>\$ 124,399</u>	<u>\$ 141,220</u>	<u>\$ 322,725</u>

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUND SUB FUNDS

YEAR ENDED JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

	303 - PERS	304 - 2013 GO	Total	
	Bonds	Bonds	2018	2017
<u>Revenues</u>				
Property taxes	\$	\$ 2,493,078	\$ 2,493,078	\$ 2,359,331
Interest	10,657	14,764	25,420	16,934
Total revenues	10,657	2,507,842	2,518,498	2,376,265
<u>Expenditures</u>				
Principal	260,195	1,325,000	1,585,195	1,504,343
Interest	882,370	1,381,556	2,263,926	2,225,801
Total expenditures	1,142,565	2,706,556	3,849,121	3,730,144
Excess (deficiency) of revenues over (under) expenditures	(1,131,908)	(198,714)	(1,330,623)	(1,353,879)
Other financing sources (uses)				
Operating transfers in	1,142,565		1,142,565	1,079,589
Total other financing sources and (uses)	1,142,565		1,142,565	1,079,589
Net change in fund balance	10,657	(198,714)	(188,058)	(274,290)
Fund balance - beginning of year	6,164	212,629	218,793	493,083
Fund balance - end of year	\$ 16,821	\$ 13,914	\$ 30,735	\$ 218,793

OTHER FINANCIAL SCHEDULES

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

SCHEDULE OF FUTURE MATURITIES - BOND AND BOND INTEREST

JUNE 30, 2018

Year of Maturity	Total	Issue Date October 31, 2002		Issue Date January 31, 2012		Issue Date May 23, 2013		Issue Date July 23, 2013	
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018-19	\$ 3,961,263	\$ 262,344	\$ 911,162	\$ -	\$ 24,200	\$ 1,370,000	\$ 841,019	\$ 65,000	\$ 487,538
2019-20	4,082,164	266,351	972,156		24,200	1,475,000	779,519	80,000	484,938
2020-21	4,244,963	-	468,507	880,000	24,200	1,580,000	720,519	90,000	481,738
2021-22	4,343,963	945,000	468,507			1,690,000	657,319	105,000	478,138
2022-23	3,984,777	1,065,000	416,721			815,000	584,119	630,000	473,938
2023-24	4,098,508	1,195,000	358,252			875,000	551,519	670,000	448,737
2024-25	4,229,937	1,340,000	291,930			945,000	507,769	730,000	415,238
2025-26	4,356,816	1,490,000	217,560			1,025,000	460,519	785,000	378,737
2026-27	4,493,622	1,655,000	134,865			1,105,000	409,269	850,000	339,488
2027-28	3,571,119	775,000	43,013			1,170,000	376,119	910,000	296,987
2028-29	2,810,807					1,255,000	329,319	975,000	251,488
2029-30	2,867,837					1,315,000	290,100	1,060,000	202,737
2030-31	2,922,238					1,410,000	227,500	1,135,000	149,738
2031-32	2,984,918					1,515,000	157,000	1,210,000	102,918
2032-33	3,044,256					1,625,000	81,250	1,285,000	53,006
	<u>\$ 55,997,187</u>	<u>\$ 8,993,695</u>	<u>\$ 4,282,674</u>	<u>\$ 880,000</u>	<u>\$ 72,600</u>	<u>\$ 19,170,000</u>	<u>\$ 6,972,858</u>	<u>\$ 10,580,000</u>	<u>\$ 5,045,362</u>

**SUPPLEMENTARY INFORMATION REQUIRED
BY OREGON DEPARTMENT OF EDUCATION**

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

SUPPLEMENTAL INFORMATION FOR DEPARTMENT OF EDUCATION

YEAR ENDED JUNE 30, 2018

Item A	Energy bills for heating		Objects 325, 326 & 327
	All Funds	Function	\$ 684,211
		2540	\$ 684,211
		2550	\$ 11,051
Item B	Replacement of Equipment - General Fund In object 542 except for excluded functions		

