

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
ROSEBURG, OREGON**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2018
WITH
INDEPENDENT AUDITOR'S REPORT**



Certified Public Accountants, LLP
audit | tax | advisory | wealth management | cfo

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
ROSEBURG, OREGON
YEAR ENDED JUNE 30, 2018**

BOARD OF DIRECTORS AS OF JUNE 30, 2018

Charles F. Lee Roseburg, Oregon 97471	Chair
Rodney Cotton Roseburg, Oregon 97471	Director
Joseph Garcia Roseburg, Oregon 97471	Director
Paul Meyer Roseburg, Oregon 97471	Director
Steve Patterson Roseburg, Oregon 97471	Director
Rev. Howard Johnson Roseburg, Oregon 97471	Director

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

ADMINISTRATIVE STAFF AS OF JUNE 30, 2018

Gerry Washburn	Superintendent
Cheryl Northam	Chief Operations Officer

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
ROSEBURG, OREGON
YEAR ENDED JUNE 30, 2018**

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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, certain pension schedules, and certain other post-employment benefit schedules, and the general fund and major special revenue 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, certain pension schedules, and certain other post-employment benefit schedules in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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, certain pension schedules, and certain other post-employment benefit 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 major special revenue 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 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 the 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 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 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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018 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.

Other Reporting Required by the State of Oregon

In accordance with Oregon State Regulation, we have also issued our report dated November 29, 2018, 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 162-10-0000 through 162-10-0320 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
KDP Certified Public Accountants, LLP
Medford, Oregon
November 29, 2018

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

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, 2018. 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, 2018 by \$10.7 million. Of this amount, \$27.9 million represents the District's net investment in capital assets, \$593 thousand is restricted for debt service, and the deficit of \$39.2 million is considered unrestricted.
- For the fiscal year ended June 30, 2018, the District's total net position increased by \$5.9 million. In the prior year, the District's total net position increased by \$785 thousand. The improvement in performance during fiscal 2018 is mostly attributed to an increase in state school fund revenue (\$5 million higher than fiscal 2017).
- The District's governmental funds report a combined ending fund balance of \$18.2 million, an increase of \$5.9 million from the prior year.
- At the end of the fiscal year, unassigned fund balance in the general fund was \$5.8 million or 11.5 percent of total general fund expenditures. In total, the general fund balance increased by \$3.1 million from the prior year.
- The District's total long-term debt decreased by \$3.3 million during the 2017-18 fiscal year as a result of scheduled principal payments.

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
YEAR ENDED JUNE 30, 2018**

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
YEAR ENDED JUNE 30, 2018**

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 \$10.69 million at June 30, 2018. At June 30, 2017 District liabilities/deferred inflows were greater than assets/deferred outflows by \$16.56 million.

	Governmental Activities		Increase (Decrease) From
	June 30, 2018	June 30, 2017	June 30, 2017
Assets:			
Current assets	\$ 22,407	\$ 15,852	\$ 6,555
Other assets	112	-	112
Capital assets	34,571	34,546	25
Total assets	<u>57,090</u>	<u>50,398</u>	<u>6,692</u>
Deferred outflows	<u>11,387</u>	<u>17,129</u>	<u>(5,742)</u>
Total assets and deferred outflows	<u>68,478</u>	<u>67,527</u>	<u>951</u>
Liabilities:			
Current liabilities (including current portion of long-term debt)	7,668	5,392	2,276
Pension & OPEB liabilities	38,512	43,038	(4,526)
Long-term debt	31,541	35,000	(3,459)
Total liabilities	<u>77,721</u>	<u>83,430</u>	<u>(5,709)</u>
Deferred inflows	<u>1,446</u>	<u>658</u>	<u>788</u>
Total liabilities and deferred inflows	<u>79,168</u>	<u>84,088</u>	<u>(4,920)</u>
Net position:			
Net investment in capital assets	27,921	25,750	2,171
Restricted for debt service	593	656	(63)
Unrestricted	(39,204)	(42,967)	3,763
Total net position	<u>\$ (10,690)</u>	<u>\$ (16,561)</u>	<u>\$ 5,871</u>

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

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 increased by \$5.9 million from the prior year.

Capital assets, which consist of the District's land, buildings, building improvements, vehicles and equipment, represent about 50.5% 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 liabilities consist of general obligations, PERS bonds, and full faith credit obligations, unfunded OPERS obligations, and unfunded post employment benefit obligations. Other more current liabilities consist of payables on accounts, accrued salaries and benefits, and unearned revenue.

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. When compared to fiscal 2017, the District's annual change in net position improved by \$5.9 million (as fiscal 2017 reported an increase in net position of \$785 thousand). The improvement can primarily be attributed to an increase in state school fund revenue (\$5 million higher than fiscal 2017).

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

	Governmental Activities		Increase (Decrease) From
	June 30, 2018	June 30, 2017	June 30, 2017
Revenues:			
Program revenues:			
Charges for service	\$ 3,028	\$ 2,621	\$ 407
Operating grants and contributions	6,323	6,489	(166)
Capital grants and contributions	789	296	493
General revenues:			
Property taxes	17,527	16,672	855
State school fund - general support	40,564	35,736	4,828
Other federal, state and local sources	1,744	1,179	565
Earnings on investments	381	189	192
Total revenues	<u>70,357</u>	<u>63,182</u>	<u>7,175</u>
Expenses:			
Instruction	35,861	34,423	1,438
Support services	22,782	22,300	482
Enterprise and community services	3,918	3,654	264
Interest on long-term debt	1,925	2,020	(95)
Total expenses	<u>64,486</u>	<u>62,397</u>	<u>2,089</u>
Change in net position	<u>\$ 5,871</u>	<u>\$ 785</u>	<u>\$ 5,086</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, 2018, the District's governmental funds reported combined ending fund balance of \$18.2 million, an increase of \$5.9 million from the prior year. Approximately \$5.8 million (32%) 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. At June 30, 2018, the fund balance was \$6 million. This is an increase of about \$3.1 million (100%) from the previous year. The general fund unassigned balance represents 10.8 percent of total general fund expenditures. This is an increase when compared to 2017.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

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 majority of the ending fund balance is committed (\$3.3 million) to associated student body programs and activities and grant related activities. The fund balance increased by \$713 thousand (27%) from the previous year. Special revenue funding has become much more volatile over the last four 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 \$7.3 million, \$593 thousand of which is restricted for the payment of general obligation bond debt service, and \$6.7 million is assigned for pension obligation bonds debt service. The increase in fund balance during the current year was about \$1.7 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.

Capital Projects Fund. The Capital Projects Fund has a total fund balance of \$1.4 million all of which is assigned for ongoing capital projects. The fund balance increased by \$387 thousand during the current fiscal year as a result of a transfer from the General Fund and planned reserves for future projects.

