

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
Roseburg, Oregon**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2016
WITH
INDEPENDENT AUDITOR'S REPORT**



**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
ROSEBURG, OREGON
YEAR ENDED JUNE 30, 2016**

BOARD OF DIRECTORS AS OF JUNE 30, 2016

Rodney Cotton Roseburg, Oregon 97470	Chair
Charles Lee Roseburg, Oregon 97470	Vice-Chair
Dan Endicott Roseburg, Oregon 97471	Director
Joseph Garcia Roseburg, Oregon 97470	Director
Paul Meyer Roseburg, Oregon 97471	Director
Steve Patterson Roseburg, Oregon 97471	Director
Rev. Howard Johnson Winchester, Oregon 97495	Director

**Administrative Office:
1419 NW Valley View Drive
Roseburg, Oregon 97471**

ADMINISTRATIVE STAFF

Gerry Washburn	Superintendent
Cheryl Northam	Chief Operations Officer

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
ROSEBURG, OREGON
YEAR ENDED JUNE 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Douglas County School District No. 4
Roseburg, Oregon 97470

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Douglas County School District No. 4 (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 General 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, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress (other postemployment benefits), certain pension schedules, and the general fund and special revenue major governmental funds budgetary comparison 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 applied certain limited procedures to management's discussion and analysis, the schedule of funding progress (other postemployment benefits), and pension schedules 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 management's discussion and analysis, the schedule of funding progress (other postemployment benefits), and pension schedules because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The general fund and special revenue major governmental funds budgetary comparison information 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 general fund and special revenue major governmental funds budgetary comparison information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary 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 other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not required as part of the 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 Award*, and is also not a required part of the basic financial statements.

The other supplementary information and schedule of expenditures of federal awards are the responsibility of management and were derived from, and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards and Oregon State Regulations

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Oregon State Regulation, we have also issued our report dated November 30, 2016 on our consideration of the District's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.



Mark E. Damon CPA, Partner
Medford, Oregon
KDP Certified Public Accountants, LLP
November 30, 2016

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

As management of Douglas County School District No. 4 (the District), 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, 2016. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes to those financial statements. It should also be noted that all amounts included in text below are rounded for ease of reading.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the liabilities/deferred inflows of the District exceeded its assets and deferred outflows at June 30, 2016 by \$8.55 million. Of this amount, \$24.4 million represents the District's net investment in capital assets, \$800 thousand is restricted for debt service, and the balance of negative \$33.8 million is considered unrestricted.
- For the fiscal year ended June 30, 2016, the District's total net position decreased by \$5 million. In the prior year, the District's total net position increased by \$11.9 million. The District increased its total expenditures by \$18.9 million from the prior year, \$49.5 million to \$68.5 million. District revenues increased from the prior year, \$61 million to \$63.5 million.
- The District's governmental funds report a combined ending fund balance of \$10.2 million, an increase of \$1.31 million from the prior year.
- At the end of the fiscal year, unassigned fund balance in the general fund was \$2.26 million or 4.5 percent of total general fund expenditures. This is a decrease of \$1.09 million from the prior year unassigned general fund balance.
- The District's total debt decreased by \$3.04 million during the 2015-16 fiscal year as a result of scheduled principal payments. Regular debt service payments were made as scheduled.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's 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
- 3) Notes to the basic financial statements.

This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

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

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 recognized. 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.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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's State School Fund and other intergovernmental revenues.

The government-wide financial statements can be found as listed in the Table of Contents 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 can be categorized as governmental funds.

Governmental funds. The *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.

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 Balances are reconciled to the government-wide Statements of Net Position and Activities.

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

The basic governmental fund financial statements can be found as listed in the Table of Contents of this report.

Notes to the basic financial statements

The *notes to the basic financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Information such as significant accounting policies and detail of certain assets/deferred outflows and liabilities/deferred inflows are included in the notes which should be read in conjunction with the basic financial statements.

The notes to the basic financial statements can be found as listed in the Table of Contents of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's liabilities/deferred inflows exceeded assets/deferred outflows by \$8.55 million at June 30, 2016. At June 30, 2015 District liabilities/deferred inflows were greater than assets/deferred outflows by \$3.496 million. The decline in net position can be attributed to the increase in Oregon PERS unfunded actuarial liability.

	Governmental Activities		Increase (Decrease) From
	June 30, 2016	June 30, 2015	June 30, 2015
Assets:			
Current assets	\$ 13,700	\$ 12,498	\$ 1,202
Other assets	-	5,062	(5,062)
Capital assets	35,338	33,667	1,671
Total assets	<u>49,038</u>	<u>51,227</u>	<u>(2,189)</u>
Deferred outflows	<u>7,417</u>	<u>3,073</u>	<u>4,344</u>
Total assets and deferred outflows	<u>56,455</u>	<u>54,300</u>	<u>2,155</u>
Liabilities:			
Current liabilities	5,304	5,375	(71)
Other liabilities	12,846	-	12,846
Long-term liabilities	39,415	42,653	(3,238)
Total liabilities	<u>57,565</u>	<u>48,028</u>	<u>9,537</u>
Deferred inflows	<u>7,439</u>	<u>9,768</u>	<u>(2,329)</u>
Total liabilities and deferred inflows	<u>65,004</u>	<u>57,796</u>	<u>7,208</u>
Net position:			
Net investment in capital assets	24,437	20,173	4,264
Restricted for debt service	800	716	84
Unrestricted	(33,787)	(24,385)	(9,402)
Total net position	<u>\$ (8,550)</u>	<u>\$ (3,496)</u>	<u>\$ (5,054)</u>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

As noted previously, net position may serve over time as a useful indicator of a government's financial position. Net position decreased by \$5.054 million from the prior year.

Capital assets, which consist of the District's land, buildings, building improvements, vehicles and equipment, represent about 63% of total assets/deferred outflows. The remaining assets consist mainly of cash and investments, grants and property taxes receivable, inventories and deferred outflows related to pensions.

The District's largest liability (64%) is for the repayment of general obligations, PERS bonds, and full faith and credit obligations. Other liabilities/deferred inflows, representing about 36% of the District's total liabilities/deferred inflows, consist of payables on accounts, salaries and benefits, other post employment benefit obligations, net pension liability and deferred amounts related to pensions.

A large portion of the District's net position reflect its investment in capital assets (e.g., land, buildings, vehicles and equipment), 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. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes and state school fund support), since the capital assets themselves cannot be used to liquidate these liabilities. The majority of the capital related debt is a general obligation of the District for which the District has unlimited taxing authority under the Oregon constitution.

Governmental activities. The key elements of the change in the District's net position for the year ended June 30, 2016 are as follows:

- Oregon State School Fund revenues decreased by \$387 thousand (1%) during the fiscal year. This decrease was the result of the district's declining enrollment.
- Property tax revenue increased by \$407 thousand (2.4%), due to an increase in the District's assessed property values. Assessed value is allowed to increase up to 3% annually.
- Investment earnings remained flat during fiscal 2016. Reserves have increased, but interest rates remain at historic lows.
- Governmental program expenses increased by \$18.9 million from the prior year. The increase is due primarily to expenses related to pensions of \$11 million, increases in salaries of \$1.3 million and the prior year implementation of new accounting standards associated with pensions that resulted in negative expense for 2015.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

	Governmental Activities		Increase (Decrease) From
	June 30, 2016	June 30, 2015	June 30, 2015
Revenues:			
Program revenues:			
Charges for service	\$ 2,266	\$ 2,555	\$ (289)
Operating grants and contributions	6,582	6,178	404
Capital grants and contributions	1,632	132	1,500
General revenues:			
Property taxes	16,678	16,317	361
State school fund - general support	34,366	34,730	(364)
Other federal, state and local sources	1,866	1,518	348
Earnings on investments	99	69	30
Total revenues	<u>63,489</u>	<u>61,499</u>	<u>1,990</u>
Expenses:			
Instruction	37,447	26,220	11,227
Support services	24,906	17,973	6,933
Enterprise and community services	3,898	1,842	2,056
Facilities acquisition and construction	-	2,277	(2,277)
Interest on long-term debt	2,292	1,264	1,028
Total expenses	<u>68,543</u>	<u>49,576</u>	<u>18,967</u>
Change in net position	<u>\$ (5,054)</u>	<u>\$ 11,923</u>	<u>\$ (16,977)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental funds. The focus of the District's governmental funds is to provide information on 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, 2016, the District's governmental funds reported combined ending fund balance of \$10.2 million, an increase of \$1.31 million from the prior year. Approximately \$2.26 million (22%) of the ending fund balance constitutes unassigned *ending fund balance*, which is available for spending at the government's discretion.

General Fund. The General Fund is the chief operating fund of the District. As of June 30, 2016, the fund balance was \$2.56 million. This is a decrease of about \$1.01 million (28%) from the previous year, primarily resulting from a transfer to the capital projects fund to partially fund the Roseburg High School gym re-roofing project. The general fund unassigned balance represents 4.5 percent of total general fund expenditures. This is a decrease when compared to 2015. The District continues to balance needs with limited resources.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

Special Revenue Fund. The Special Revenue Fund is used to account for Federal, State, and Local grants, as well as our food service and associated student body. All funds are utilized to carry out specific programs, and the ending fund balance of \$2.02 million is committed to associated student body programs and activities and grant related activities. This is increase of about \$652 thousand (48%) from the previous year. Special revenue funding has become much more volatile over the last three years as state and federal stimulus programs are established for short periods of time. As general funding continues to be impacted by the economy, our reliance on special revenues increases.

Debt Service Fund. The Debt Service Fund has a total fund balance of \$4.9 million, \$800 thousand of which is restricted for the payment of general obligation bond debt service, and \$4.12 million is assigned for pension obligation bonds debt service. The increase in fund balance during the current year was about \$1.4 million. This increase can be attributed to the ongoing internal charge rate to other funds for the future debt service associated with the pension obligation bonds and high collection rates on property tax collections.

Capital Projects Fund. The Capital Projects Fund has a total fund balance of \$692 thousand all of which is assigned for ongoing capital projects. The fund balance increased by \$256 thousand during the current fiscal year as a result of a transfer from the General Fund and planned reserves for future projects. The district did receive a \$1.5 million seismic rehabilitation grant for the gym at Roseburg High School, and is scheduled to receive another for Green Elementary School in 2016-17. Outside of a voter approved bond levy, those grants are the only source of significant capital improvement funding the district expects to receive.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets includes land, buildings and improvements, vehicles and equipment, and construction in progress. As of June 30, 2016, the District had invested approximately \$35.3 million in capital assets, net of depreciation, as shown in the following table:

	Governmental Activities		Increase (Decrease) From
	June 30, 2016	June 30, 2015	June 30, 2015
Capital assets (net of depreciation):			
Land	\$ 3,503	\$ 3,445	\$ 58
Construction in progress	-	68	(68)
Buildings and improvements	29,945	28,357	1,588
Vehicles and equipment	1,890	1,797	93
Total capital assets	<u>\$ 35,338</u>	<u>\$ 33,667</u>	<u>\$ 1,671</u>

During the year, the District's invested in infrastructure improvements at Roseburg High School which accounts primarily for the increase. Additional information regarding the District's capital assets can be found in the notes to the basic financial statements of this report.

Long-term debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$41.41 million, consisting of general obligation debt, pension obligation debt, and other full faith and credit obligations.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

	Governmental Activities		Increase (Decrease) From
	June 30, 2016	June 30, 2015	June 30, 2015
Debt obligations:			
General obligation bonds	\$ 10,255	\$ 12,180	\$ (1,925)
Pension obligation bonds	30,103	30,956	(853)
Other obligations	1,056	1,314	(258)
Total debt obligations	<u>\$ 41,414</u>	<u>\$ 44,450</u>	<u>\$ (3,036)</u>

During the current fiscal year, the District's total debt decreased by \$3.04 million. This was the result of scheduled principal payments.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant economic factor for the District continues to be the State of Oregon's State School Fund as appropriated by the Oregon Legislature on a biennial basis. For the year ended June 30, 2016, the State School Fund basic support provided about 67% of the District General Fund program revenue, about flat compared to 68% the previous year. When combined with local property taxes, which are included in the school fund formula, these two sources provide about 95% of the resources for the General Fund. While the funding from those two sources continues to grow, declining enrollment and the corresponding decline in ADMw funding continues to cause pressure on the district's budget to meet current expenditures.