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

REVENUE SUMMARY

YEAR ENDED JUNE 30, 2018

	<u>Fund 100</u>	<u>Fund 200</u>	<u>Fund 300</u>	<u>Total</u>
<u>Local Sources</u>				
1110 Ad Valorem Taxes Levied By District	\$ 4,325,640	\$	\$ 2,493,078	\$ 6,818,718
1300 Tuition	35,840			35,840
1415 Transportation Fees from Within District	117,392			117,392
1500 Earnings on Investments	286,747		25,420	312,167
1600 Food Service		15,865		15,865
1700 Extra-Curricular Activities	21,136			21,136
1800 Childcare		52,224		52,224
1910 Rentals	69,416			69,416
1920 Contributions and Donations	100	200,263		200,363
1980 Federal Indirect Cost	139,402			139,402
1990 Miscellaneous	1,471,644	471,079		1,942,723
Total Revenue from Local Sources	<u>6,467,317</u>	<u>739,431</u>	<u>2,518,499</u>	<u>9,725,246</u>
<u>Intermediate Sources</u>				
2101 County School Funds	91,301			91,301
2200 Restricted Revenue	75,308	6,356		81,664
Total Revenue from Intermediate Sources	<u>166,610</u>	<u>6,356</u>		<u>172,965</u>
<u>State Sources</u>				
3101 State School Fund-General Support	26,623,934	16,875		26,640,811
3103 Common School Fund	254,311			254,311
3200 Restricted Grants-In-Aid		1,204,187		1,204,187
Total Revenue from State Sources	<u>26,878,245</u>	<u>1,221,063</u>		<u>28,099,307</u>
<u>Federal Sources</u>				
1414 Foster Care Transportation	4,484			4,484
4300 Restricted Revenue Direct From Federal	30,402	628,317		658,719
4500 Restricted Revenue Through the State		4,596,251		4,596,251
4700 Grants-In-Aid From the Federal	3,127	24,124		27,250
4801 Federal Forest Fees				
4802 Impact Aid to School Districts	2,727,674			2,727,674
4900 Revenue for/on Behalf of the District	2,653	126,306		128,960
Total Revenue from Federal Sources	<u>2,768,339</u>	<u>5,374,998</u>		<u>8,143,337</u>
<u>Other Sources</u>				
5100 Long Term Debt Financing Sources				
5120 Premiums on Sale of Bonds				
5200 Interfund Transfers	1,584,900	166,678	1,142,565	2,894,143
5300 Sale of Fixed Assets	22,859			22,859
5400 Resources - Beginning Fund Balance	11,596,638	394,659	218,793	12,210,090
Total Revenue from Other Sources	<u>13,204,397</u>	<u>561,337</u>	<u>1,361,358</u>	<u>15,127,092</u>
Grand Totals	<u>\$ 49,484,907</u>	<u>\$ 7,903,185</u>	<u>\$ 3,879,856</u>	<u>\$ 61,267,949</u>