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, 2018, the District had invested approximately \$34.6 million in capital assets, net of depreciation, as shown in the following table:

	Governmental Activities		Increase (Decrease) From
	June 30, 2018	June 30, 2017	June 30, 2017
Capital assets (net of depreciation):			
Land	\$ 3,567	\$ 3,567	\$ -
Construction in progress	1,044	172	872
Buildings and improvements	28,347	29,087	(740)
Vehicles and equipment	1,613	1,720	(107)
Total capital assets	<u>\$ 34,571</u>	<u>\$ 34,546</u>	<u>\$ 25</u>

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 outstanding long-term debt of \$35 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
YEAR ENDED JUNE 30, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

	Governmental Activities		Increase (Decrease) From
	June 30, 2018	June 30, 2017	June 30, 2017
Debt obligations:			
General obligation bonds	\$ 6,240	\$ 8,275	\$ (2,035)
Pension obligation bonds	28,125	29,163	(1,038)
Other obligations	635	843	(208)
Total debt obligations	<u>\$ 35,000</u>	<u>\$ 38,281</u>	<u>\$ (3,281)</u>

During the current fiscal year, the District's total debt decreased by \$3.3 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 financial challenge facing the district continues to be the increase in the PERS employer rate. The average increase for the district for the 2019-21 biennium will be 4.26%. At current subject salary rates, that will be an increase in district expenditures of approximately \$1.2 million each year. The district does plan to take advantage of new PERS side account rules and will open a new, separate side account in the 2018-19 year in the amount of \$6 million. The planned deposit to this new side account will offset the previously higher anticipated increases in the PERS employer rate by 1.47%, bringing the net increase down to 4.26%. The actuarial analysis for the new side account shows \$11 million in PERS employer rate offsets that amortize over a 20-year period.

Other financial issues that will need to be prioritized are supports for student behavior and an investment in facilities. Our school buildings are beyond their original intended life and will require substantial investment in the coming years. The district will need to plan for and implement additional mental health support to meet the growing needs of its students.

Oregon's state school fund remains the district's single largest source of funding. For the year ended June 30, 2018, state school fund support provided about 70% of the district general fund program revenue, the same level as in the previous years. When combined with local property taxes, county and common school fund dollars, and federal forest fees which are included in the school fund formula, these sources provide about 99% of the resources for the general fund. Federal forest fees were not anticipated to be received in this biennium, but a late appropriation from the federal government resulted in a payment coming to the district in 2017-18 with a similar payment expected in next fiscal year. While the funding from the state school fund continues to grow, payroll benefit cost increases in the form of PERS contributions are increasing sharply, causing pressure on the district's budget to meet the changing needs of the district's students.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

The Oregon Legislature has increased its appropriations for K-12 education funding for the 2017-19 biennium. Despite the cost increase of payroll benefits, this increase in funding has allowed for some planned instructional changes in the District. For the 2018-19 year, the district has budgeted to add staff at the middle school level to lower large class sizes. Instructional assistants will be added to every kindergarten classroom to address low levels of kindergarten readiness and associated behaviors in those classrooms. The budget includes adding staff at Rose School to continue and expand online course options to students and to add science course offerings. A priority in the 2018-19 budget are funds dedicated to enhancing student safety in buildings, as well as additional funds for the seismic rehabilitation projects.

Many positive things are happening in the school district. Funds for career technical education and student success and graduation have allowed for expansion in the CTE offerings at the high school. The district is reinvesting in automotive education and career health occupations. With the awards of seismic rehabilitation funds, the district is making some much needed structural investments in its buildings. Grant funds targeted towards early learning were utilized for pre-school classrooms at two schools. The district has adopted and purchased new English language arts curriculum for grades K-5 that will be implemented in 2018-19.

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, 2018

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS:	
Assets:	
Cash and Investments	\$ 18,546,327
Receivables:	
Taxes Receivable	1,839,895
Other Receivables	1,698,578
Inventory - General	229,768
Prepaid Expense	92,123
Net Post-Employment Benefit (RHIA)	112,441
Capital Assets (net of accumulated depreciation):	
Land	3,566,954
Construction in Progress	1,044,356
Buildings and Improvements	28,347,122
Vehicles and Equipment	1,612,765
TOTAL ASSETS	<u>57,090,329</u>
Deferred Outflows of Resources:	
Deferred Charge Associated with Advance Refunding (net)	224,493
Deferred Amounts Related to OPERS & RHIA	11,162,775
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>11,387,268</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>68,477,597</u>
LIABILITIES AND DEFERRED INFLOWS:	
Liabilities:	
Accounts Payable and Accrued Liabilities	885,134
Accrued Payroll and Related Charges	1,915,600
Accrued Compensated Absences	77,259
Accrued Interest	1,331,447
Pension Liability (Stipend) (Due in more than one year)	589,264
Other Post Employment Benefit Obligation (Due in more than one year)	5,900,339
Net Pension Liability (OPERS) (Due in more than one year)	32,022,059
Long-Term Debt:	
Due Within One Year	3,458,873
Due in More Than One Year	31,541,322
TOTAL LIABILITIES	<u>77,721,297</u>
Deferred Inflows of Resources:	
Deferred Amounts Related to OPERS & RHIA	1,446,361
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>79,167,658</u>
NET POSITION:	
Net Investment in Capital Assets	27,920,820
Restricted for Debt Service	593,380
Unrestricted	(39,204,261)
TOTAL NET POSITION/(DEFICIT)	<u>\$ (10,690,061)</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/Programs	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	\$ 35,861,356	\$ 1,830,439	\$ 2,370,230	\$ -
Support Services	22,781,712	532,163	1,737,041	-
Community Services	3,918,446	665,836	2,215,250	-
Interest on Long-Term Liabilities	1,924,841	-	-	-
Facilities Acquisition and Construction	-	-	-	789,118
Total Governmental Activities	<u>\$ 64,486,355</u>	<u>\$ 3,028,438</u>	<u>\$ 6,322,521</u>	<u>\$ 789,118</u>
General Revenues:				
Property Taxes Levied for General Purposes				15,464,653
Property Taxes Levied for Debt Service				2,062,770
State School Fund				40,564,297
Common School Fund				572,201
Federal Forest Fees				682,799
County School Fund				145,795
Earnings on Investments				381,158
Miscellaneous				347,020
Gain/(Loss) on Disposal of Assets				(3,725)
Total General Revenues				<u>60,216,968</u>
CHANGE IN NET POSITION				5,870,690
NET POSITION/(DEFICIT) - JULY 1, 2017				<u>(16,560,751)</u>
NET POSITION/(DEFICIT) - JUNE 30, 2018				<u>\$ (10,690,061)</u>