The Oregon Legislature increased its appropriations for K-12 education funding for the 2015-17 biennium. Despite the increase in funding, lower total enrollment and an increase in payroll benefits caused the district to cut approximately five positions across the district for the 2016-17 year.

District enrollment decreased slightly in 2015-16 for the eleventh consecutive fiscal year. Enrollment is a key element for school districts in Oregon, since more than 80% of our total funding is contingent on the state school formula, which is directly tied to weighted student enrollment. Coupled with the lower than needed overall State School Fund allocations, the revenue reduction due to enrollment declines has made it very difficult to provide needed local school services. Although enrollment continues to trend downward, the rate of ADMw loss has declined so the district is hopeful that future years will show enrollment flat or increasing. However, enrollment for 2016-17 has been budgeted to decrease again, so projections will be reflected downward.

There will continue to be challenges as we look forward to the 2016-17 school year and beyond. The economy remains uncertain with modest growth. The biggest financial challenge facing the district is the increase in PERS employer rates. Due to the Moro decision, and less than estimated investment returns, the unfunded actuarial liability of the PERS system grew by over \$4 billion to \$16.2 billion as of December 31, 2015. This will cause PERS rates for the district to climb by 5.25% at the start of the 2017-19 biennium, increasing annual PERS costs by an estimated \$1.2 million. Early predictions show the PERS rate increasing again for the 2019-21 biennium.

The district has been awarded a second \$1.5 million seismic rehabilitation grant. This grant will be used to make seismic upgrades at Green Elementary School. Construction will begin in June 2017 and is planned to be completed September 2017.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

During these uncertain times, legislative approval of future education funding will be critical to our ability to provide high level services in the future.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Business Office at 1419 NW Valley View Drive, Roseburg, Oregon 97471.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS AND DEFERRED OUTFLOWS:

Assets:

Cash and Investments	\$ 10,289,714
Receivables:	
Taxes Receivable	1,694,283
Other Receivables	1,408,552
Inventory - General	244,840
Prepaid Expense	62,750
Capital Assets (net of accumulated depreciation):	
Land	3,502,964
Buildings and Improvements	29,944,918
Vehicles and Equipment	1,889,772
TOTAL ASSETS	49,037,793

Deferred Outflows of Resources:

Deferred Charge Associated with Advance Refunding (net)	410,281
Deferred Amounts Related to Pensions	7,006,438

TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,416,719
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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	56,454,512
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LIABILITIES AND DEFERRED INFLOWS:

Liabilities:

Accounts Payable	325,611
Accrued Payroll and Related Charges	1,655,226
Accrued Compensated Absences	136,166
Unearned Revenue	48,816
Net Pension Liability	12,846,235
Long-Term Debt:	
Due Within One Year	3,137,846
Due in More Than One Year	38,276,445
Other Post Employment Benefit Obligations:	
Due in More Than One Year	1,138,251
TOTAL LIABILITIES	57,564,596

Deferred Inflows of Resources:

Deferred Amounts Related to Pensions	7,439,371
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TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	65,003,967
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NET POSITION:

Net Investment in Capital Assets	24,437,286
Restricted for Debt Service	800,424
Unrestricted	(33,787,165)

TOTAL NET POSITION	\$ (8,549,455)
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DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

FUNCTIONS	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
Instructional Services	\$ 37,446,585	\$ 1,434,555	\$ 2,537,425	\$ -
Support Services	24,906,369	337,870	2,045,724	-
Community Services	3,897,854	493,981	1,999,263	-
Interest on Long-Term Liabilities	2,292,399	-	-	-
Facilities Acquisition and Construction	-	-	-	1,631,546
Total Governmental Activities	<u>\$68,543,207</u>	<u>\$ 2,266,406</u>	<u>\$ 6,582,412</u>	<u>\$ 1,631,546</u>
General Revenues:				
Property Taxes Levied for General Purposes				14,538,395
Property Taxes Levied for Debt Service				2,139,845
State School Fund				34,365,744
Common School Fund				687,284
Federal Forest Fees				741,080
County School Fund				96,358
Earnings on Investments				99,202
Miscellaneous				341,578
Total General Revenues				<u>53,009,486</u>
CHANGE IN NET POSITION				(5,053,357)
Net Position - July 1, 2015				<u>(3,496,098)</u>
Net Position - June 30, 2016				<u>\$ (8,549,455)</u>

FUND FINANCIAL STATEMENTS

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS					
Cash and Investments	\$ 3,560,123	\$ 1,151,713	\$ 4,895,843	\$ 682,035	\$ 10,289,714
Receivables:					
Taxes	1,473,347	-	220,936	-	1,694,283
Due From Other Government Sources	436,376	962,111	-	10,065	1,408,552
Inventory - General	244,840	-	-	-	244,840
Prepaid	62,750	-	-	-	62,750
TOTAL ASSETS	<u>\$ 5,777,436</u>	<u>\$ 2,113,824</u>	<u>\$ 5,116,779</u>	<u>\$ 692,100</u>	<u>\$ 13,700,139</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 279,327	\$ 46,284	\$ -	\$ -	\$ 325,611
Accrued Payroll and Related charges	1,655,226	-	-	-	1,655,226
Unearned Revenue	-	48,816	-	-	48,816
TOTAL LIABILITIES	<u>1,934,553</u>	<u>95,100</u>	<u>-</u>	<u>-</u>	<u>2,029,653</u>
Deferred Inflows of Resources:					
Unavailable Revenue, Property Taxes	1,279,050	-	192,464	-	1,471,514
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>3,213,603</u>	<u>95,100</u>	<u>192,464</u>	<u>-</u>	<u>3,501,167</u>
Fund Balances:					
Nonspendable	307,590	-	-	-	307,590
Restricted - Debt Service	-	-	800,424	-	800,424
Committed	-	2,018,724	-	-	2,018,724
Assigned - Debt Service	-	-	4,123,891	-	4,123,891
Assigned - Capital Projects	-	-	-	692,100	692,100
Unassigned	2,256,243	-	-	-	2,256,243
TOTAL FUND BALANCES	<u>2,563,833</u>	<u>2,018,724</u>	<u>4,924,315</u>	<u>692,100</u>	<u>10,198,972</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 5,777,436</u>	<u>\$ 2,113,824</u>	<u>\$ 5,116,779</u>	<u>\$ 692,100</u>	<u>\$ 13,700,139</u>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2016**

TOTAL FUND BALANCES		\$ 10,198,972
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Capital assets are not financial resources and therefore are not reported in the governmental funds:

Cost	\$ 64,461,715	
Accumulated Depreciation	<u>(29,124,061)</u>	35,337,654

A portion of the District's property taxes are collected after year-end but are not available to pay for current operations, therefore, are not reported as revenue in the governmental funds.		1,471,514
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The District has deferred charge associated with is 2013 advance refunding of is Series 2004 and 2005 G.O. Bonds. The deferred charge is not available to pay for current expenditures, therefore, is not reported in governmental funds.		410,281
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The asset(liability) associated with the District's pension (OPERS) is not recorded in the governmental funds as it is not available nor payable currently.		(12,846,235)
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The net deferred outflow/(inflow) associated with the District's pension (OPERS) is not recorded in the governmental funds as it is not available nor payable currently.		(432,933)
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The liability for other post employment benefits obligations is not recorded as a governmental fund liability.		(1,138,251)
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Long-term liabilities not payable in the current year are not reported as governmental fund liabilities.

These liabilities consist of:

Long-Term Debt	\$ (41,414,291)	
Accrued Compensated Absences	<u>(136,166)</u>	<u>(41,550,457)</u>

TOTAL NET POSITION		<u><u>\$ (8,549,455)</u></u>
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DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES:					
Property Taxes	\$ 14,541,439	\$ -	\$ 2,142,194	\$ -	\$ 16,683,633
State School Fund	34,342,423	-	-	-	34,342,423
Intergovernmental	1,666,348	6,464,107	-	1,500,000	9,630,455
Charges for Services	559,789	1,706,616	-	-	2,266,405
Pension Obligation Bonds (internal fee)	-	-	4,216,305	-	4,216,305
Interest on Investments	93,104	-	6,096	-	99,200
Miscellaneous	285,841	54,648	-	133,557	474,046
TOTAL REVENUES	51,488,944	8,225,371	6,364,595	1,633,557	67,712,467
EXPENDITURES:					
Instruction	30,358,049	3,694,684	-	-	34,052,733
Support Services	20,024,701	2,404,117	-	-	22,428,818
Community Services	-	2,218,139	-	-	2,218,139
Capital Outlay	-	-	-	2,521,950	2,521,950
Debt Service	-	-	5,176,963	-	5,176,963
TOTAL EXPENDITURES	50,382,750	8,316,940	5,176,963	2,521,950	66,398,603
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,106,194	(91,569)	1,187,632	(888,393)	1,313,864
OTHER FINANCING SOURCES (USES):					
Transfers In	-	744,000	227,799	1,253,741	2,225,540
Transfers Out	(2,116,676)	-	-	(108,864)	(2,225,540)
TOTAL OTHER FINANCING SOURCES (USES)	(2,116,676)	744,000	227,799	1,144,877	-
NET CHANGE IN FUND BALANCE	(1,010,482)	652,431	1,415,431	256,484	1,313,864
FUND BALANCE - JULY 1, 2015	3,574,315	1,366,293	3,508,884	435,616	8,885,108
FUND BALANCE - JUNE 30, 2016	\$ 2,563,833	\$ 2,018,724	\$ 4,924,315	\$ 692,100	\$ 10,198,972

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

NET CHANGE IN FUND BALANCE \$ 1,313,864

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. In the statement of activities, depreciation is reported as an expense, thus allocating the asset over its useful life. This is the amount by which depreciation and reductions exceeded capital outlays.

Expenditures for capital assets	\$ 2,995,406	
Loss on sale of equipment	(917)	
Less current year depreciation	<u>(1,323,721)</u>	1,670,768

Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, issuing long-term debt increases the liabilities. Repayment of principal is an expenditure in the governmental funds and a reduction of the liability in the statement of net position.

Accrued compensated absences payable	70,289	
Debt principal repaid	<u>3,035,945</u>	3,106,234

Governmental funds report the effect of premiums, deferred charges, discounts when debt is issued. These amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences:

Amortization of deferred charge associated with advance refunding	(92,894)
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In the statement of activities, contributions for other post employment benefits greater than the actuarially determined amount decrease the other post employment benefit obligation. In the governmental funds, the entire contribution is recognized as an expenditure.

This is the amount by which the obligation decreased:	97,209
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Government funds report pension contributions as expenditures. In the statement of activities, the cost of pension benefits (actuarially determined) is reported as either pension expense or income. This is the net change in pension related items.

(11,143,145)

Property taxes which are not measurable and available are unavailable in the governmental funds. In the statement of activities property taxes are recognized when levied.

(5,393)

CHANGE IN NET POSITION

\$ (5,053,357)

NOTES TO BASIC FINANCIAL STATEMENTS

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Douglas County School District No. 4 (the District) was organized under provisions of Oregon Statutes pursuant to ORS Chapter 332 for the purpose of operating elementary and secondary schools. The District is governed by a separately elected seven-member Board of Education (Board) who approves the 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 basic financial statements.

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

Basis of Presentation

Government-Wide 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. As a general rule, eliminations have been made to minimize the double counting of internal activities. Direct services charged to other funds have not been eliminated. Governmental activities are financed primarily through property taxes, intergovernmental revenues, and charges for services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are 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, rentals, materials, 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.

Separate financial statements are provided for governmental funds. The District has no proprietary funds or fiduciary funds.

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

Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds. The District has no non-major funds.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental funds:

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

Special Revenue Fund - This fund accounts for funds received through Federal, State and Private grant sources. It is also used to account for the District's school lunch program, major curriculum and technology purchases, and special revenues derived from Associated Student Body activities.

Debt Service Fund - This fund provides for the payment of principal and interest on general obligation bonded debt and pension obligation bonds. Principal revenue sources are property taxes and charges to other funds.

Capital Projects Fund - This fund accounts for activities related to the acquisition, construction, equipping and furnishing of facilities. Principal revenue sources are proceeds from the sale of bonds, interest earnings and transfers from other funds.

Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which 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 net position 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.