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

GENERAL FUND (100)
EXPENDITURE SUMMARY

YEAR ENDED JUNE 30, 2018

Instruction	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary Education	\$ 6,928,016	\$ 4,266,494	\$ 2,393,234	\$ 71,298	\$ 191,352		\$ 5,638	\$
1121 Middle/Junior High Program	2,851,913	1,708,207	978,787	19,025	145,619		275	
1122 Middle/Junior High School Extracurricul	186,700	118,904	38,959	8,372	4,249	15,210	1,006	
1131 High School Program	2,955,437	1,829,594	931,096	45,496	111,071	36,432	1,748	
1132 High School Extra-curricula	537,287	320,485	119,636	59,944	28,237		8,985	
1210 Programs for the Talented and Gifte	58,772	34,559	20,901	116	3,196			
1220 Programs for the Students with Mental Disabilitie	1,546,241	943,238	600,092		2,911			
1221 Programs for the Students with Mental Disabilitie	424	376	49					
1223 Community Transition Cente	196,033	109,145	44,783	1,699			40,406	
1227 Extended school year instructioi	26,956	19,852	6,745		360			
1229 Behavioral Program	472,733	317,229	154,109	189	1,208			
1250 Less Restrictive Programs fro Students with Disabilitie	1,562,820	985,246	565,978	750	10,846			
1283 District Alternative Education	639,870	340,082	185,277	94,093	20,418			
1291 English Second Language Program	1,134,629	698,990	430,555		5,084			
1460 Special Programs, Summer Schoc	1,606	1,200	406					
1296 Indian Educator								
Total Instruction	19,099,438	11,693,601	6,470,605	300,982	524,550	51,642	58,058	
Support Services								
2112 Attendance Services	58,490	32,786	25,704					
2114 Student Accounting Service	206,402	128,765	76,736		900			
2115 Student Safety	90,927			90,927				
2122 Counseling Services	719,619	466,040	250,015	1,952	1,612			
2130 Health Services	160,937	83,652	54,924	1,137	13,310	7,676	239	
2150 Speech Pathology and Audiology Service								
2160 Other Student Treatment Service:	73,262			73,262				
2190 Service Direction: Student Support Service	248,847	127,776	70,035	47,472	2,520		1,045	
2211 Service Area Director	348,401	218,173	121,657	1,605	5,568		1,399	
2213 Curriculum Developmen	8,124	943	348		6,832			
2220 Educational Media Services:	398,240	213,539	153,118		31,346		237	
2230 Assessment and Testing	72,018	62,658	7,152		2,208			
2240 Instructional Staff Developmen	92,932	20,949	33,994	23,743	14,246			
2244 Administrative Staff Developmen	39,785		39,785					
2310 Board of Education Service	154,308			145,506	1,734		7,068	
2321 Office of Superintendent Service	416,956	260,012	100,095	49,789	5,912		1,148	
2329 Other Executive Administrative Service	56,612			47,747	8,865			
2410 Office of the Principal Service	2,553,585	1,547,479	846,219	73,959	74,796		11,132	
2520 Fiscal Services	535,708	292,379	143,739	36,559	60,756		2,275	
2528 Risk Management Service:	73,118						73,118	
2542 Care and Upkeep of Buildings Service	2,605,058	978,884	607,820	753,166	111,892	6,100	147,196	
2543 Care and Upkeep of Grounds Service	139,287	59,057	36,314	15,858	28,058			
2544 Maintenance	1,007,892	475,637	281,057	56,660	171,748	15,595	7,195	

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

GENERAL FUND (100)
EXPENDITURE SUMMARY

YEAR ENDED JUNE 30, 2018

	<u>Total</u>	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>	<u>Object 400</u>	<u>Object 500</u>	<u>Object 600</u>	<u>Object 700</u>
2546 Security Services	5,751			5,751				
2552 Student Transportation Services	2,326,293	958,823	695,018	49,184	274,659	320,611	27,998	
2572 Purchasing Services	31,869	15,210	10,102		6,556			
2573 Warehousing and Distributing Services	23,608	13,245	10,363					
2574 Printing, Purchasing and Duplicating Services	7,990			6,995	995			
2623 Evaluation Services								
2626 Grant Writing Services	20,891			20,891				
2633 Public Information Services	40,195			40,195				
2640 Personnel Services	458,180	270,338	119,455	19,765	47,070		1,553	
2642 Recruitment and Placement Services	9,549			2,991	378		6,180	
2645 Health Services	10,204	1,500	543	4,525	3,636			
2660 Technology Services	453,159	101,050	60,402	51,935	239,773			
2669 Other Technology Services	137,565			137,565				
2700 Supplemental Retirement Program	64,948	60,283	4,665					
Total Support Services	<u>13,650,708</u>	<u>6,389,178</u>	<u>3,749,259</u>	<u>1,759,139</u>	<u>1,115,369</u>	<u>349,982</u>	<u>287,781</u>	
<u>Enterprise and Community Services</u>								
3100 Food Services	6,792					6,792		
3320 Community Recreation Services	30,000			30,000				
3330 Civic Services	510			374	136			
3390 Other Community Services	71,565	39,215	29,984	969	1,398			
Total Enterprise and Community Services	<u>108,867</u>	<u>39,215</u>	<u>29,984</u>	<u>31,343</u>	<u>1,534</u>			
<u>Building acquisition and construction</u>								
4150 Building Acquisition-Major Add-on	83,102				15,283	67,819		
Total Enterprise and Community Services	<u>83,102</u>				<u>15,283</u>	<u>67,819</u>		
<u>Other Uses</u>								
5200 Transfer of Funds	2,894,144							2,894,144
Total Other Uses	<u>2,894,144</u>							<u>2,894,144</u>
Grand Totals	<u>\$ 35,836,259</u>	<u>\$ 18,121,994</u>	<u>\$ 10,249,847</u>	<u>\$ 2,091,464</u>	<u>\$ 1,656,736</u>	<u>\$ 469,443</u>	<u>\$ 345,839</u>	<u>\$ 2,894,144</u>