FUND FINANCIAL STATEMENTS

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS:					
Cash and Investments	\$ 7,693,198	\$ 2,686,679	\$ 7,268,266	\$ 898,184	\$ 18,546,327
Taxes Receivable	1,619,305	-	220,590	-	1,839,895
Receivable From Other					
Governmental Sources	397,031	736,822	-	564,725	1,698,578
Inventory - General	229,768	-	-	-	229,768
Prepaid	2,797	89,326	-	-	92,123
TOTAL ASSETS	\$ 9,942,099	\$ 3,512,827	\$ 7,488,856	\$ 1,462,909	\$ 22,406,691
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 566,481	\$ 119,084	\$ -	\$ 19,569	\$ 705,134
Accrued Payroll and Related Charges	1,915,600	-	-	-	1,915,600
TOTAL LIABILITIES	2,482,081	119,084	-	19,569	2,620,734
Deferred Inflows of Resources:					
Unavailable Revenue - Property Taxes	1,402,832	-	191,056	-	1,593,888
TOTAL LIABILITIES AND DEFERRED INFLOWS	3,884,913	119,084	191,056	19,569	4,214,622
Fund Balances:					
Nonspendable	232,565	89,326	-	-	321,891
Restricted - Debt Service	-	-	593,380	-	593,380
Committed	-	3,304,417	-	-	3,304,417
Assigned - Debt Service	-	-	6,704,420	-	6,704,420
Assigned - Capital Projects	-	-	-	1,443,340	1,443,340
Unassigned	5,824,621	-	-	-	5,824,621
TOTAL FUND BALANCES	6,057,186	3,393,743	7,297,800	1,443,340	18,192,069
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 9,942,099	\$ 3,512,827	\$ 7,488,856	\$ 1,462,909	\$ 22,406,691

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2018

TOTAL FUND BALANCES		\$ 18,192,069
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 66,038,791	
Accumulated Depreciation	<u>(31,467,594)</u>	34,571,197
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.		
		1,593,888
A portion of the District's accrued liabilities relate to certain claims and judgements that were settled after year-end. As a result, the liability was not recorded in the governmental funds.		
		(180,000)
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.		
		224,493
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.		
		(32,022,059)
The net deferred outflow/(inflow) associated with the District's pension (OPERS and OPEB-RHIA) is not recorded in the governmental funds as it is not available nor payable currently.		
		9,716,414
The asset for the retirement health insurance account is not recorded as a governmental fund asset as it is not available nor payable currently.		
		112,441
The liability for other post employment benefits obligations is not recorded as a governmental fund liability as it is not available nor payable currently.		
		(5,900,339)
The liability for the District's stipend pension is not recorded in the governmental funds as it is not available nor payable currently.		
		(589,264)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. These liabilities consist of:		
Long-Term Debt	\$ (35,000,195)	
Accrued Interest	(1,331,447)	
Accrued Compensated Absences	<u>(77,259)</u>	(36,408,901)
TOTAL NET POSITION/(DEFICIT)		<u><u>\$ (10,690,061)</u></u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES:					
Property Taxes	\$ 15,388,195	\$ -	\$ 2,057,407	\$ -	\$ 17,445,602
State School Fund	40,541,882	-	-	-	40,541,882
Intergovernmental	1,509,183	6,236,548	-	658,923	8,404,654
Local Grant	-	502,342	-	-	502,342
Charges for Services	394,191	2,131,070	-	-	2,525,261
Pension Obligation Bonds (internal fee)	-	-	4,817,224	-	4,817,224
Interest on Investments	253,983	-	127,216	-	381,199
Miscellaneous	219,638	128,217	-	130,195	478,050
TOTAL REVENUES	58,307,072	8,998,177	7,001,847	789,118	75,096,214
PROGRAM EXPENDITURES:					
Instruction	32,903,491	4,035,988	-	-	36,939,479
Support Services	20,915,824	2,370,926	-	-	23,286,750
Community Services	-	2,667,000	-	-	2,667,000
Capital Outlay	-	-	-	771,907	771,907
Debt Service	-	-	5,557,809	-	5,557,809
TOTAL EXPENDITURES	53,819,315	9,073,914	5,557,809	771,907	69,222,945
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,487,757	(75,737)	1,444,038	17,211	5,873,269
OTHER FINANCING SOURCES (USES):					
Transfers In	-	789,000	228,661	480,000	1,497,661
Transfers Out	(1,387,935)	-	-	(109,726)	(1,497,661)
TOTAL OTHER FINANCING SOURCES (USES)	(1,387,935)	789,000	228,661	370,274	-
NET CHANGE IN FUND BALANCE	3,099,822	713,263	1,672,699	387,485	5,873,269
FUND BALANCE - JULY 1, 2017	2,957,364	2,680,480	5,625,101	1,055,855	12,318,800
FUND BALANCE - JUNE 30, 2018	\$ 6,057,186	\$ 3,393,743	\$ 7,297,800	\$ 1,443,340	\$ 18,192,069

See accompanying notes to basic financial statements.

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, 2018

NET CHANGE IN FUND BALANCE **\$ 5,873,269**

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	\$ 1,343,499	
Loss on sale of equipment	(3,725)	
Less current year depreciation	<u>(1,314,540)</u>	25,234

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	\$ 12,639	
Accrued interest	445,570	
Debt principal repaid	<u>3,280,251</u>	3,738,460

Government funds report other post-employment benefits (OPEB) contributions as expenditures. In the statement of activities, the cost of OPEB (actuarially determined) is reported as either pension expense or income. This is the net change in OPEB related items (including deferred outflows and inflows).

189,461

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)
---	----------

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:	602,861
---	---------

A portion of the District's accrued liabilities relate to certain claims and judgements that were settled after year-end. As a result, this is the amount of expenditure recognized in the statement of activities associated with such settlements.

(180,000)

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 (OPERS & Stipend, including deferred outflows and inflows).

(4,367,522)

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.

81,821

CHANGE IN NET POSITION

\$ 5,870,690

NOTES TO BASIC FINANCIAL STATEMENTS

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 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 Directors (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. 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 asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

Fund Financial Statements

The fund financial statements provide information about the 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 the District's funds are categorized as major funds.

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.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements (continued)

Debt Service Fund - This fund provides for the payment of principal and interest on debt obligations of the District. 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.

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).

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes Receivable

Ad valorem property taxes are levied on all taxable property as of January 1 preceding the beginning of the fiscal year. 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 receivable and other receivables consist primarily of charges for services, claims for reimbursement of costs under various federal and state grant programs and refunds of prior year expenditures.

Grants

Unreimbursed 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.

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.

A portion of the inventory consists of donated United States Department of Agriculture (USDA) commodities. Commodities are recorded as expenditures when consumed and are stated at their fair market value based on guidelines provided by the USDA.

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

Pensions

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payment (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions (continued)

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. In the Government-wide financial statements, the District reports its liability for other post-employment benefits consistent with established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees. Such costs are recorded as expenses in the Governmental Funds and funded as premiums become due.