Government fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. 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 are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

In addition to assets, the statements of financial position (government-wide) and the balance sheet (governmental funds) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two types of deferred outflow, which arises only under the full accrual basis of accounting (i.e. government-wide financials) that qualifies for reporting in this category. Accordingly, the items, a deferred charge associated with an advance refunding of debt, and a deferred amount related to pensions are reported only in the government-wide statement of net position.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of deferred inflow, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The District has one type of deferred inflow which arises only under the full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, deferred amounts related to pensions, is reported in the government-wide statement of net position.

Cash, Cash Equivalents and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less. Short-term investments are stated at cost, which approximates fair value.

The District's investments may consist of time certificates of deposit, banker's acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The District's investments are reported at fair value at year end. Changes in the fair value of investments are recorded as investment earnings. The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments, the Oregon Legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895).

Property Taxes Receivable

Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

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

Accounts and Other Receivables

Accounts and other receivables are comprised primarily of State School Support and claims for reimbursement of costs under various federal and state grants.

Grants

Un-reimbursed expenditures due from grantor agencies are reflected in the basic financial statements as inter-governmental receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Grant monies received prior to the occurrence of qualifying expenditures are recorded as unearned revenue.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories consist of supplies held for sale or use by the District. Inventories are charged as expenditures when used and are stated at cost using the average-cost method.

Capital Assets

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

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

Retirement Plans

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

The District offers its employees a tax deferred annuity plan established pursuant to Section 403(b) of the Internal Revenue Code and deferred compensation pursuant to Section 457 of the Internal Revenue Code.

Post Employment Benefits

Licensed employees, classified employees, and eligible administrative employees are eligible at age fifty-eight, subject to terms of employment and bargaining agreements, for early retirement benefits.

Eligible employees who elect early retirement and meet certain criteria are entitled to payment of group medical insurance premiums at the proportion currently being paid by the District. Such costs are recorded as expenses in the Special Revenue Fund and funded as premiums become due. Employees hired after July 1, 1990 are generally not eligible for benefits.

Compensated Absences

It is the District's policy to permit employees to accumulate limited earned but unused vacation and unlimited sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All unused vacation pay is accrued when earned in the government-wide financial statements and must be used within the next fiscal year. The compensated absences liability decreased from \$206,455 to \$136,166 during the fiscal year ended June 30, 2016.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position and Fund Balance

In the government-wide financial statements, equity is classified as net position and displayed in three components:

1. *Net investment in capital assets* – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources related to those assets.
2. *Restricted net position* – consists of net position with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position is reduced by liabilities and deferred inflows or resources related to the restricted assets.
3. *Unrestricted net position* – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

In the fund financial statements, governmental fund equity is classified in the following categories:

- *Non-Spendable* – Includes items not immediately converted to cash, such as prepaid items and inventory.
- *Restricted* – Includes items that are restricted by external creditors, grantors, or contributors, or restricted by legal constitutional provisions.
- *Committed* – Includes items committed by the District's Board of Directors, by formal board action.
- *Assigned* – Includes items assigned for specific purposes, authorized by the District's Superintendent and/or Chief Operations Officer.
- *Unassigned* – This is the residual classification used for those balances not included in another category.

The District has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable), and lastly unassigned fund balance.

Long-Term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. Bond premiums and discounts and deferred charges associated to advanced refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums, and discounts.

Deferred charges associated to the advance refunding are reported as deferred outflows of resources. Bond issuance costs are expensed as incurred.

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting. The budgetary basis of accounting is the same as accounting principles generally accepted in the United States of America for the governmental fund types, except capital outlay expenditures (including items below the District's capitalization level) and debt service which are budgeted by major function in governmental fund types. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

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

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels) with Board approval.

Use of Estimates

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

2. CASH AND INVESTMENTS

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments."

Cash and investments are comprised of the following as of June 30, 2016:

Investments - LGIP	\$ 7,348,497
Deposits with financial institutions, demand deposits	2,938,517
Cash on hand	2,700
Total cash and investments	<u><u>\$ 10,289,714</u></u>

At year-end, the District's net carrying amount of deposits was \$2,938,517 and the bank balance was \$3,354,401. Of these deposits, \$2,740,201 was not covered by the Federal Depository Insurance Corporation (FDIC) and the National Credit Union Share Insurance Fund (NCUSIF).

As required by Oregon Revised Statutes, Chapter 295, deposits in excess of insurance limits were held at qualified depositories for public funds.

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

2. CASH AND INVESTMENTS (CONTINUED)

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits investments to no more than 18 months.

Custodial credit risk, for deposits, is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As required by Oregon Revised Statutes, Chapter 295, deposits in excess of FDIC and NCUSIF coverage were held at qualified depositories for public funds.

All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result, the District has no exposure to custodial credit risk for deposits with financial institutions.

Custodial credit risk, for investments, is the risk that, in the event of the failure of the counter-party, 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. Of the District's total investments, the District has no custodial credit risk.

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" (bonds) or A-2 / P-2 (commercial paper) or better by Standard and Poor's, Moody's Investors Service or any other nationally recognized statistical rating organization, issuers not in Oregon must be rated AA / Aa (bonds) or A-1 / P-1 (commercial paper) or better.

The Oregon State Treasurer maintains the Oregon Short Term Fund, of which the LGIP is a part. Participation by local governments is voluntary. State of Oregon investment policies are governed by both Oregon Revised Statutes and the Oregon Investment Council. In accordance with Oregon Statutes, funds are invested, as a prudent investor would do, exercising reasonable care, skill and caution. LGIP was created to offer a short-term investment alternative to Oregon local governments. The investments are regulated by the Oregon Short-term Fund Board and approved by the Oregon

Investment Council (ORS 294.805 to 294.895). Separate financial statements for the Oregon Short Term Fund are available from the Oregon State Treasurer. The LGIP is not rated for credit quality.

The District's policy for investing in individual issuers varies depending on the type of investments. U.S. Treasury and Agency securities do not have restrictions regarding concentration with any one issuer. No more than 25% of the total portfolio of investments may be invested in a single issuer of banker's acceptances. Investments in bonds of any one issuer may not exceed 10% of the investment portfolio. There were no agency investments at June 30, 2016.

<u>Investment Type</u>	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Fair Value</u>
Local Government Investment Pool	1 day	100%	<u>\$ 7,348,497</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

3. CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2016, are as follows:

	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Capital assets not being depreciated:					
Land	\$ 3,444,964	\$ 58,000	\$ -	\$ -	\$ 3,502,964
CIP	68,256	-	-	(68,256)	-
Total capital assets not being depreciated	<u>\$ 3,513,220</u>	<u>\$ 58,000</u>	<u>\$ -</u>	<u>\$ (68,256)</u>	<u>\$ 3,502,964</u>
Capital assets being depreciated:					
Site improvements	\$ 4,876,064	\$ 75,028	\$ -	\$ -	\$ 4,951,092
Buildings	48,595,936	2,542,999	-	68,256	51,207,191
Equipment	4,537,738	319,377	(56,647)	-	4,800,468
Total capital assets being depreciated	<u>\$ 58,009,738</u>	<u>\$ 2,937,404</u>	<u>\$ (56,647)</u>	<u>\$ 68,256</u>	<u>\$ 60,958,751</u>
Less accumulated depreciation for:					
Site improvements	\$ (3,728,036)	\$ (156,738)	\$ -	\$ -	\$ (3,884,774)
Buildings	(21,387,104)	(941,487)	-	-	(22,328,591)
Equipment	(2,740,930)	(225,496)	55,730	-	(2,910,696)
Total accumulated depreciation	<u>\$ (27,856,070)</u>	<u>\$ (1,323,721)</u>	<u>\$ 55,730</u>	<u>\$ -</u>	<u>\$ (29,124,061)</u>
Total capital assets (net)					
Land	\$ 3,444,964	\$ 58,000	\$ -	\$ -	\$ 3,502,964
CIP	68,256	-	-	(68,256)	-
Site improvements	1,148,028	(81,710)	-	-	1,066,318
Buildings	27,208,832	1,601,512	-	68,256	28,878,600
Equipment	1,796,808	93,881	(917)	-	1,889,772
Total capital assets (net)	<u>\$ 33,666,888</u>	<u>\$ 1,671,683</u>	<u>\$ (917)</u>	<u>\$ -</u>	<u>\$ 35,337,654</u>

Depreciation expense for the year ended June 30, 2016 was charged to the following programs:

<u>Program</u>	
Instructional Services	\$ 26,474
Support Services	39,712
Facilities Acquisition and Construction	<u>1,257,535</u>
Total	<u>\$ 1,323,721</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

4. LONG-TERM DEBT

General Obligation Bonds Payable

Series 2013 Bonds

On May 15, 2013, the District issued \$12,705,000 federally taxable Series 2013 General Obligation Refunding bonds (Series 2013 Bonds) with an interest rate that ranges between .29% and 1.84% to advance refund \$11,680,000 of outstanding Series 2004 and Series 2005 Bonds with an average interest rate of 3.91%. Both the Series 2004 and 2005 Bonds were paid in full as of June 30, 2015. The net proceeds of \$12,568,258 (after payment of \$136,742 in underwriting fees, insurance, and other issuance costs) were used to purchase certain direct US government obligations which will be deposited in the custody of the escrow agent. The maturing principal of the government obligations, interest earned thereon, and necessary cash balance, if any, will provide sufficient payments of principal and interest on the refunded portions of the Series 2004 and 2005 Bonds. As a result, the refunded portions of the Series 2004 and 2005 Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$696,704. The difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2020 using the effective-interest method.

Principal payments associated to the Series 2013 Bonds are due annually on December 15th and interest payments are due semiannually on June 15th and December 15th. The Series 2013 Bonds are general obligations of the District and the full faith and credit of the District is pledged to the successive owners of the Bonds. The Bonds mature on December 15, 2020 and are not subject to redemption prior to their maturity.

The Series 2013 Bonds are guaranteed by the Oregon School Bond Guaranty. Payment of the principal and interest on the Bonds when due is guaranteed by the full faith and credit of the State under the provisions of the Oregon School Bond Guaranty Act – Oregon Revised Statutes 328.321 to 328.356.

Future maturities of General Obligation Bonds are as follows:

Fiscal Year Ending June 30,	Series 2013 Principal	Series 2013 Interest	Total Debt Service
2017	\$ 1,980,000	\$ 125,941	\$ 2,105,941
2018	2,035,000	108,171	2,143,171
2019	2,105,000	84,336	2,189,336
2020	2,180,000	53,364	2,233,364
2021	1,955,000	18,006	1,973,006
Total	\$ 10,255,000	\$ 389,818	\$10,644,818

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

4. LONG-TERM DEBT (CONTINUED)

Full Faith and Credit Obligations

Series 2004 Full Faith and Credit Obligation

On June 30, 2004, the District issued Qualified Zone Academy Bonds (QZAB) in the amount of \$2,500,000. The bonds were purchased by Bank of America in accordance with Section 1397E of the Internal Revenue Code, and as such, qualified for tax credits relating to the transaction. The bond proceeds were required to be used to provide for facility preservation and major maintenance in accordance with our QZAB financing plan.

To qualify for use of the QZAB proceeds, individual schools must qualify by meeting federal guidelines for certain economic demographics. The primary use of the funds was for renovations of the secondary schools in the District. In addition, initial funding for SB 1149 energy efficiency projects was provided by the QZAB proceeds so that projects could move forward in a timely manner.

As a result of the structure of the QZAB issue and the Bank tax credits, the District is required to repay \$1,902,965 in total payments over the 16-year term.

The District will make equal annual principal payments in the amount of \$118,935 through 2020. The payments will be placed in escrow at the purchaser's discretion, and principal payments and guaranteed interest payments on the escrow will be applied to the District obligation.

Series 2007 Full Faith and Credit Obligation

In 2007 \$1,200,000 of Full Faith and Credit obligations was issued to complete SB 1149 energy efficiency projects. The 2007 Series Agreement is payable over 15 years at 4.30%. Repayment for this obligation will be provided by ongoing SB 1149 public purpose fees on electric and natural gas utility bills.

Full Faith and Credit Obligations (continued)

Series 2012A and 2012B Capital Leases

In 2012, the District entered into two separate 60 month capital leases with NEC Leasing Corporation. Lease proceeds in the amount of \$211,780 from the Series 2012A lease were used to purchase a District wide Voice Over Internet Protocol (VOIP) phone system which replaced the existing phone system purchased in 1996. The lease is payable in 60 monthly installments of \$4,022 and includes interest at 5.26%. The Series 2012B lease proceeds in the amount of \$38,230 were used to upgrade the District-wide computer network to accommodate the updated phone system and other District network needs. The lease is payable in 60 monthly installments of \$810 and includes interest at 10%.