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

SPECIAL REVENUE FUNDS (200)
EXPENDITURE SUMMARY

YEAR ENDED JUNE 30, 2018

<u>Instruction</u>	<u>Total</u>	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>	<u>Object 400</u>	<u>Object 500</u>	<u>Object 600</u>	<u>Object 700</u>
1111 Primary (K-3)	\$ 46,286	\$	\$	\$ 58	\$ 46,228	\$	\$	\$
1113 Elementary Extra-curricula	5,296	3,400	1,148		594		154	
1121 Middle/Junior High Program	130,522	634	215	42,616	87,058			
1122 Middle/Junior High School Extracurricula	50,847	3,400	1,144		46,303			
1131 High School Program	490,375	190,658	124,951		127,022	36,471	11,273	
1132 High School Extra-curricula	377,438	4,113	1,357	20,000	350,777	1,191		
1220 Programs for the Students with Mental Disabilities	182,454	91,359	91,095					
1221 Programs for the Students with Mental Disabilities	4,478	3,965	514					
1223 Community Transition Center	205,619	65,842	44,392	94,714	671			
1229 Behavioral Program	78,909	36,888	42,020					
1250 Less Restrictive Programs for Students with Disabilities	17,323	13,637	3,686					
1260 Treatment and Rehabilitation	109,205			109,205				
1272 Title I-A Grants to LEA	889,128	581,481	288,501		19,146			
1283 District Alternative Education								
1291 English Second Language Program	31,144				31,144			
1296 Indian Education	229,038	89,586	58,605	80,846				
1420 Middle/Junior High Summer School	35,846				35,846			
1460 Special Programs Summer School	198,265	148,049	50,216					
Total Instruction	<u>3,082,171</u>	<u>1,233,013</u>	<u>707,843</u>	<u>347,439</u>	<u>744,787</u>	<u>37,662</u>	<u>11,427</u>	
Support Services								
2112 Attendance Services	68,029	48,775	19,254					
2119 Other Attendance and Social Work Service	21,716	14,237	4,817	1,362	1,208		93	
2122 Counselor Services	381,678	237,174	126,418	1,700	4,387	12,000		
2150 Speech Pathology & Audiology Service	55,796	29,416	26,380					
2160 Other Student Treatment Service	62,734			62,734				
2211 Service Area Director	519,484	338,859	156,969		1,159			
2240 Instructional Staff Development	490,500	140,266	51,948	290,596	7,690			
2410 Office of the Principal Service	19,573	14,446	4,736		391			
2552 Student Transportation Service	27,058			27,058				
2690 Other Support Services	139,402						139,402	
Total Support Services	<u>1,788,628</u>	<u>823,993</u>	<u>390,521</u>	<u>384,609</u>	<u>38,009</u>	<u>12,000</u>	<u>139,495</u>	

**SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon**

**SPECIAL REVENUE FUNDS (200)
EXPENDITURE SUMMARY**

YEAR ENDED JUNE 30, 2018

	<u>Total</u>	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>	<u>Object 400</u>	<u>Object 500</u>	<u>Object 600</u>	<u>Object 700</u>
<u>Enterprise and Community Services</u>								
3100 Food Services	2,282,163	675,633	530,139	22,999	1,051,655		1,737	
3330 Civil Services	172,170	85,280	58,833	1,410	26,646			
3390 Other Community Services	14,563	6,275	2,062	2,232	3,994			
3501 Child Care Provider Services	110,253	66,791	41,860		1,291		310	
Total Enterprise and Community Services	<u>2,579,148</u>	<u>833,979</u>	<u>632,894</u>	<u>26,641</u>	<u>1,083,586</u>		<u>2,047</u>	
Grand Totals	<u>\$ 7,449,947</u>	<u>\$ 2,890,986</u>	<u>\$ 1,731,259</u>	<u>\$ 758,689</u>	<u>\$ 1,866,382</u>	<u>\$ 49,662</u>	<u>\$ 152,969</u>	<u>\$</u>

**SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon**

**DEBT SERVICE FUND (300)
EXPENDITURE SUMMARY**

YEAR ENDED JUNE 30, 2018

	<u>Total</u>	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>	<u>Object 400</u>	<u>Object 500</u>	<u>Object 600</u>	<u>Object 700</u>
<u>Other Uses</u>								
5110 Debt Service	\$ 3,849,121	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ 3,849,121	\$ _____
Other Uses	<u>3,849,121</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>3,849,121</u>	<u>_____</u>
Grand Totals	<u>\$ 3,849,121</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 3,849,121</u>	<u>\$ _____</u>

**AUDITORS' COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
School District 509J
Jefferson County, Oregon

We have audited the basic financial statements of the School District No. 509J, Jefferson County, Oregon (the District) as of and for the year ended June 30, 2018, and have issued our report thereon dated September 17, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

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).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **State school fund factors and calculation.**

In connection with our testing nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, 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.

We noted certain matters that we have reported to management of the District in a separate letter dated September 17, 2018. We do not consider these matters to be significant deficiencies or material weaknesses.

This report is intended solely for the information and use of management, the Board of Directors and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these specified parties.



Brenda Bartlett, CPA
SGA Certified Public Accountants and Consultants, LLP
Bend, Oregon

September 17, 2018

SINGLE AUDIT COMPLIANCE

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
School District No. 509J
Jefferson County, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of School District No. 509J, Jefferson County, Oregon (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 17, 2018.

Internal Control over Financial Reporting

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 opinions 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS - continued**

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain immaterial matters that we have reported to management of the District in a separate letter dated September 17, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and is not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Brenda Bartlett, CPA
SGA Certified Public Accountants and Consultants, LLP
Bend, Oregon

September 17, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
School District No. 509J
Jefferson County, Oregon

Report on Compliance for Each Major Federal Program

We have audited School District No. 509J, Jefferson County, Oregon (the District's) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major federal program. However, our audit does not provide a legal determination on the District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2018.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
- continued**

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Brenda Bartlett, CPA
SGA Certified Public Accountants and Consultants, LLP
Bend, Oregon

September 17, 2018

**SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies? None reported

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

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

Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

<u>CFDA No(s).</u>	<u>Name of Federal Program or Cluster</u>
84.041	Impact Aid
93.667	Youth Transition Program

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

None reported.

**SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued

YEAR ENDED JUNE 30, 2018

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

JEFFERSON COUNTY SCHOOL DISTRICT 509-J
Jefferson County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor and Pass Through Agency/Program Title	CFDA Number	Pass Through Entity Number	Federal Expenditures	District Fund
<u>DEPARTMENT OF AGRICULTURE</u>				
Passed through Oregon Department of Education:				
School Breakfast Program	10.553		\$ 619,449	280
National School Lunch Program	10.555		1,299,625	280
National School Lunch - Commodities (Non-Cash Assistance)	10.555		122,454	280
Summer Food Service Program for Children	10.559		76,855	260
Total National School Lunch Program Cluster			2,118,383	
Child and Adult Care Food Program	10.558		43,326	270
USDA SAE Reallocation	10.560		943	
TOTAL DEPARTMENT OF AGRICULTURE			2,162,652	
<u>DEPARTMENT OF DEFENSE</u>				
Junior Reserve Officers' Training Corps	12.11JROTC		30,403	100
TOTAL DEPARTMENT OF DEFENSE			30,403	
<u>DEPARTMENT OF EDUCATION</u>				
Impact Aid	84.041	(1)	2,727,674	100
Indian Education Grants to Local Education Agencies	84.060		202,636	205
Indian Demonstration Grant	84.299A		179,587	218
Elementary Counseling Grant	84.215E		246,094	217
Passed through State Department of Education				
Title I Grants to Local Education Agencies	84.010	45615	1,024,685	203
		35995	9,472	203
		41079	192,266	203
School Improvement Grants		41882	1,498	211
		41876	2,930	211
District Improvement Grants		48291	10,000	211
		49021	22,652	211
Total Title I Grants to Local Agencies			1,263,503	
Special Education - Grants to States	84.027	41535	98,651	213
		44408	3,475	213
		45049	228	213
		45193	433,362	213
		46454	2,256	213
		48437	270	213
Special Education - Preschool Grant	84.173	45415	7,318	213
Total Special Education Grants to States Cluster			545,560	

The accompanying Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

JEFFERSON COUNTY SCHOOL DISTRICT 509-J
Jefferson County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor and Pass Through Agency/Program Title	CFDA Number	Pass Through Agency Number	Federal Expenditures	District Fund
Passed through State Department of Education (continued)				
Title VI Rural Education	84.358	37760	18,341	258
		42548	33,832	258
		47614	23,411	258
			<u>75,584</u>	
Title III English Language Acquisition Grant	84.365	36322	20,407	216
		41768	5,902	216
		44223	79,319	216
			<u>105,628</u>	
Title II-A Improving Teacher Quality State Grants	84.367	36192	18,821	261
		41334	16,393	261
		45830	141,218	261
			<u>176,432</u>	
Title I-A School Improvement Grants	84.377	42570	100,012	212
		46141	66,883	212
			<u>166,895</u>	
Student Support and Academic Enrichment	84.424	47743	10,573	227
Passed through education service districts				
Education of Migratory Children	84.011		21,000	227
Perkins	84.048		6,250	100
McKinney-Vento Homeless Assistance Act	84.196		12,152	226
			<u>39,402</u>	
TOTAL DEPARTMENT OF EDUCATION			<u>5,739,568</u>	
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Passed through Oregon Employment Department				
Child Care and Development Grant Discretionary	93.575		939	232
Passed through Oregon Children, Adults and Families				
Social Services Block Grant	93.667	154914 (1)	202,639	223
Foster Care Transportation	93.658	47435	4,484	100
			<u>207,123</u>	
TOTAL DEPT OF HEALTH AND HUMAN SERVICES			<u>208,062</u>	
<u>GENERAL SERVICES ADMINISTRATION</u>				
Passed through Oregon Employment Department (Non-Cash Assistance)	39.003		2,653	109
TOTAL GENERAL SERVICES ADMINISTRATION			<u>2,653</u>	
TOTALS			<u>\$ 8,143,337</u>	

Passed through to Heart of Oregon - \$49,122 and Culver \$33,592

(1) Tested as a major program

The accompanying Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

SCHOOL DISTRICT NO. 509J
Jefferson County, Oregon

NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the District's financial statements. The District uses the modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program.

NOTE 2 – FEDERAL INDIRECT COST RATE

The District elected not to use the 10% de minimus indirect cost rate, but rather uses a rate approved by the Oregon Department of Education each year. For fiscal year 17-18, the rate was 3.94%.

NOTE 3 – SCHOOLWIDE PROGRAMS

The District operates a schoolwide program in all of its elementary and middle school buildings. Using federal funding, a schoolwide program is designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the District in its schoolwide program: Title IA (84.010), \$1,263,504.

NOTE 4 – NON-CASH ASSISTANCE

The value of commodities reported on the schedule was the fair value of commodities received by the District in its National School Lunch Program as calculated by the USDA.

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