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 absence liability decreased from \$89,898 to \$77,259 during the fiscal year ended June 30, 2018.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 currently has deferred outflows related to pension costs reported on the Statement of Net Position.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources (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 on 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 currently has deferred inflows related to pension costs reported on the Statement of Net Position. Additionally, the District has one type of deferred inflows 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.

Net Position and Fund Balance

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

- *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 increased by balances of deferred outflows of resources related to those assets.
- *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.
- *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.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 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.

New GASB Pronouncements Adopted

During the fiscal year ended June 30, 2018, the District implemented the following GASB Pronouncements:

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. Issued March 2016, this statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 85, *Omnibus 2017*. Issued March 2017, this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as good will and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contract at amortized cost

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New GASB Pronouncements Adopted (continued)

- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. Issued May 2017, the purpose of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is deceased in substance.

Future GASB Pronouncements

The following GASB pronouncements have been issued, but are not effective as of June 30, 2018:

GASB Statement No. 80, *Blending Requirements for Certain Component Units*. Issued January 2016, this Statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB Statement No. 83, *Certain Asset Retirement Obligations*. Issued November 2016, this statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). GASB 83 will be effective fiscal year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities*. Issued January 2017, this statement establishes criteria for identifying fiduciary activities of all state and local governments. GASB 84 will be effective fiscal year ending June 30, 2020.

GASB Statement No. 87, *Leases*. Issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 will be effective for the District for fiscal year ending June 30, 2021.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, issued March 2018 to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 88 will be effective for the District for fiscal year ending June 30, 2019.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future GASB Pronouncements (continued)

GASB Statement No. 89, Accounting for Interest Costs Incurred Before the End of a Construction Period. This statement was issued June 2018 to establish accounting requirements for interest cost incurred before the end of a construction period. The objectives of the Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for the District for fiscal year ending June 30, 2021.

GASB Statement No. 90, Majority Equity Interests. Issued August 2018, the primary objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization; and to improve the relevance of financial statement information for certain component units. GASB Statement No. 90 will be effective for the District for fiscal year ending June 30, 2020.

The District will implement new GASB pronouncements no later than the required effective date. The District is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the District's financial statements.

NOTE 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, 2018:

Investments - LGIP	\$ 13,782,476
Deposits with financial institutions, demand deposits	4,761,151
Cash on hand	<u>2,700</u>
Total cash and investments	<u>\$ 18,546,327</u>

At year-end, the District's net carrying amount of deposits was \$4,761,151 and the bank balance was \$6,009,058. Of these deposits, \$3,870,321 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.

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.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS (continued)

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.

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

The District has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2017-2018. Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. Investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the District's cash position.

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 294.035 and 294.810. These funds are held in the District's name and are not subject to collateralization requirements of ORS 295.015. Investments are stated at amortized cost, which approximated fair value.

As of June 30, 2018 and for the year then ended, the District was in compliance with the aforementioned State of Oregon statutes.

Credit Risk - State Statutes authorize the District to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, banker's acceptances, certain commercial papers, and the State Treasurer's Investment Pool, among others. The District has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk - The District is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The District has no such investments.

Interest Rate Risk - The District has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS (continued)

Disclosures about Fair Value of Assets - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 - Unadjusted inputs using quoted prices in active markets for identical investments.

Level 2 - Other significant observable inputs other than level 1 prices, including, but are not limited to, quoted prices for similar investments, inputs other than quoted prices that are observable for investments (such as interest rates, prepayment speeds, credit risk, etc.) or other market corroborated inputs.

Level 3 - Significant inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

Investments:	Totals as of 6/30/2018	Level One	Level Two	Level Three	Not Measured at Fair Value
Local Government Investment Pool	\$13,782,476	-	-	-	\$13,782,476
	<u>\$13,782,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$13,782,476</u>

As of June 30, 2018, all of the District's investments had maturities dates of less than one year and had unrated credit ratings.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 3 – CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2018, are as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 3,566,954	\$ -	\$ -	\$ 3,566,954
CIP	172,068	872,288	-	1,044,356
Total capital assets not being depreciated	<u>\$ 3,739,022</u>	<u>\$ 872,288</u>	<u>\$ -</u>	<u>\$ 4,611,310</u>
Capital assets being depreciated:				
Site improvements	\$ 4,958,128	\$ 128,654	\$(228,055)	\$ 4,858,727
Buildings	51,439,642	228,016	-	51,667,658
Equipment	4,851,285	114,541	(64,730)	4,901,096
Total capital assets being depreciated	<u>\$ 61,249,055</u>	<u>\$ 471,211</u>	<u>\$(292,785)</u>	<u>\$ 61,427,481</u>
Less accumulated depreciation for:				
Site improvements	\$ (4,034,883)	\$ (144,152)	\$ 228,055	\$ (3,950,980)
Buildings	(23,275,487)	(952,796)	-	(24,228,283)
Equipment	(3,131,744)	(217,592)	61,005	(3,288,331)
Total accumulated depreciation	<u>\$ (30,442,114)</u>	<u>\$ (1,314,540)</u>	<u>\$ 289,060</u>	<u>\$ (31,467,594)</u>
Total capital assets (net)				
Land	\$ 3,566,954	\$ -	\$ -	\$ 3,566,954
CIP	172,068	872,288	-	1,044,356
Site improvements	923,245	(15,498)	-	907,747
Buildings	28,164,155	(724,780)	-	27,439,375
Equipment	1,719,541	(103,051)	(3,725)	1,612,765
Total capital assets (net)	<u>\$ 34,545,963</u>	<u>\$ 28,959</u>	<u>\$ (3,725)</u>	<u>\$ 34,571,197</u>

Depreciation expense for the year ended June 30, 2018 was charged to the following programs:

<u>Program:</u>	
Instructional Services	\$ 26,291
Support Services	39,436
Facilities Acquisition and Construction	1,248,813
Total	<u>\$ 1,314,540</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 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:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Series 2013</u> <u>Principal</u>	<u>Series 2013</u> <u>Interest</u>	<u>Total</u> <u>Debt Service</u>
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	\$ 6,240,000	\$ 155,706	\$ 6,395,706

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.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 4 – LONG-TERM DEBT (continued)

Series 2004 Full Faith and Credit Obligation (continued)

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.