Future maturities of the Full Faith and Credit Obligations are as follows:

Fiscal Year Ending June 30,	Series 2004 QZAB Principal	Series 2007 Principal	Series 2012A & 2012B Principal	Total Principal	Series 2004 QZAB Interest	Series 2007 Interest	Series 2012A & 2012B Interest	Total Interest
2017	\$ 118,935	\$ 85,000	\$ 12,909	\$ 216,844	\$ -	\$ 24,381	\$ 157	\$ 24,538
2018	118,935	89,000	-	207,935	-	20,726	-	20,726
2019	118,935	92,000	-	210,935	-	16,899	-	16,899
2020	118,935	96,000	-	214,935	-	12,943	-	12,943
2021	-	100,000	-	100,000	-	8,815	-	8,815
2022-2026	-	105,000	-	105,000	-	4,515	-	4,515
Total	\$ 475,740	\$ 567,000	\$ 12,909	\$ 1,055,649	\$ -	\$ 88,279	\$ 157	\$ 88,436

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

4. LONG-TERM DEBT (CONTINUED)

Pension Obligations

During fiscal years 2003 and 2004, the District participated in pooled issuances of taxable pension obligation bonds to prepay a portion of the District's un-funded actuarial liability. The District issued \$23,347,283 in debt as part of a pooled issuance of \$774,662,845 and \$14,900,000 as part of a pooled issuance of \$467,820,000. Except for the payment of its pension bond payments and additional charges when due, each participating 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 Public Employee Retirement System. The bonds were issued in October 2002 and February 2004. An intercept agreement with the State of Oregon was required as a condition of issuance; therefore, a portion of State School Support is withheld on a monthly basis to repay debt. Funds are accumulated and invested by a trust officer, and annual principal and interest payments are made June 30, beginning June 30, 2004 and ending June 30, 2028. The series 2002 bond interest rates range from 2.06% to 6.10%, with a true interest cost of 5.60% and the series 2004 bond interest rates range from 3.67% to 5.53% with a true interest cost of 5.49%.

The issuance of the bonds was evaluated based on advance refunding criteria. The total estimated savings over the life of the 2002 issuance was approximately \$9,586,850 and the 2004 issuance was \$6,324,000. The estimated present value savings was approximately \$5,488,750 for the 2002 issue and \$3,771,000 for the 2004 issue. The actual savings realized by the District over the life of the bonds is uncertain due to various legislative changes and legal issues pending with the PERS system, which could impact the District's future required contribution rate.

In 2011, the District advance refunded the 2021 debt service requirements included in the original 2002 Bond issue. The advance refunding was evaluated based on standards for advance refunding in the State of Oregon.

Future maturities of the Pension Obligations are as follows:

Fiscal Year Ending June 30,	Series 2002 Principal	Series 2004 Principal	Series 2011 Principal	Total Principal	Series 2002 Interest	Series 2004 Interest	Series 2011 Interest	Total Interest
2017	\$ 416,002	\$ 525,000	\$ -	\$ 941,002	\$ 1,312,501	\$ 721,100	\$ 58,227	\$ 2,091,828
2018	422,316	615,000	-	1,037,316	1,396,187	694,205	58,227	2,148,619
2019	427,938	715,000	-	1,142,938	1,485,565	662,083	58,227	2,205,875
2020	432,387	825,000	-	1,257,387	1,581,117	624,024	58,227	2,263,368
2021	-	940,000	1,415,000	2,355,000	763,504	579,696	58,227	1,401,427
2022-2026	9,835,000	6,830,000	-	16,665,000	2,856,755	1,977,057	-	4,833,812
2027-2031	3,960,000	2,745,000	-	6,705,000	289,710	199,837	-	489,547
Total	\$ 15,493,643	\$ 13,195,000	\$ 1,415,000	\$ 30,103,643	\$ 9,685,339	\$ 5,458,002	\$ 291,135	\$ 15,434,476

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

4. LONG-TERM DEBT (CONTINUED)

Changes in long-term debt for the year ended June 30, 2016, are as follows:

Issue:	Original Issue	Outstanding July 1, 2015	Issued	Matured	Outstanding June 30, 2016
<i>General Obligation Bonds</i>					
Series 2013	12,705,000	12,180,000	-	(1,925,000)	10,255,000
Total General Obligation Bonds		12,180,000	-	(1,925,000)	10,255,000
 <i>Full Faith and Credit Obligations</i>					
Series 2004 (QZAB)	2,500,000	594,675	-	(118,935)	475,740
Series 2007	1,200,000	648,000	-	(81,000)	567,000
Series 2012A/B - Capital Lease	250,010	71,397	-	(58,488)	12,909
Total Full Faith and Credit Obligations		1,314,072	-	(258,423)	1,055,649
 <i>Pension Obligations</i>					
Series 2002	20,347,283	15,901,165	-	(407,522)	15,493,643
Series 2004	14,900,000	13,640,000	-	(445,000)	13,195,000
Series 2011	1,415,000	1,415,000	-	-	1,415,000
Total Pension Obligations		30,956,165	-	(852,522)	30,103,643
 Total Long Term Debt		<u>\$44,450,237</u>	<u>\$ -</u>	<u>\$(3,035,945)</u>	<u>\$41,414,292</u>
 Deferred Charge on Refunding (G.O. Bonds)		<u>\$ (503,175)</u>	<u>\$ -</u>	<u>\$ 92,894</u>	<u>\$ (410,281)</u>

5. INTER-FUND TRANSACTIONS

Inter-fund transfers for the year ended June 30, 2016 are as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ (2,116,676)
Special Revenue Fund	744,000	-
Debt Service Fund	227,799	-
Capital Projects Fund	1,253,741	(108,864)
 Total Transfers	<u>\$ 2,225,540</u>	<u>\$ (2,225,540)</u>

The District made transfers from the General Fund to the Special Revenue Fund for technology, and instructional materials to support District curriculum and to the Capital Projects Fund to for a portion of the District capital maintenance program.

In addition, the Debt Service Fund charged the General Fund \$4,216,305 (15.63% of payroll) for future debt service associated with its pension obligation bonds (OPERS). Of the \$4,216,305 charged, \$3,112,983 represented fiscal 2016 debt service while the balance represents an additional charge in order to build a reserve associated with future increases in annual debt service associated with its pension obligation bonds.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

6. BUDGET/GAAP REPORTING DIFFERENCES

For fiscal year 2016 there were no reporting differences between the budget basis of reporting and GAAP basis of reporting. Expenditures related to capital outlay are classified for budgetary purposes at the major function level, as outlined in Note 1, and are classified as capital outlay on the GAAP Statement of Revenues, Expenditures and Changes in Fund Balances. Total expenditures reported on the budgetary statement and the GAAP statement are the same.

7. OTHER POST EMPLOYMENT BENEFITS

Early Retirement Stipend

Plan Description - The District maintains a single-employer defined benefit early retirement supplemental program for eligible teachers and administrators of the District. No separate audited GAAP-basis report is issued related to this program. The program generally covers licensed and administrative staff that have been continuously employed since 1990 and who remain employed by the District until they reach retirement age. Upon reaching age 58 (and having at least 9-10 years of service as of June 30, 2000), an employee may elect early retirement. A stipend from the District is calculated by multiplying 1.5% times the final salary, times years of service (with a 12-year maximum). The stipend is paid to the participant until age 62 unless the retiree resumes participation in the Public Employees Retirement System (PERS) in any employment capacity. In addition, an employee may elect to retire as early as age 55 with a reduced stipend. Early retirement benefits are recorded as expenditures when paid. For the year ended June 30, 2016, a total of \$297,839 was paid to retirees.

Funding Policy - The benefits from this program are fully paid by the District and, consequently, no contributions by employees are required. Although there is no obligation on the part of the District to fund these benefits in advance, the District has established an Early Retirement Account within the Special Revenue fund to accumulate assets to pay benefits in the future. The plan is not accounted for in a pension trust fund; therefore designated funds are not legally restricted to pay future benefits.

The Annual Pension Cost (APC) for the current year was determined as part of the July 1, 2014 actuarial valuation using the Projected Unit Credit Actuarial Cost Method. The actuarial assumptions included: (a) an interest rate for discounting future liabilities of 4.75%, (b) salary scale adjustments of 3.37% trending downward (1%) after 30 years, (c) turnover rates consistent with Oregon PERS ranging from 20% for less than 1 year of service to 1.2% for 30+ years of service, (d) all future retirees are assumed to begin receiving stipends at age 58, (e) the unfunded accrued liability is being amortized as a level percentage of payroll over an open period of 4 years. The APC for the District sponsored early retirement program was calculated to be \$241,953 for the year ending June 30, 2016. At June 30, 2016, the net pension asset for the early retirement pension benefit was \$81,698. As of July 1, 2014 (the most recent valuation report), the unfunded actuarial accrued liability of future early retirement benefits for all eligible participants was \$881,917.

The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

7. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Early Retirement Stipend (continued)

Annual Pension Cost and Net Pension Obligation -The District's annual pension cost and net pension obligation for fiscal 2016 were as follows:

Annual Required Contribution Asset	\$ 253,104
Earnings on investments	2,536
Adjustments to annual required contribution	<u>(13,687)</u>
Annual Pension Cost (APC)	241,953
Contributions made	<u>(297,839)</u>
Increase (Decrease) in NPO	(55,886)
Net pension asset - beginning of year	<u>(25,812)</u>
Net pension asset - end of year	<u><u>\$ (81,698)</u></u>

Three-year trend information follows:

Fiscal year	Annual Pension Cost	Contribution	Percentage of Annual OPEB cost contributed	Net OPEB (Asset)/Obligation Stipend
2016	\$ 241,943	\$ 297,839	123.1%	\$ (81,698)
2015	243,984	278,166	114.0%	(25,812)
2014	525,557	262,024	49.9%	8,370

A schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Post Employment Health Insurance Explicit Subsidy

Plan Description - The District maintains a single-employer retiree benefit plan that provides post employment health, dental and vision benefits to eligible employees and their spouses. No separate audited GAAP-basis report is issued related to this program. The program covers employees who have qualified for early retirement to receive health insurance benefits from age fifty-eight until they reach age sixty-five. Employees who retire before age fifty-eight may elect to pay their own insurance until age fifty-eight or have the District pay 50% of their insurance until age sixty-five. The program generally covers all eligible employees who have been continuously employed by the District since 1990 and who remain employed by the District until they reach retirement age.

Funding Policy - The benefits from this program are paid by the District based on bargaining agreement language and contributions by employees are also required. The plan is not accounted for in a pension trust fund; therefore designated funds are not legally restricted to pay future benefits.

The Annual Pension Cost (APC) for the current year was determined as part of the July 1, 2014 actuarial valuation using the Projected Unit Credit Actuarial Cost Method. The actuarial assumptions included: (a) an interest rate for discounting future liabilities of 4.75% per year and an assumed an annual premium increase of 6.5% for 2015-16 trending downward to 5% after 15 years, (b) salary scale adjustments of 3.37% trending downward (1%) after 30 years, (c) turnover rates consistent with Oregon PERS ranging from 20% for less than 1 year of service to 1.2% for 30+ years of service, (d) all future retirees are assumed to begin receiving benefits at age 58, and (e) 80% of future retirees electing to participate in the medical plan are assumed to cover their spouse as well and 85% of future eligible retirees are assumed

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

7. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Post Employment Health Insurance Explicit Subsidy (continued)

to participate, and (f) the unfunded actuarial liability is being amortized as a level percentage of payroll over an open period of 4 years. The APC for the District sponsored early retirement program was calculated to be \$488,047 for the year ending June 30, 2016. At June 30, 2016, the net pension obligation (NPO) for early retirement pension benefit was \$420,353. As of July 1, 2014 (the most recent valuation report), the unfunded actuarial accrued liability of future early retirement benefits for all eligible participants was \$7,382,316 (both explicit and implicit).