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

Fiscal Year Ending June 30,	Series 2004		Total Principal	Series 2004		Total Interest
	QZAB Principal	Series 2007 Principal		QZAB Interest	Series 2007 Interest	
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	-	109,000	109,000	-	4,515	4,515
Total	<u>\$ 237,870</u>	<u>\$ 397,000</u>	<u>\$ 634,870</u>	<u>\$ -</u>	<u>\$ 43,172</u>	<u>\$ 43,172</u>

Pension Obligations

Series 2002 Obligations

In October of 2002, the District participated in a pooled issuance of Series 2002A limited tax deferred interest obligations, and Series 2002B limited tax pension obligations. Certain Oregon school districts and education service districts issued limited tax obligations (Pension Obligation), the proceeds of which were used to finance a portion of the estimated unfunded actuarial liability of each issuer with the Oregon Public Employees Retirement System (PERS). The full faith and credit of the District was pledged for the punctual payment of the principal of and interest on its Pension Obligation, and debt service on the Pension Obligation is not subject to annual appropriation. The Pension Obligation is further secured by an Intercept Agreement under which an amount equal to the debt service on each issuer's Pension Obligation will be diverted from State Education Revenues.

The 2002A Obligations were issued in the aggregate original principal amount of \$5,197,283. Interest on the 2002A Obligations will be payable only at maturity (maturity dates range from 6/30/2004 to 6/30/2020), and will be compounded semiannually (for the accreted value of the Obligations of each maturity as of each June 30 and December 30). Interest on the 2002A Obligations ranges between 2.06% and 6.10% based upon the maturity date. The 2002A Obligations were not subject to optional prepayment prior to maturity. Accrued interest associated with the 2002A deferred interest obligations was \$1,331,447 at June 30, 2018.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 4 – LONG-TERM DEBT (continued)

Series 2002 Obligations (continued)

The 2002B Obligations were issued in the aggregate original principal amount of \$15,150,000. Interest on the 2002B Obligations is payable semiannually June 30 and December 30 of each year until maturity (maturity dates range from 6/30/2021 to 6/30/2028). Interest on the 2002B Obligations range between 5.49% and 5.55% based upon maturity date. The 2002B Obligations maturing on June 30, 2021 are subject to prepayment prior to maturity, on or after June 30, 2007, in whole or in part. The Series 2002B Obligation maturing on June 30, 2028 is subject to mandatory prepayment prior to its stated maturity, in part, pro rata amounts the owners of the 2028 Term Obligation, on any June 30 on or after June 30, 2024, at the principal amount thereof together with accrued interest thereon to the date of prepayment, solely from mandatory sinking fund payments.

Series 2004 Obligations

In February of 2004, the District participated in a pooled issuance of Series 2004 limited tax pension obligations. Certain Oregon school districts and education service districts issued limited tax obligations (Pension Obligation), the proceeds of which were used to finance a portion of the estimated unfunded actuarial liability of each issuer with the Oregon Public Employees Retirement System (PERS). The full faith and credit of the District was pledged for the punctual payment of the principal of and interest on its Pension Obligation, and debt service on the Pension Obligation is not subject to annual appropriation.

The Pension Obligation is further secured by an Intercept Agreement under which an amount equal to the debt service on each issuer's Pension Obligation will be diverted from State Education Revenues.

The 2004 Obligations were issued in the aggregate original principal amount of \$14,900,000. Interest on the 2004 Obligations is payable semiannually on June 30 and December 30 of each year until maturity (maturity dates range from 6/30/2009 to 6/30/2028). Interest on the 2004 Obligations range between 3.66% and 5.53% based upon maturity date. The 2004 Obligations are subject to prepayment as further described in the official statement.

Series 2011 Obligations

In August of 2011, the District advance refunded the 2021 debt service requirements included in the original 2002B Bond issue. The advance refunding was evaluated based on standards for advance refunding in the State of Oregon. The full faith and credit of the District was pledged for the punctual payment of the principal of and interest on its Pension Obligation, and debt service on the Pension Obligation is not subject to annual appropriation. The Pension Obligation is further secured by an Intercept Agreement under which an amount equal to the debt service on each issuer's Pension Obligation will be diverted from State Education Revenues.

The 2011 Obligations were issued in the aggregate original principal amount of \$1,415,000. Interest on the 2011 Obligations is payable semiannually on June 30 and December 30 of each year to the maturity (matures on 6/30/2021) of the Series 2011 Obligations. Interest on the 2011 Obligations is computed at 4.12% per annum.

Pension Obligations General Note

The issuance of the Pension Obligations 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.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 4 – LONG-TERM DEBT (continued)

Pension Obligations General Note (continued)

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
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	1,581,116	624,024	58,227	2,263,367
2021	-	940,000	1,415,000	2,355,000	763,503	579,696	58,227	1,401,426
2022	1,540,000	1,065,000	-	2,605,000	763,504	528,720	-	1,292,224
2023	1,735,000	1,205,000	-	2,940,000	679,112	470,433	-	1,149,545
2024-2028	10,520,000	7,305,000	-	17,825,000	1,703,852	1,177,741	-	2,881,593
Total	\$14,655,325	\$12,055,000	\$ 1,415,000	\$28,125,325	\$ 6,976,652	\$ 4,042,697	\$ 174,681	\$11,194,030

Changes in long-term debt for the year ended June 30, 2018, are as follows:

	Original Issue	Outstanding July 1, 2017	Issued	Matured	Outstanding June 30, 2018
General Obligation Bonds:					
Series 2013	\$12,705,000	\$ 8,275,000	\$ -	\$ (2,035,000)	\$ 6,240,000
Full Faith and Credit Obligations:					
Series 2004 (QZAB)	2,500,000	356,805	-	(118,935)	237,870
Series 2007	1,200,000	486,000	-	(89,000)	397,000
Total Full Faith and Credit Obligations		842,805	-	(207,935)	634,870
Pension Obligations:					
Series 2002	20,347,283	15,077,641	-	(422,316)	14,655,325
Series 2004	14,900,000	12,670,000	-	(615,000)	12,055,000
Series 2011	1,415,000	1,415,000	-	-	1,415,000
Total Pension Obligations		29,162,641	-	(1,037,316)	28,125,325
Total Long Term Debt		<u>\$38,280,446</u>	<u>\$ -</u>	<u>\$ (3,280,251)</u>	<u>\$35,000,195</u>
Deferred Charge on Refunding (G.O. Bonds)		<u>\$ (317,387)</u>	<u>\$ -</u>	<u>\$ 92,894</u>	<u>\$ (224,493)</u>

NOTE 5 – INTERFUND TRANSACTIONS

Inter-fund transfers for the year ended June 30, 2018 are as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 1,387,935
Special Revenue Fund	789,000	-
Debt Service Fund	228,661	-
Capital Projects Fund	480,000	109,726
Total Transfers	<u>\$ 1,497,661</u>	<u>\$ 1,497,661</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 5 – INTERFUND TRANSACTIONS (continued)

The District made transfers from the General Fund to the Capital Projects Fund to fund major capital projects, to the Special Revenue Fund to support district curriculum needs and technology purchases, and to the Debt Service Fund to make the required annual bond payments.

In addition, the Debt Service Fund charged the other Funds \$4,817,224 (14.40% of PERS subject payroll) for future debt service associated with its pension obligation bonds (OPERS). Of the \$4,817,224 charged, \$3,185,936 represented fiscal 2018 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 the pension obligation bonds (deferred interest obligations).

NOTE 6 – OPERATING LEASES

The District has operating leases associated with office equipment. Total expense for such leases was \$55,501 for the year ended June 30, 2018. The future minimum lease payments for these leases are as follows:

Year Ended June 30,		
2019	\$	55,501
2020		55,501
2021		12,471
Total	\$	<u>123,473</u>

NOTE 7 – BUDGET/GAAP REPORTING DIFFERENCES

For fiscal year 2018 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.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The District has two separate other post-employment benefits (OPEB) plans. The District provides a single employer defined benefit health care plan to staff that were hired before July 1, 2003 and the District contributes to the State of Oregon's PERS cost-sharing multiple employer defined benefit plan.

Single-Employer Defined Benefit Health Care Plan

Plan Description – The District maintains a single-employer defined benefit OPEB plan that provides post-employment health benefits to eligible employees and their spouses. Generally, the program covers all eligible employees who had 10 years or more of service as of June 30, 2000 (sunset date), who remain employed by the District until they reach retirement age. An eligible employee qualifies for 50% of the current medical insurance benefit premium if they elect to retire on June 30 following their 55th birthday. If an eligible employee elects to receive the retirement benefit before age 58, they must be continuing paying 50% of the premium for the duration of coverage. An eligible employee qualifies for 100% of the current medical insurance benefit premium if they elect to retire at age 58. The program covers employees who have qualified for early retirement to receive health insurance benefits until they reach age sixty-five.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

Single-Employer Defined Benefit Health Care Plan (continued)

In addition, 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 requirement to make available to retirees (at the retirees own cost) access in to the healthcare plan has an implicit cost to the district.

Funding Policy – The benefits from the single-employer defined benefit OPEB plan 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 benefits from the healthcare plan established in accordance with ORS 243.303 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.

Employees Covered by Benefit Terms – The explicit benefit for the single-employer defined benefit OPEB plan was ceased to all employees entering employment subsequent to June 30, 2000. As a result, the total plan members receiving the explicit benefit will decrease over time. At June 30, 2018, the following employees were covered by the explicit benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	61
Active plan members	38
	<u>99</u>

Total OPEB Liability – The districts total OPEB liability of \$5,900,339 was measured as of June 30, 2018, and was determined by an actuarial valuation date as of July 1, 2016.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Input	Assumption
Actuarial Cost Method	Early age normal, level percent of salary
Interest Rate Utilized for Discounting	3.5% per year, based on all years discounted at municipal bond rate
General Inflation	2.5% per year
Salary Scale	3.0% per year
Salary Merit Scale	Total payroll increase is overall payroll growth
Annual Premium Increase Rate	Between 5% and 6.5% annually (district portion was assumed 2.5% annually)
Mortality Rates	RP 2000 male and female tables
Turnover Rates	As developed for the valuation of benefits under Oregon PERS, depending on YOS
Disability Rates	As developed for the valuation of benefits under Oregon PERS, age dependent
Retirement Rates	As developed for the valuation of benefits under Oregon PERS
Plan Enrollment	Current and future retirees are assumed to remain enrolled in the plans in which currently enrolled

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

Single-Employer Defined Benefit Health Care Plan (continued)

Changes in the Total OPEB Liability –

OPEB Liability at June 30, 2017	\$ 6,308,864
Changes for the year:	
Service cost	194,938
Interest	209,986
Benefit payments	<u>(813,449)</u>
OPEB Liability at June 30, 2018	<u>\$ 5,900,339</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

District's Net Pension Asset/(Liability)	1% Decrease Rate 2.5%	Current Discount Rate 3.5%	1% Increase Rate 4.5%
Total OPEB Liability	\$ 6,228,157	\$ 5,900,339	\$ 5,593,031

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

District's Net Pension Asset/(Liability)	1% Decrease 5.5% Graded Down to 4%	Current Trend Rate 6.5% Graded Down to 5% Trend Rates	1% Increase 7.5% Graded Down to 6%
Total OPEB Liability	\$ 5,406,210	\$ 5,900,339	\$ 6,467,378

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources – For the year ended June 30, 2018, the District recognized OPEB expense of \$404,924. At June 30, 2018, the District reported no deferred outflows or inflows associated with its OPEB plan.

Retirement Health Insurance Account (RHIA)

Plan Description – The District contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. Oregon Revised Statute (ORS) 238.420 established this trust fund and authorizes the Oregon Legislature to establish and amend the benefit provisions. 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, telephone (503) 598-7377, or by URL: <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

Benefits Provided – RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible employees. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the District, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. The plan has been closed to new entrants since January 1, 2004.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

Retirement Health Insurance Account (continued)

Contributions – 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. Participating Districts are contractually required to contribute to RHIA at a rate assessed each year by PERS.

The District's contractually required contribution rate for the year ended June 30, 2018 was 0.43% of OPSRP payroll actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year. Contributions to the OPEB plan from the District were \$131,821 for the year ended June 30, 2018.

OPEB Asset, Income, Deferred Outflows of Resources, and Deferred Inflows of Resources –

At June 30, 2018, the District reported an asset of \$112,441 for its proportionate share of the total RHIA asset. The asset was measured as of June 30, 2017, and the total pension asset used to calculate the asset was determined by an actuarial valuation as of December 31, 2015. The District's proportion of the RHIA asset was based on a projection of the District's long-term share of contributions to the plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was approximately 0.26942259 percent.

For the year ended June 30, 2018, the District recognized a reduction of OPEB expense of \$189,461. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on investments: \$	-	\$ 52,076
Changes in proportionate share:	-	2,725
District's contributions subsequent to the measurement date:	<u>131,821</u>	<u>-</u>
Total	<u>\$ 131,821</u>	<u>\$ 54,801</u>

\$131,821 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability in the year ended June 30, 2018.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

Retirement Health Insurance Account (continued)

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:

<u>Year Ended June 30</u>	<u>Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)</u>
2019	\$ (14,028)
2020	(14,028)
2021	(13,726)
2022	(13,019)
Thereafter	-
Total	<u>\$ (54,801)</u>

Actuarial Methods and Assumptions – The actuarial valuation used for RHIA is identical to the actuarial valuation details related to the OPERS Plan disclosed in *Note 10* Pension and Retirement Plans (excluding the Actuarial Methods and Assumptions cost of living adjustment assumption, which has been removed, and a retiree healthcare participation assumption of 38% for healthy retirees and 20% for disabled retirees has been used). The actuarial valuation details are the Actuarial Methods and Assumptions, Discount Rate, Assumed Asset Allocation, and the Investment Rate of Return.