The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

Annual Pension Cost and Net Pension Obligation (Explicit) - The District's annual pension cost and net pension obligation (explicit) for fiscal 2016 were as follows:

Annual Required Contribution Asset	\$ 628,913
Earnings on investments	32,029
Adjustments to annual required contribution	<u>(172,895)</u>
Annual Pension Cost (APC)	488,047
Contributions made	<u>(644,074)</u>
Increase (Decrease) in NPO	(156,027)
Net OPEB liability - beginning of year	<u>576,380</u>
Net OPEB liability - end of year	<u><u>\$ 420,353</u></u>

Three-year trend information is combined with the implicit benefit below. A schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Post employment Health Insurance Implicit Subsidy

Plan Description – The District maintains a single-employer retiree benefit plan that provides post - employment health, dental, and vision benefits to eligible employees and their spouses. No separate audited GAAP-basis report is issued related to this program. The District's post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303, which requires that all eligible retirees are allowed to continue receiving health insurance benefits, at their cost, until age 65 or they become otherwise eligible for Medicare. ORS stipulate that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees.

The difference between retiree claim costs, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums, represents the District's implicit employer contribution.

Funding Policy – 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. The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan. Instead, the activities of the plan are reported in the governmental funds.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

7. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Post employment Health Insurance Implicit Subsidy (continued)

The Annual Pension Cost (APC) for the current year was determined as part of the July 1, 2014 actuarial valuation using the Projected Unit Credit Actuarial Cost Method. The actuarial assumptions included: (a) an interest rate for discounting future liabilities of 4.75% per year and an assumed an annual premium increase of 6.5% for 2015-16 trending downward to 5% after 15 years, (b) salary scale adjustments of 3.37% trending downward (1%) after 30 years, (c) turnover rates consistent with Oregon PERS ranging from 20% for less than 1 year of service to 1.2% for 30+ years of service, (d) all future retirees are assumed to begin receiving benefits at age 58, and (e) 80% of future retirees electing to participate in the medical plan are assumed to cover their spouse as well and 85% of future eligible retirees are assumed to participate, and (f) the unfunded actuarial liability is being amortized as a level percentage of payroll over an open 30 year period.

The APC for the District's post-employment health insurance benefit subsidy was calculated to be \$549,101 for the year ending June 30, 2016. As of July 1, 2014 (the most recent valuation report), the unfunded actuarial accrued liability of future early retirement benefits for all eligible participants was \$7,382,316 (both explicit and implicit).

The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

Annual Pension Cost and Net Pension Obligation (Implicit) - The District's annual pension cost and net pension obligation (implicit) for fiscal 2016 were as follows:

Annual Required Contribution Asset	\$ 545,406
Earnings on investments	32,532
Adjustments to annual required contribution	<u>(28,837)</u>
Annual Pension Cost (APC)	549,101
Contributions made	<u>(434,397)</u>
Increase (Decrease) in NPO	114,704
Net OPEB liability - beginning of year	684,892
Net OPEB liability - end of year	<u><u>\$ 799,596</u></u>

Three-year trend information for the implicit and explicit post-employment benefit programs follows:

Fiscal year	Annual OPEB Cost	Contribution	Percentage of Annual OPEB cost contributed	Net OPEB (Asset)/Obligation (Implicit/Explicit)
2016	\$ 1,174,319	\$ 1,078,471	91.8%	\$ 1,219,949
2015	987,741	1,032,206	104.5%	1,261,272
2014	1,006,162	1,073,534	106.7%	1,305,737

A schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

7. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Retirement Health Insurance Account

Plan Description- As a member of Oregon Public Employees Retirement System (OPERS), the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004.

OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO box 23700, Tigard, OR 97281-3700.

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

Participating school districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.49% of annual covered OPERF payroll and 0.10% of OPSRP payroll. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the years ended June 30, 2014, 2015 and 2016 were (\$124,461, \$138,694, and \$133,574) which equaled the required contributions each year.

Tax Sheltered Annuity

The District offers its employees a tax deferred annuity program established pursuant to Section 403(b) of the Internal Revenue Code (the Code), and deferred compensation program pursuant to Section 457 of the Internal Revenue Code. Contributions are made through salary reductions from participating employees up to the amounts specified in the Code. A \$20.00 licensed employee, \$20.00 classified employee, and a \$75.00 administrative employee monthly contribution is required from the District as a matching contribution for participating employees who are not eligible for early retirement benefits. 295 employees are currently receiving matching contributions and as of June 30, 2016, 295 employees were participating in the plans.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

8. PENSION PLAN

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan.

Plan Benefits -

All benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapter 238 and 238A.

Tier One/Tier Two Retirement Benefit (Chapter 238)

The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.

Pension Benefits - The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General Service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- Member was employed by a PERS employer at the time of death,
- Member died within 120 days after termination of PERS-covered employment,
- Member died as a result of injury sustained while employed in a PERS-covered job, or
- Member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits - A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes After Retirement – Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The COLA for fiscal year 2015 was capped at 1.5 percent for all benefit recipients. As a result of the Moro Decision (Everice Moro et al v. State of Oregon et al), the cap on the COLA will be restored to 2.0 percent for fiscal year 2016 and beyond.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

8. PENSION PLAN (CONTINUED)

OPSRP Pension Program (Chapter 238A)

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

Pension Benefits - This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and Fire - 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General Service - 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits - Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits - A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement - Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living changes. The COLA for fiscal year 2015 was capped at 1.5 percent for all benefit recipients. As a result of the Moro Decision (Everice Moro et al v. State of Oregon et al), the cap on the COLA will be restored to 2.0 percent for fiscal year 2016 and beyond.

Contributions –

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced. Employer contributions for the year ended June 30, 2016 were \$1,487,654, excluding amounts to fund employer specific liabilities.

A 10 year schedule of Defined Benefit Pension Plan Contributions can be found beginning on page 62 of the June 30, 2015 PERS CAFR.

Pension Plan Comprehensive Annual Financial Report (CAFR) –

Oregon PERS produces an independently audited CAFR which can be found at:
http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

8. PENSION PLAN (CONTINUED)

Actuarial Valuation –

The employer contribution rates effective July 1, 2013 through June 30, 2015 and July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions Used in Developing Total Pension Liability –

Valuation date	December 31, 2013
Measurement date	June 30, 2015
Experience Study	2014, published September 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.75 percent
Long-term expected rate of return	7.75 percent
Discount rate	7.75 percent
Projected salary increases	3.75 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p><i>Healthy retirees and beneficiaries:</i> RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p><i>Active members:</i> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p><i>Disabled retirees:</i> Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

8. PENSION PLAN (CONTINUED)

Proportionate Share Allocation Methodology -

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 contribution rate for every employer has at least two major components; Normal Cost Rate and Unfunded Actuarial Liability (UAL) Rate.

Since the December 31, 2013 actuarial valuation, the system-side actuarial accrued liability has increased primarily due to the *Moro* Decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contributions effort has been adjusted for the estimated impact of the *Moro* Decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.50%, which will be effective January 1, 2016.

Discount Rate –

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Pension Plan. 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 pension 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 pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Investment Rate of Return –

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 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. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means; see PERS' audited financial statements at:

http://www.oregon.gov/pers/docs/financial_reports/2015_cafr.pdf.

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions –

At June 30, 2016, the District reported a liability of \$12,846,235 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the District's proportion was approximately .2237 percent.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

8. PENSION PLAN (CONTINUED)

For the year ended June 30, 2016, the District recognized pension expense of \$11,143,145. Pension expense was generated during the measurement period primarily as a result of less than anticipated investment returns at the OPERS level and factors associated with the Moro Decision. The \$11,143,145 was treated as an increase of payroll related expense in the Statement of Activities and allocated to Instruction, Supporting Services, and Community Services using allocation percentages of 58%, 37%, and 5% respectively.

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on investments:	\$ 4,646,826	\$ 7,339,688
Differences between expected and actual experience:	692,734	
Proportion and contribution differences:	179,224	99,683
District's contributions subsequent to the measurement date:	1,487,654	-
Total	<u>\$ 7,006,438</u>	<u>\$ 7,439,371</u>

\$1,487,654 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as an increase to the net pension asset in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Year Ended June 30	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date)
2017	\$ (1,100,658)
2018	(1,100,658)
2019	(1,100,658)
2020	1,326,806
2021	54,580
Thereafter	-
Total	<u>\$ (1,920,588)</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

8. PENSION PLAN (CONTINUED)

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.75 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 (6.75 percent) or 1-percentage point higher (8.75 percent) than the current rate:

District's Net Pension Asset/(Liability)	1% Decrease (6.75)	Discount Rate (7.75%)	1% Increase (8.75%)
Defined Benefit Pension	\$ (31,003,910)	\$ (12,846,235)	\$ 2,455,915

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

10. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the District. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although District management expects such amounts, if any, to be immaterial.

The District, in the regular course of business, is named as a defendant in various lawsuits. The likely outcome of these lawsuits is not presently determinable.

11. DEFERRED INFLOW / UNEARNED REVENUES

Governmental funds, under the modified accrual basis of accounting, accrue for revenue amounts unearned or unavailable. Government-wide reporting, as well as in proprietary funds, use full accrual accounting and report only unearned revenue. Unavailable revenue (deferred inflows) result in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unearned revenue result in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the unavailable revenue (deferred inflow) consisted of the following:

	<u>Unavailable</u>
General fund	
Property taxes	\$ 1,279,050
Debt service fund	
Property taxes	<u>192,464</u>
Total	<u><u>\$ 1,471,514</u></u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

12. OPERATING LEASES

The District has operating leases associated with office equipment. Total expense for such leases was \$56,985 for the year ended June 30, 2016. The future minimum lease payments for these leases are as follows:

Year Ended June 30,		
2017	\$	76,930
2018		55,501
2019		55,501
2020		55,501
2021		12,471
Thereafter		-
Total	\$	<u>255,904</u>

13. SUBSEQUENT EVENTS

Management of the District has evaluated events and transactions occurring after June 30, 2016 through November 30, 2016, the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements. There were no additional events and/or transactions that required recognition and disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2016

Actuarial Valuation	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) unit credit (b)	Unfunded (funded) AAL (b - a)	Funded ratio (a / b)	Covered Payroll (c)	UAAL as a percentage of covered payroll [(b - a) / c]
7/1/2010	-	\$ 14,726,734	\$ 14,726,734	0%	\$ 26,281,649	56%
7/1/2012	-	9,522,201	9,522,201	0%	26,847,274	35%
7/1/2014	-	8,264,233	8,264,233	0%	23,188,318	36%

The above table represents the most recent actuarial valuation for the District's other postemployment benefits and provides information that approximates the funding progress of the plan.

The AAL for 7/1/2014 reported above is comprised of \$881,917 for the stipend benefit AAL and \$7,382,316 for the medical benefit.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
ASSET/(LIABILITY) AND SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
LAST 10 FISCAL YEARS ENDING JUNE 30 (For Years Information is Available)

Douglas County School District No.4 Proportionate Share of Net Pension Asset/(Liability)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension asset/(liability)	0.2237450%	0.2233169%	0.2233169%
District's proportion of the net pension asset/(liability)	\$ (12,846,235)	\$ 5,061,957	\$ (11,396,189)
District's covered-employee payroll	\$ 23,433,260	\$ 24,845,141	\$ 25,116,153
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	54.82%	20.37%	45.37%
Plan fiduciary net position as a percentage of the total pension liability	91.88%	103.59%	91.97%

Douglas County School District No. 4 Contributions

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 1,487,654	\$ 2,349,931	\$ 2,329,058
Contribution in relation to the contractually required	\$ (1,487,654)	\$ (2,349,931)	\$ (2,329,058)
Contributions deficiency (excess)	\$ -	\$ -	\$ -
District's covered - employee payroll	\$ 26,974,079	\$ 23,433,260	\$ 24,845,141
Contributions as a percentage of covered-employee payroll	5.52%	10.03%	9.37%

Note 1 - Changes of Benefit Terms and Assumptions -

Since the December 31, 2013 actuarial valuation, the system-side actuarial accrued liability has increased primarily due to the Moro Decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contributions effort has been adjusted for the estimated impact of the Moro Decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.50%, which will be effective January 1, 2016.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2016

	ADOPTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Local Sources:				
Property Taxes	\$ 14,410,560	\$ 14,410,560	\$ 14,541,439	\$ 130,879
Charges for Services	450,500	450,500	559,789	109,289
Investment Earnings	40,000	40,000	93,104	53,104
Miscellaneous	176,531	176,531	285,841	109,310
Intermediate Sources:				
Intergovernmental	132,000	132,000	230,358	98,358
State Sources:				
State School Fund	36,374,191	36,374,191	34,342,423	(2,031,768)
Intergovernmental	563,830	563,830	687,284	123,454
Federal Sources:				
Intergovernmental	10,000	10,000	748,706	738,706
TOTAL REVENUES	<u>52,157,612</u>	<u>52,157,612</u>	<u>51,488,944</u>	<u>(668,668)</u>
EXPENDITURES:				
Instruction	30,937,740	30,937,740	30,358,049	579,691
Support Services	20,054,476	20,054,476	20,024,701	29,775
Operating Contingency	900,000	900,000	-	900,000
TOTAL EXPENDITURES	<u>51,892,216</u>	<u>51,892,216</u>	<u>50,382,750</u>	<u>1,509,466</u>
Excess of Revenues Over/(Under) Expenditures	<u>265,396</u>	<u>265,396</u>	<u>1,106,194</u>	<u>840,798</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(2,216,676)	(2,216,676)	(2,116,676)	100,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,216,676)</u>	<u>(2,216,676)</u>	<u>(2,116,676)</u>	<u>100,000</u>
NET CHANGE IN FUND BALANCE	<u>(1,951,280)</u>	<u>(1,951,280)</u>	<u>(1,010,482)</u>	<u>940,798</u>
FUND BALANCE - JULY 1, 2015	<u>2,301,280</u>	<u>2,301,280</u>	<u>3,574,315</u>	<u>1,273,035</u>
FUND BALANCE - JUNE 30, 2016	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 2,563,833</u>	<u>\$ 2,213,833</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2016

	ADOPTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Local Sources:				
Intergovernmental	\$ -	\$ -	\$ 12,500	\$ 12,500
Charges for Services	1,491,323	1,491,323	1,706,616	215,293
Miscellaneous	15,100	15,100	54,648	39,548
Intermediate Sources:				
Intergovernmental	305,915	305,915	464,532	158,617
State Sources:				
Intergovernmental	383,390	383,390	381,815	(1,575)
Federal Sources:				
Intergovernmental	5,440,170	5,440,170	5,605,260	165,090
TOTAL REVENUES	<u>7,635,898</u>	<u>7,635,898</u>	<u>8,225,371</u>	<u>589,473</u>
EXPENDITURES:				
Instruction	4,760,689	4,760,689	3,694,684	1,066,005
Supporting Services	2,798,981	2,798,981	2,404,117	394,864
Community Services	2,372,092	2,372,092	2,218,139	153,953
TOTAL EXPENDITURES	<u>9,931,762</u>	<u>9,931,762</u>	<u>8,316,940</u>	<u>1,614,822</u>
Excess of Revenues Over/(Under) Expenditures	<u>(2,295,864)</u>	<u>(2,295,864)</u>	<u>(91,569)</u>	<u>2,204,295</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	744,000	744,000	744,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>744,000</u>	<u>744,000</u>	<u>744,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(1,551,864)</u>	<u>(1,551,864)</u>	<u>652,431</u>	<u>2,204,295</u>
FUND BALANCE - JULY 1, 2015	<u>1,581,864</u>	<u>1,581,864</u>	<u>1,366,293</u>	<u>(215,571)</u>
FUND BALANCE - JUNE 30, 2016	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 2,018,724</u>	<u>\$ 1,988,724</u>

SUPPLEMENTARY INFORMATION

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2016

	ADOPTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Local Sources				
Property Taxes	\$ 2,063,480	\$ 2,063,480	\$ 2,142,194	\$ 78,714
Pension obligation bonds (internal fee)	3,900,000	3,900,000	4,216,305	316,305
Interest on Investments	702	702	6,096	5,394
TOTAL REVENUES	<u>5,964,182</u>	<u>5,964,182</u>	<u>6,364,595</u>	<u>400,413</u>
EXPENDITURES:				
Debt Service	<u>5,276,963</u>	<u>5,276,963</u>	<u>5,176,963</u>	<u>100,000</u>
TOTAL EXPENDITURES	<u>5,276,963</u>	<u>5,276,963</u>	<u>5,176,963</u>	<u>100,000</u>
Excess of Revenue Over/(Under) Expenditures	<u>687,219</u>	<u>687,219</u>	<u>1,187,632</u>	<u>500,413</u>
OTHER FINANCING SOURCES/(USES):				
Transfers In	<u>327,799</u>	<u>327,799</u>	<u>227,799</u>	<u>(100,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>327,799</u>	<u>327,799</u>	<u>227,799</u>	<u>(100,000)</u>
NET CHANGE IN FUND BALANCE	1,015,018	1,015,018	1,415,431	400,413
FUND BALANCE - JULY 1, 2015	<u>2,850,000</u>	<u>2,850,000</u>	<u>3,508,884</u>	<u>658,884</u>
FUND BALANCE - JUNE 30, 2016	<u>\$ 3,865,018</u>	<u>\$ 3,865,018</u>	<u>\$ 4,924,315</u>	<u>\$ 1,059,297</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2016

	ADOPTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Local Sources				
Interest on investments	\$ 123	\$ 123	\$ -	\$ (123)
Miscellaneous	135,000	135,000	133,557	(1,443)
State Sources:				
Intergovernmental	1,500,000	1,500,000	1,500,000	-
TOTAL REVENUES	<u>1,635,123</u>	<u>1,635,123</u>	<u>1,633,557</u>	<u>(1,566)</u>
EXPENDITURES:				
Capital Outlay	2,837,000	2,837,000	2,521,950	315,050
TOTAL EXPENDITURES	<u>2,837,000</u>	<u>2,837,000</u>	<u>2,521,950</u>	<u>315,050</u>
Excess of Revenue Over/(Under) Expenditures	<u>(1,201,877)</u>	<u>(1,201,877)</u>	<u>(888,393)</u>	<u>313,484</u>
OTHER FINANCING SOURCES/(USES):				
Transfers In	1,253,741	1,253,741	1,253,741	-
Transfers Out	(108,864)	(108,864)	(108,864)	-
Total Other Financing Sources	<u>1,144,877</u>	<u>1,144,877</u>	<u>1,144,877</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(57,000)</u>	<u>(57,000)</u>	<u>256,484</u>	<u>313,484</u>
FUND BALANCE - JULY 1, 2015	<u>377,000</u>	<u>377,000</u>	<u>435,616</u>	<u>58,616</u>
FUND BALANCE - JUNE 30, 2016	<u>\$ 320,000</u>	<u>\$ 320,000</u>	<u>\$ 692,100</u>	<u>\$ 372,100</u>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF PROPERTY TAX TRANSACTIONS
JUNE 30, 2016**

	<u>Tax Year</u>	<u>Uncollected July 1, 2015</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts, Interest and Other Adjustments</u>	<u>Collections Per Treasurer</u>	<u>Uncollected June 30, 2016</u>
<u>GENERAL FUND:</u>						
Current	2015-16		\$ 14,777,956	\$ (387,720)	\$ (13,798,211)	\$ 592,025
Prior	2014-15	\$ 625,673	-	(4,361)	(267,808)	353,504
	2013-14	369,230	-	(5,464)	(125,974)	237,792
	2012-13	258,927	-	(4,294)	(121,639)	132,994
	2011-12	140,731	-	(1,595)	(79,680)	59,456
	2010-11	48,073	-	(1,509)	(7,092)	39,472
	2009-10	36,920	-	(846)	(4,809)	31,265
	Prior	29,642	-	(401)	(2,402)	26,839
Total prior		1,509,196	-	(18,470)	(609,404)	881,322
TOTAL GENERAL FUND		\$ 1,509,196	\$ 14,777,956	\$ (406,190)	\$ (14,407,615)	\$ 1,473,347
<u>DEBT SERVICE:</u>						
Current	2015-16		\$ 2,165,551	\$ (56,816)	\$ (2,021,979)	\$ 86,756
Prior	2014-15	\$ 93,500	-	(652)	(40,020)	52,828
	2013-14	54,911	-	(812)	(18,708)	35,391
	2012-13	39,694	-	(658)	(18,647)	20,389
	2011-12	21,999	-	(245)	(12,241)	9,513
	2010-11	7,525	-	(233)	(1,093)	6,199
	2009-10	5,564	-	(126)	(715)	4,723
	Prior	5,558	-	(60)	(361)	5,137
Total prior		228,751	-	(2,786)	(91,785)	134,180
TOTAL DEBT SERVICE FUND		\$ 228,751	\$ 2,165,551	\$ (59,602)	\$ (2,113,764)	\$ 220,936

SCHOOL DISTRICT FINANCIAL
ACCOUNTING SUMMARIES

2015-16 DISTRICT AUDIT ALL FUND REVENUE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT #4

Revenue from Local Sources

	Total	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
1110 Ad Valorem Taxes Levied by District	16,683,633	14,541,439	-	2,142,194	-	-	-	-
1120 Local Option Ad Valorem Taxes Levied by District	-	-	-	-	-	-	-	-
1130 Construction Excise Tax	-	-	-	-	-	-	-	-
1190 Penalties and Interest on Taxes	-	-	-	-	-	-	-	-
1200 Revenue from Local Gov't Units Other Than Districts	-	-	-	-	-	-	-	-
1310 Regular Day School Tuition	47,504	47,504	-	-	-	-	-	-
1320 Adult/Continuing Education Tuition	-	-	-	-	-	-	-	-
1330 Summer School Tuition	-	-	-	-	-	-	-	-
1400 Transportation Fees	-	-	-	-	-	-	-	-
1500 Earnings on Investments	99,200	93,104	-	6,096	-	-	-	-
1600 Food Service	366,515	-	366,515	-	-	-	-	-
1700 Extracurricular Activities	1,191,306	205,119	986,187	-	-	-	-	-
1800 Community Services Activities	100,457	100,457	-	-	-	-	-	-
1910 Rentals	121,703	2,030	119,673	-	-	-	-	-
1920 Contributions and Donations From Private Sources	246,741	-	246,741	-	-	-	-	-
1930 Rental or Lease Payments From Private Contractors	65,520	65,520	-	-	-	-	-	-
1940 Services Provided Other Local Education Agencies	-	-	-	-	-	-	-	-
1950 Textbook Sales and Rentals	-	-	-	-	-	-	-	-
1960 Recovery of Prior Years' Expenditure	-	-	-	-	-	-	-	-
1970 Services Provided Other Funds	4,216,305	-	-	4,216,305	-	-	-	-
1980 Fees Charged to Grants	139,159	139,159	-	-	-	-	-	-
1990 Miscellaneous	474,046	285,841	54,648	-	133,557	-	-	-
Total Revenue from Local Sources	23,752,089	15,480,173	1,773,764	6,364,595	133,557	-	-	-

Revenue from Intermediate Sources

	Total	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
2101 County School Funds	96,358	96,358	-	-	-	-	-	-
2102 Education Service District Apportionment	475,858	134,000	341,858	-	-	-	-	-
2105 Natural Gas, Oil, and Mineral Receipts	-	-	-	-	-	-	-	-
2199 Other Intermediate Sources	-	-	-	-	-	-	-	-
2200 Restricted Revenue	122,674	-	122,674	-	-	-	-	-
2800 Revenue in Lieu of Taxes	-	-	-	-	-	-	-	-
2900 Revenue for/on Behalf of the District	-	-	-	-	-	-	-	-
Total Revenue from Intermediate Sources	694,890	230,358	464,532	-	-	-	-	-

Revenue from State Sources

	Total	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
3101 State School Fund - General Support	34,342,423	34,342,423	-	-	-	-	-	-
3102 State School Fund - School Lunch Match	23,321	-	23,321	-	-	-	-	-
3103 Common School Fund	687,284	687,284	-	-	-	-	-	-
3104 State Managed County Timber	-	-	-	-	-	-	-	-
3199 Other Unrestricted Grants-in-Aid	-	-	-	-	-	-	-	-
3204 Driver Education	41,497	-	41,497	-	-	-	-	-
3222 State School Fund (SSF) Transportation Equipment	-	-	-	-	-	-	-	-
3299 Other Restricted Grants-in-Aid	1,816,997	-	316,997	-	1,500,000	-	-	-
3800 Revenue in Lieu of Taxes	-	-	-	-	-	-	-	-
3900 Revenue for/on Behalf of the District	-	-	-	-	-	-	-	-
Total Revenue from State Sources	36,911,522	35,029,707	381,815	-	1,500,000	-	-	-