Sensitivity of the Total RHIA Asset to Changes in the Discount Rate – The following presents the total RHIA asset of the District, as well as what the District's total RHIA asset would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

District's Net Pension Asset/(Liability)	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Retirement Health Insurance Account	\$ (15,674)	\$ 112,441	\$ 221,411

The RHIA OPEB is unaffected by healthcare cost trends due to the benefit being limited to \$60 monthly payments toward Medicare companion insurance premiums.

NOTE 9 – PENSION AND RETIREMENT PLANS

Tax Sheltered Annuity Plan

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. 324 employees are currently receiving matching contributions and as of June 30, 2018, 324 employees were participating in the plans.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 9 – PENSION AND RETIREMENT PLANS (continued)

Early Retirement Stipend Pension Plan

Plan Description – The District maintains a single-employer defined benefit pension early retirement supplemental plan for eligible teachers and administrators of the District (not administered through a trust). 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 55 (and having at least 9-10 years of service as of June 30, 2000 – sunset date), an employee may elect early retirement. A stipend from the District is calculated by multiplying the stipend factor (between .833%-1.5%) times the final salary, times years of service (with a 12-year maximum). The maximum stipend factor is between 10%-18% depending on the age elected for retirement (i.e. 10% if elected retirement at age 55 vs. 18% if elected retirement at age 58). 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.

Funding Policy – The benefits from this program are fully paid by the District and, consequently, no contributions by employees are required. The District funds this benefit as it comes due and the amount estimated to be paid by the District for the benefit for the period ended June 30, 2018 was \$265,672. There are no assets accumulated in a trust.

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the stipend benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	15
Active plan members	20
	<u>35</u>

Total Stipend Pension Liability – The District's total stipend pension liability of \$589,264 was measured as of June 30, 2018, and was determined by an actuarial valuation date as of July 1, 2016.

Actuarial Assumptions and Other Inputs – The total stipend pension liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Input	Assumption
Actuarial Cost Method	Early age normal, level percent of salary
Interest Rate Utilized for Discounting	3.5% per year, based on all years discounted at municipal bond rate
General Inflation	2.5% per year
Salary Scale	3.0% per year
Salary Merit Scale	Total payroll increase is overall payroll growth
Annual Premium Increase Rate	Between 5% and 6.5% annually (district portion was assumed 2.5% annually)
Mortality Rates	RP 2000 male and female tables
Turnover Rates	As developed for the valuation of benefits under Oregon PERS, depending on YOS
Disability Rates	As developed for the valuation of benefits under Oregon PERS, age dependent
Retirement Rates	As developed for the valuation of benefits under Oregon PERS
Plan Enrollment	Current and future retirees are assumed to remain enrolled in the plans in which currently enrolled

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 9 – PENSION AND RETIREMENT PLANS (continued)

Early Retirement Stipend Pension Plan (continued)

Changes in the Stipend Pension Liability –

Stipend Pension Liability at June 30, 2017	\$ 783,600
Changes for the year:	
Service cost	9,398
Interest	23,611
Benefit payments	<u>(227,345)</u>
Stipend Pension Liability at June 30, 2018	<u><u>\$ 589,264</u></u>

Sensitivity of the Total Stipend Pension Liability to Changes in the Discount Rate – The following presents the total stipend pension liability of the District, as well as what the District's total pension stipend liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

District's Net Pension Asset/(Liability)	1% Decrease Rate 2.5%	Current Discount Rate 3.5%	1% Increase Rate 4.5%
Total Stipend Pension Liability	\$ 603,960	\$ 589,264	\$ 574,587

Stipend Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources – For the year ended June 30, 2018, the District recognized stipend pension expense of \$33,010. At June 30, 2018, the District reported no deferred outflows or inflows associated with its stipend pension plan.

Oregon Public Employees Retirement Plan

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

Plan Description

Employees are provided pensions as participants under one or more plans currently available through Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit plan in accordance with Oregon Revised Statutes Chapter 238, Chapter 238A, and Internal Revenue Service Code Section 401(a).

There are currently two programs within OPERS, with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are OPERS Program members, and benefits are provided based on whether a member qualifies for Tier One or Tier Two described below. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPSRP is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and 2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

Beginning January 1, 2004, all employees who were active members of OPERS became members of the OPSRP IAP Program. OPERS plan member contributions (the employee contribution, whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. OPERS plan members retain their existing OPERS accounts; however, member contributions after January 1, 2004 are deposited in the member's IAP, not into the member's OPERS account.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 9 – PENSION AND RETIREMENT PLANS (continued)

Oregon Public Employees Retirement Plan (continued)

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. General Service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan was 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.

A member's beneficiary may choose a monthly payment for life instead of a lump-sum or a combination of lump-sum and monthly payments, if eligible. The monthly payment must be a minimum of \$30 per month for deaths that occurred July 30, 2003, and earlier; \$200 per month for deaths that occur after July 30, 2003.

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 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.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 9 – PENSION AND RETIREMENT PLANS (continued)

Oregon Public Employees Retirement Plan (continued)

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

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:

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. The surviving spouse or other person may elect to delay payment of the death benefit. Payment must commence no later than December 31 of the calendar year in which the member would have reached 70 ½ years of age.

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. As a result of the Moro Decision (Everice Moro et al v. State of Oregon et al), the cap on the COLA was restored to 2.0 percent for fiscal year 2016 and beyond.

Contributions

PERS funding policy provides for periodic member and employer contributions at rates established by the PERS Board, subject to limits set by statute. The rates established for member and employer contributions were approved based on the recommendation of the PERS third-party actuary. This funding policy applies to the PERS Defined Benefit Plan. Employer contributions during the period July 1, 2017 through June 30, 2018, were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. For this period, employer contribution rates were 12.47% for Tier 1/Tier 2 employees and 7.14% for OPSRP employees. Employer contributions for the year ended June 30, 2018 were \$2,401,770, excluding amounts to fund employer specific liabilities.

A 10-year schedule of Defined Benefit Pension Plan Contributions can be found beginning on page 76 of the June 30, 2017 PERS CAFR.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 9 – PENSION AND RETIREMENT PLANS (continued)

Oregon Public Employees Retirement Plan (continued)

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at:
<https://www.oregon.gov/pers/documents/financials/CAFR/2017-CAFR.pdf>.

Actuarial Valuation

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. Under this cost method, each active member's entry age present value of projected benefits is allocated over the member's service from the member's date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Valuation date	December 31, 2015
Measurement date	June 30, 2017
Experience Study	2014, published September 23, 2015
Actuarial assumptions:	
Actuarial cost method	Entry age normal
Inflation rate	2.50 percent
Long-term expected rate of return ¹	7.50 percent
Discount rate	7.50 percent
Projected salary increases	3.50 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>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</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
YEAR ENDED JUNE 30, 2018

NOTE 9 – PENSION AND RETIREMENT PLANS (continued)

Oregon Public Employees Retirement Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50 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.