Revenue from Federal Sources

	Total	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
4100 Unrestricted Revenue Direct From the Federal Gov't	-	-	-	-	-	-	-	-
4200 Unrest Rev From the Federal Gov't Through the State	-	-	-	-	-	-	-	-
4300 Restricted Revenue From the Federal Government	19,935	-	19,935	-	-	-	-	-
4500 Restricted Rev From the Fed Gov't Through the State	5,421,628	7,626	5,414,002	-	-	-	-	-
4700 Grants-In-Aid From the Fed Gov't Through Intermediate	-	-	-	-	-	-	-	-
4801 Federal Forest Fees	741,080	741,080	-	-	-	-	-	-
4802 Impact Aid to School Districts for Operation (PL 874)	-	-	-	-	-	-	-	-
4803 Coos Bay Wagon Road Funds	-	-	-	-	-	-	-	-
4899 Other Revenue in Lieu of Taxes	-	-	-	-	-	-	-	-
4900 Revenue for/on Behalf of the District	171,323	-	171,323	-	-	-	-	-
Total Revenue from Federal Sources	6,353,966	748,706	5,605,260	-	-	-	-	-

Revenue from Other Sources

	Total	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
5100 Long Term Debt Financing Sources	-	-	-	-	-	-	-	-
5200 Interfund Transfers	2,225,540	-	744,000	227,799	1,253,741	-	-	-
5300 Sale of or Compensation for Loss of Fixed Assets	-	-	-	-	-	-	-	-
5400 Resources - Beginning Fund Balance	8,885,108	3,574,315	1,366,293	3,508,884	435,616	-	-	-
Total Revenue from Other Sources	11,110,648	3,574,315	2,110,293	3,736,683	1,689,357	-	-	-

Grand Totals	78,823,115	55,063,259	10,335,664	10,101,278	3,322,914	-	-	-
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2015 - 16 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT #4

Fund: 100 General Fund

Instruction Expenditures

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	10,839,866	6,878,403	3,443,073	294,707	223,683	-	-	-
1112 Intermediate Programs	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	-	-	-	-	-	-	-	-
1121 Middle/Junior High Programs	5,554,011	3,446,463	1,859,595	197,368	50,585	-	-	-
1122 Middle/Junior High Extracurricular	233,129	140,656	41,713	49,306	1,454	-	-	-
1131 High School Programs	5,693,625	3,476,242	1,839,827	158,213	219,343	-	-	-
1132 High School Extracurricular	863,944	437,808	150,993	232,824	42,319	-	-	-
1140 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1210 Talented & Gifted	-	-	-	-	-	-	-	-
1220 Restrict Prog for Students w/Disabilities	1,164,970	765,599	376,394	22,680	297	-	-	-
1250 Less Restrict Prog Students w/Disabilities	3,124,539	1,930,084	1,056,736	98,613	39,106	-	-	-
1260 Early Intervention	199,269	-	-	199,269	-	-	-	-
1271 Remediation	6,873	5,125	1,748	-	-	-	-	-
1272 Title I	-	-	-	-	-	-	-	-
1280 Alternative Education	2,055,903	359,986	153,555	1,507,367	34,995	-	-	-
1291 English as a Second Language	351,599	232,581	105,755	7,510	5,753	-	-	-
1292 Teen Parent Program	188,143	111,263	66,949	930	9,001	-	-	-
1293 Migrant Education	-	-	-	-	-	-	-	-
1294 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	82,178	49,099	28,043	636	4,400	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction Expenditures	30,358,049	17,833,309	9,124,381	2,769,423	630,936	-	-	-

Support Services Expenditures

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance & Social Work Services	31,689	27,817	3,872	-	-	-	-	-
2120 Guidance Services	1,891,283	1,210,657	663,423	16,856	347	-	-	-
2130 Health Services	47,027	-	-	47,027	-	-	-	-
2140 Psychological Services	320,387	224,713	86,602	1,971	7,101	-	-	-
2150 Speech Pathology & Audiology	1,500	-	-	1,500	-	-	-	-
2160 Other Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support	386,181	214,713	120,666	46,651	4,151	-	-	-
2210 Improvement of Instruction	296,856	195,247	72,857	22,119	6,633	-	-	-
2220 Educational Media Services	785,475	407,402	261,501	2,378	114,194	-	-	-
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	74,577	25,499	6,760	42,318	-	-	-	-
2310 Board of Education Services	148,721	6,905	2,614	62,266	8,536	-	68,400	-
2320 Executive Administration Services	320,916	209,404	81,931	22,598	6,983	-	-	-
2410 Office of the Principal Services	3,309,120	2,102,196	1,035,917	148,388	22,619	-	-	-
2490 Other Support Services - School Admin	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	610,818	370,872	166,972	17,115	54,564	-	1,295	-
2520 Fiscal Services	-	-	-	-	-	-	-	-
2540 Operation & Maint of Plant Services	5,259,328	1,951,590	1,081,238	1,516,887	450,494	37,591	221,528	-
2550 Student Transportation Services	3,735,936	86,546	49,230	3,461,990	5,775	131,279	1,116	-
2570 Internal Services	244,056	151,976	85,037	968	6,075	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2620 Planning, Research, Development, Evaluation	-	-	-	-	-	-	-	-
2630 Information Services	1,018	777	241	-	-	-	-	-
2640 Staff Services	554,984	284,393	185,251	76,329	9,011	-	-	-
2660 Technology Services	1,038,589	397,711	201,852	258,358	180,668	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	966,240	297,839	660,401	8,000	-	-	-	-
Total Support Services Expenditures	20,024,701	8,166,257	4,766,365	5,753,719	877,151	168,870	292,339	-

Community Services Expenditures

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	-	-	-	-	-	-	-	-
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	-	-	-	-	-	-	-	-
3500 Custody & Care of Children Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services Expenditures	-	-	-	-	-	-	-	-

Facilities Acquisition and Constuction Expenditures

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition & Development Services	-	-	-	-	-	-	-	-
4150 Bldg Acquisition, Construction & Improvement	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction Expenditures	-	-	-	-	-	-	-	-

Other Uses Expenditures

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	-	-	-	-	-	-	-	-
5200 Transfers to Other Funds	2,116,676	-	-	-	-	-	-	2,116,676
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
6000 Contingencies	-	-	-	-	-	-	-	-
Total Other Uses Expenditures	2,116,676	-	-	-	-	-	-	2,116,676

Grand Total 52,499,426 25,999,566 13,890,746 8,523,142 1,508,087 168,870 292,339 2,116,676

2015 - 16 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT #4

Fund: 200 - Special Revenue Funds

Instruction Expenditures

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	109,385	22,983	8,201	-	78,201	-	-	-
1112 Intermediate Programs	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	168,060	-	-	-	168,060	-	-	-
1121 Middle/Junior High Programs	39,909	-	-	-	39,909	-	-	-
1122 Middle/Junior High Extracurricular	176,824	-	-	-	176,824	-	-	-
1131 High School Programs	347,394	8,035	2,827	22,294	140,468	173,770	-	-
1132 High School Extracurricular	649,590	48,386	12,295	17,452	570,341	-	1,116	-
1140 Pre-Kindergarten Programs	176,704	64,136	44,450	53,154	14,964	-	-	-
1210 Talented & Gifted	-	-	-	-	-	-	-	-
1220 Restrict Prog for Students w/Disabilities	491,321	298,763	186,144	6,414	-	-	-	-
1250 Less Restrict Prog Students w/Disabilities	333,895	208,055	125,840	-	-	-	-	-
1260 Early Intervention	-	-	-	-	-	-	-	-
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title I	1,153,165	765,484	383,324	4,184	173	-	-	-
1280 Alternative Education	6,733	4,801	1,932	-	-	-	-	-
1291 English as a Second Language	-	-	-	-	-	-	-	-
1292 Teen Parent Program	374	-	-	-	374	-	-	-
1293 Migrant Education	-	-	-	-	-	-	-	-
1294 Youth Corrections Education	258	-	-	-	258	-	-	-
1299 Other Programs	22,756	9,492	8,178	2,233	2,853	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	18,316	-	-	17,627	689	-	-	-
Total Instruction Expenditures	3,694,684	1,430,135	773,191	123,358	1,193,114	173,770	1,116	-

Support Services Expenditures

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance & Social Work Services	30,377	15,772	12,969	335	1,301	-	-	-
2120 Guidance Services	66,529	9,797	3,049	42,886	9,705	-	1,092	-
2130 Health Services	163,986	100,800	62,434	752	-	-	-	-
2140 Psychological Services	65,530	39,714	25,816	-	-	-	-	-
2150 Speech Pathology & Audiology	-	-	-	-	-	-	-	-
2160 Other Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support	321,189	119,738	63,116	267	-	-	138,068	-
2210 Improvement of Instruction	106,851	75,948	30,138	-	765	-	-	-
2220 Educational Media Services	-	-	-	-	-	-	-	-
2230 Assessment & Testing	70,629	-	-	907	69,722	-	-	-
2240 Instructional Staff Development	1,108,603	506,397	230,263	365,511	6,432	-	-	-
2310 Board of Education Services	-	-	-	-	-	-	-	-
2320 Executive Administration Services	-	-	-	-	-	-	-	-
2410 Office of the Principal Services	-	-	-	-	-	-	-	-
2490 Other Support Services - School Admin	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	-	-	-	-	-	-	-	-
2540 Operation & Maint of Plant Services	166,594	-	-	25,972	439	116,488	23,695	-
2550 Student Transportation Services	-	-	-	-	-	-	-	-
2570 Internal Services	-	-	-	-	-	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2620 Planning, Research, Development, Evaluation	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	-	-	-	-	-	-	-	-
2660 Technology Services	303,829	54,538	31,403	7	217,881	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	-	-	-	-	-	-	-	-
Total Support Services Expenditures	2,404,117	922,704	459,188	436,637	306,245	116,488	162,855	-

Community Services Expenditures

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	2,168,342	632,603	379,952	65,332	1,076,126	14,329	-	-
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	49,797	23,523	14,124	-	12,150	-	-	-
3500 Custody & Care of Children Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services Expenditures	2,218,139	656,126	394,076	65,332	1,088,276	14,329	-	-

Facilities Acquisition and Constuction Expenditures

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition & Development Services	-	-	-	-	-	-	-	-
4150 Bldg Acquisition, Construction & Improvement	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services Expenditures	-	-	-	-	-	-	-	-

Other Uses Expenditures

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	-	-	-	-	-	-	-	-
5200 Transfers to Other Funds	-	-	-	-	-	-	-	-
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
6000 Contingencies	-	-	-	-	-	-	-	-
Total Other Uses Expenditures	-	-	-	-	-	-	-	-

Grand Total	8,316,940	3,008,965	1,626,455	625,327	2,587,635	304,587	163,971	-
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2015 - 16 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT #4

Fund: 300 - Debt Service Funds

Instruction Expenditures	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	-	-	-	-	-	-	-	-
1112 Intermediate Programs	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	-	-	-	-	-	-	-	-
1121 Middle/Junior High Programs	-	-	-	-	-	-	-	-
1122 Middle/Junior High Extracurricular	-	-	-	-	-	-	-	-
1131 High School Programs	-	-	-	-	-	-	-	-
1132 High School Extracurricular	-	-	-	-	-	-	-	-
1140 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1210 Talented & Gifted	-	-	-	-	-	-	-	-
1220 Restrict Prog for Students w/Disabilities	-	-	-	-	-	-	-	-
1250 Less Restrict Prog Students w/Disabilities	-	-	-	-	-	-	-	-
1260 Early Intervention	-	-	-	-	-	-	-	-
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title I	-	-	-	-	-	-	-	-
1280 Alternative Education	-	-	-	-	-	-	-	-
1291 English as a Second Language	-	-	-	-	-	-	-	-
1292 Teen Parent Program	-	-	-	-	-	-	-	-
1293 Migrant Education	-	-	-	-	-	-	-	-
1294 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	-	-	-	-	-	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction Expenditures	-	-	-	-	-	-	-	-
Support Services Expenditures	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance & Social Work Services	-	-	-	-	-	-	-	-
2120 Guidance Services	-	-	-	-	-	-	-	-
2130 Health Services	-	-	-	-	-	-	-	-
2140 Psychological Services	-	-	-	-	-	-	-	-
2150 Speech Pathology & Audiology	-	-	-	-	-	-	-	-
2160 Other Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support	-	-	-	-	-	-	-	-
2210 Improvement of Instruction	-	-	-	-	-	-	-	-
2220 Educational Media Services	-	-	-	-	-	-	-	-
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	-	-	-	-	-	-	-	-
2310 Board of Education Services	-	-	-	-	-	-	-	-
2320 Executive Administration Services	-	-	-	-	-	-	-	-
2410 Office of the Principal Services	-	-	-	-	-	-	-	-
2490 Other Support Services - School Admin	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	-	-	-	-	-	-	-	-
2540 Operation & Maint of Plant Services	-	-	-	-	-	-	-	-
2550 Student Transportation Services	-	-	-	-	-	-	-	-
2570 Internal Services	-	-	-	-	-	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2620 Planning, Research, Development, Evaluation	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	-	-	-	-	-	-	-	-
2660 Technology Services	-	-	-	-	-	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	-	-	-	-	-	-	-	-
Total Support Services Expenditures	-	-	-	-	-	-	-	-
Community Services Expenditures	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	-	-	-	-	-	-	-	-
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	-	-	-	-	-	-	-	-
3500 Custody & Care of Children Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services Expenditures	-	-	-	-	-	-	-	-
Facilities Acquisition and Constuction Expenditures	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition & Development Services	-	-	-	-	-	-	-	-
4150 Bldg Acquisition, Construction & Improvement	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services Expenditures	-	-	-	-	-	-	-	-
Other Uses Expenditures	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	5,176,963	-	-	-	-	-	5,176,963	-
5200 Transfers to Other Funds	-	-	-	-	-	-	-	-
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
6000 Contingencies	-	-	-	-	-	-	-	-
Total Other Uses Expenditures	5,176,963	-	-	-	-	-	5,176,963	-
Grand Total	5,176,963	-	-	-	-	-	5,176,963	-

2015 - 16 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY

DOUGLAS COUNTY SCHOOL DISTRICT #4

Fund: 400 - Capital Projects Funds

Instruction Expenditures

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	-	-	-	-	-	-	-	-
1112 Intermediate Programs	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	-	-	-	-	-	-	-	-
1121 Middle/Junior High Programs	-	-	-	-	-	-	-	-
1122 Middle/Junior High Extracurricular	-	-	-	-	-	-	-	-
1131 High School Programs	-	-	-	-	-	-	-	-
1132 High School Extracurricular	-	-	-	-	-	-	-	-
1140 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1210 Talented & Gifted	-	-	-	-	-	-	-	-
1220 Restrict Prog for Students w/Disabilities	-	-	-	-	-	-	-	-
1250 Less Restrict Prog Students w/Disabilities	-	-	-	-	-	-	-	-
1260 Early Intervention	-	-	-	-	-	-	-	-
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title I	-	-	-	-	-	-	-	-
1280 Alternative Education	-	-	-	-	-	-	-	-
1291 English as a Second Language	-	-	-	-	-	-	-	-
1292 Teen Parent Program	-	-	-	-	-	-	-	-
1293 Migrant Education	-	-	-	-	-	-	-	-
1294 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	-	-	-	-	-	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction Expenditures	-	-	-	-	-	-	-	-

Support Services Expenditures

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance & Social Work Services	-	-	-	-	-	-	-	-
2120 Guidance Services	-	-	-	-	-	-	-	-
2130 Health Services	-	-	-	-	-	-	-	-
2140 Psychological Services	-	-	-	-	-	-	-	-
2150 Speech Pathology & Audiology	-	-	-	-	-	-	-	-
2160 Other Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support	-	-	-	-	-	-	-	-
2210 Improvement of Instruction	-	-	-	-	-	-	-	-
2220 Educational Media Services	-	-	-	-	-	-	-	-
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	-	-	-	-	-	-	-	-
2310 Board of Education Services	-	-	-	-	-	-	-	-
2320 Executive Administration Services	-	-	-	-	-	-	-	-
2410 Office of the Principal Services	-	-	-	-	-	-	-	-
2490 Other Support Services - School Admin	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	-	-	-	-	-	-	-	-
2540 Operation & Maint of Plant Services	-	-	-	-	-	-	-	-
2550 Student Transportation Services	-	-	-	-	-	-	-	-
2570 Internal Services	-	-	-	-	-	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2620 Planning, Research, Development, Evaluation	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	-	-	-	-	-	-	-	-
2660 Technology Services	-	-	-	-	-	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	-	-	-	-	-	-	-	-
Total Support Services Expenditures	-	-	-	-	-	-	-	-

Community Services Expenditures

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	-	-	-	-	-	-	-	-
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	-	-	-	-	-	-	-	-
3500 Custody & Care of Children Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services Expenditures	-	-	-	-	-	-	-	-

Facilities Acquisition and Constuction Expenditures

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition & Development Services	-	-	-	-	-	-	-	-
4150 Bldg Acquisition, Construction & Improvement	2,521,950	-	-	-	-	2,521,950	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services Expenditures	2,521,950	-	-	-	-	2,521,950	-	-

Other Uses Expenditures

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	-	-	-	-	-	-	-	-
5200 Transfers to Other Funds	108,864	-	-	-	-	-	-	108,864
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
6000 Contingencies	-	-	-	-	-	-	-	-
Total Other Uses Expenditures	108,864	-	-	-	-	-	-	108,864

Grand Total	2,630,814	-	-	-	-	2,521,950	-	108,864
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SUPPLEMENTAL INFORMATION, 2015-2016

School District Business Managers and Auditors:

This page is a required part of your annual audited financial statements. Please make sure it is included.

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

A. Energy Bill for Heating - All Funds:

Please enter your expenditures for electricity
& heating fuel for these Functions & Objects.

	Objects 325 & 326
Function 2540	\$ 874,826
Function 2550	\$ 0

B. Replacement of Equipment – General Fund:

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

\$ 0

Exclude these functions:

Exclude these functions:

1113, 1122 & 1132	Co-curricular Activities	4150	Construction
1140	Pre-Kindergarten	2550	Pupil Transportation
1300	Continuing Education	3100	Food Service
1400	Summer School	3300	Community Services

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

Board of Directors
Douglas County School District No. 4
Roseburg, Oregon 97470

We have audited the basic financial statements of Douglas County School District No. 4 (the District) as of and for the year ended June 30, 2016, and have issued our report thereon dated November 30, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 statement amounts. However, providing an opinion on compliance with those provisions was not the 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 but were not limited to the following:

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

In connection with our audit, 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 Administration 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.

Restrictions on Use

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

A handwritten signature in black ink, appearing to read 'Mark E. Damon', with a stylized flourish at the end.

Mark E. Damon CPA, Partner
Medford, Oregon
KDP Certified Public Accountants, LLP
November 30, 2016

**INDEPENDENT AUDITOR'S 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
Douglas County School District No. 4
Roseburg, Oregon 97470

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 Douglas County School District No. 4 (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

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 of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read 'Mark E. Damon', with a stylized flourish at the end.

Mark E. Damon CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
November 30, 2016

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

To the Board of Directors
Douglas County School District No. 4
Roseburg, Oregon 97470

Report on Compliance for Each Major Federal Program

We have audited Douglas County School District No. 4's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in 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 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies. 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.



Mark E. Damon CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
November 30, 2016

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Program or Award Amount	Grant Period	Revenues	Expenditures
U.S. Department of Education						
Passed Through Oregon Department of Education						
Title IA/ID						
Main IA	84.010	32569	1,856,763	7/01/14-9/30/15	\$ 860,417	\$ 860,417
Main IA	84.010	35960	1,670,348	7/01/15-9/30/16	1,187,520	1,187,520
Main ID	84.010	36555	6,733	7/01/15-9/30/16	6,733	6,733
Total Title I					<u>2,054,670</u>	<u>2,054,670</u>
Vocational Ed. Reg. Program						
Vocational Education Basic	84.048	31756	66,838	7/01/14-9/30/15	4,761	4,761
Vocational Education Basic	84.048	36402	60,436	7/01/15-9/30/16	57,192	57,192
Total Vocational Ed. Reg. Program					<u>61,953</u>	<u>61,953</u>
IDEA Part B						
IDEA, Section 611	84.027	33252	1,035,165	7/01/14-9/30/16	127,331	127,331
IDEA, Section 611	84.027	36839	970,317	7/01/15-9/30/17	875,298	875,298
IDEA, IEP Training	84.027	38112	75	8/30/2015	75	75
IDEA Enhancement	84.027	33680	7,957	10/01/14-9/30/15	4,895	4,895
IDEA Enhancement	84.027	38304	7,957	10/01/15-9/30/16	3,062	3,062
IDEA Extended Assessment	84.027	35746	900	7/01/15-6/30/16	900	900
IDEA SPR & I	84.027	37839	3,922	8/01/15-6/30/16	3,922	3,922
Response to Intervention	84.027	39003	103,881	8/01/15-7/31/16	103,881	103,881
IDEA, Section 619	84.173	37152	9,282	7/01/15-9/30/17	9,282	9,282
Total IDEA Cluster					<u>1,128,646</u>	<u>1,128,646</u>
Title IIA Improving Teacher Quality						
Title IIA Improving Teacher Quality	84.367	32893	261,409	7/01/14-9/30/15	103,577	103,577
Title IIA Improving Teacher Quality	84.367	36157	257,064	7/01/15-9/30/16	219,592	219,592
Total Title IIA Improving Teacher Quality					<u>323,169</u>	<u>323,169</u>
Title III	84.365	36317	10,491	7/01/15-9/30/16	2,264	2,264
Rural and Low Income Schools						
Rural and Low Income Schools	84.358	33848	114,054	07/01/14-09/30/15	73,935	73,935
Rural and Low Income Schools	84.358	37758	114,495	07/01/15-09/30/16	58,641	58,641
Total Rural and Low Income Schools					<u>132,576</u>	<u>132,576</u>
Direct Federal Award						
Title VII Indian Education	84.060A	N/A	19,935	7/01/15- 6/30/16	19,935	19,935
Total U.S. Department of Education					<u>\$ 3,723,213</u>	<u>\$ 3,723,213</u>
U.S. Department of Health and Human Services						
Passed Through Oregon Department of Education						
Child Care and Development Block Grant	93.575	N/A	N/A	7/01/14- 6/30/15	\$ 7,626	\$ 7,626
Total U.S. Department of Health and Human Services					<u>\$ 7,626</u>	<u>\$ 7,626</u>
U.S. Department of Agriculture						
Passed Through Oregon Department of Education						
School Breakfast Program	10.553	N/A	N/A	7/01/15-6/30/16	\$ 385,599	\$ 385,599
National School Lunch	10.555	N/A	N/A	7/01/15-6/30/16	1,271,893	1,271,893
Summer Food Service	10.559	N/A	N/A	7/01/15-6/30/16	40,716	40,716
CACFP	10.558	N/A	N/A	7/01/15-6/30/16	12,516	12,516
Commodities	10.555	N/A	N/A	7/01/15-6/30/16	171,103	171,103
Commodities	10.559	N/A	N/A	7/01/15-6/30/16	220	220
Total Food Service Program					<u>1,882,047</u>	<u>1,882,047</u>
Passed Through Douglas County Management & Finance						
Schools and Roads - Grants to States	10.665	N/A	N/A	7/01/15-6/30/16	741,080	741,080
Total U.S. Department of Agriculture					<u>\$ 2,623,127</u>	<u>\$ 2,623,127</u>
Total Federal Awards					<u>\$ 6,353,966</u>	<u>\$ 6,353,966</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016

NOTE A – BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Douglas County School District No. 4 (the District) under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, and changes in fund balance of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or Circular 87, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

1. The auditor’s report expresses an unmodified opinion on the basic financial statements of the District.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor’s 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*.
3. No instances of noncompliance material to the basic financial statements of the District were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance for the major federal award programs for the District expressed an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with the Uniform Guidance reported in this schedule.
7. The programs tested as major programs include:
 - U.S. Department of Education:
IDEA Cluster CFDA 84.027, 84.173
 - U.S. Department of Agriculture:
Federal Forest Fees CFDA 10.665
8. The threshold for distinguishing Types A and B Programs was \$750,000.
9. The district qualified as a low-risk auditee under the criteria specified in the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None