Assumed Asset Allocation

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	0.00%
Debt securities	20.00%
Public equity	37.50%
Private equity	17.50%
Real estate	12.50%
Alternative equity	12.50%
Opportunity portfolio	0.00%
Total	<u>100.00%</u>

Investment Rate of Return

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 9 – PENSION AND RETIREMENT PLANS (continued)

Oregon Public Employees Retirement Plan (continued)

The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at the time based on the OIC long-term target asset allocation. The OIC's description of each asset was used to map the target allocation to the asset classes shown below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return</u>
Core fixed income	8.00%	4.00%
Short-term bonds	8.00%	3.61%
Intermediate-term bonds	3.00%	5.42%
High yield bonds	1.00%	6.20%
Large/Mid cap US equities	15.75%	6.70%
Small Cap US equities	1.31%	6.99%
Micro Cap US equities	1.31%	7.01%
Developed foreign equities	13.13%	6.73%
Emerging market equities	4.12%	7.25%
Non-US small Cap equities	1.88%	7.22%
Private equities	17.50%	7.97%
Real estate (property)	10.00%	5.84%
Real estate (REITS)	2.50%	6.69%
Hedge fund of funds - diversified	2.50%	4.64%
Hedge fund - event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.86%	4.58%
Total	<u>100.00%</u>	
Assumed inflation - mean		2.50%

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

At June 30, 2018, the District reported a liability of \$32,022,059 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. 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, 2018, the District's proportion was approximately 0.23755170 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$4,367,522. Pension expense was generated during the measurement period as a result of less than anticipated investment returns and factors associated with the Moro Decision. The \$4,367,522 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 59%, 37% and 4%, respectively.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 9 – PENSION AND RETIREMENT PLANS (continued)

Oregon Public Employees Retirement Plan (continued)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience:	\$ 1,548,600	\$ -
Change of assumptions:	5,837,050	-
Net difference between projected and actual earnings on investments:	329,902	-
Changes in proportionate share:	837,245	-
Differences between employer contributions and employer's proportionate share of system contributions:	76,387	1,391,560
District's contributions subsequent to the measurement date:	2,401,770	-
Total	<u>\$ 11,030,954</u>	<u>\$ 1,391,560</u>

\$2,401,770 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability in the year ended June 30, 2018.

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 contributions)
2019	\$ 1,410,008
2020	3,988,443
2021	2,638,701
2022	(831,692)
2023	32,164
Thereafter	-
Total	<u>\$ 7,237,624</u>

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

District's Net Pension Asset/(Liability)	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Defined Benefit Pension Plan	\$ (54,571,435)	\$ (32,022,059)	\$ (13,166,605)

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 9 – PENSION AND RETIREMENT PLANS (continued)

Defined Contribution Plan - Individual Account Program (IAP)

Pension Benefits - Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. All covered employees are required by State statute to contribute 6% of their salary to the plan. If the employer makes optional employer contributions for a member, the member 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, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5, 10, 15, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions - During 2018, the District, as an employee benefit, paid the employees portion of the contribution. Employer contributions for the year ended June 30, 2018 were \$1,688,854.

NOTE 10 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The District's operations are concentrated within Douglas County. In addition, substantially all the District's revenues for continuing operations are from federal, state, and local government agencies. In the normal course of operations, the District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 11 – 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.

NOTE 12 – 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.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 13 – TAX ABATEMENTS

As of June 30, 2018, Douglas County provides certain tax abatement programs that impact the District. Those programs are as follows:

Non-Profit Low Income Rental Housing (ORS 307.515)

The largest abatement program for Douglas County is the Non-Profit Low Income Rental Housing. In 1985, Oregon legislature authorized a property tax exemption for low-income housing held by charitable, nonprofit organizations. The tax exemption is intended to benefit low-income renters by alleviating the property tax burden on those agencies that provide this type of housing. The qualifying property must be located within the County.

Charitable, nonprofit organizations that provide housing to low-income persons are eligible, and must be certified by the Internal Revenue Service as 501(c)(3) or (4) organization. Organizations must own or have a leasehold interest in the property or participate in a partnership as long as the non-profit organization is responsible for the day-to-day management of the property. Applicants who are leaseholders must have a signed leasehold agreement by the application deadline. Vacant land intended to be developed as low-income housing is also eligible for the exemption.

The property tax exemption applies only to the tax levy of a governing body that adopts the provisions of ORS 307.515.

Enterprise Zone (ORS 285.597)

The Oregon Enterprise Zone program is a State of Oregon economic development program, that allows for property tax exemptions for up to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by state statute and the local sponsor.

The Enterprise Zone program provides qualified firms that will be making a substantial new capital investment within the defined enterprise zone, a waiver of 100% of the amount of real property taxes attributable to the new investment for a period of five years following completion of the new investment. Land or existing machinery or equipment is not tax exempt; therefore, there is no loss of current property tax levies to local taxing jurisdiction.

For the fiscal year ended June 30, 2018, Douglas County abated property taxes totaling \$45,155 under these programs:

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated during the Fiscal Year</u>
Non-Profit Low Income Rental Housing	\$ 43,040
Enterprise Zone	<u>2,115</u>
	<u>\$ 45,155</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 14 – SUBSEQUENT EVENTS

Management of the District has evaluated events and transactions occurring after June 30, 2018 through November 29, 2018, the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements. The following event and transaction occurred after June 30, 2018 through the date the financial statements were available for issuance.

Changes in OPERS Pension Plan Provisions

At its July 28, 2017 meeting, the PERS Board lowered its effective "assumed rate" from 7.5% to 7.2% effective, January 1, 2018. The assumed rate is the rate of investment return (including inflation) that the PERS Fund's regular account is expected to earn over the long term. Oregon Administrative Rule 459-007-0001(2) states that the assumed rate "means the actuarial assumed rate of return on investments as adopted by the Board for the most recent actuarial valuation."

The lowered rate is expected to increase the OPERS net pension liability by an estimated \$2.0 to \$2.4 billion. Of this increase, the District's portion is estimated at \$4.5 to \$5.4 million.

OPERS Side Account Contribution

On August 1, 2018, the District made an additional contribution of \$6 million to an OPERS side account. This contribution will decrease the District's OPERS employer contribution rate by 1.47% in the subsequent years.

REQUIRED SUPPLEMENTARY INFORMATION

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)

	2018	2017	2016	2015	2014
District's proportion of the net pension asset/(liability)	0.2375517%	0.2276021%	0.2237450%	0.2233169%	0.2233169%
District's proportion of the net pension asset/(liability)	\$ (32,022,059)	\$ (34,168,364)	\$ (12,846,235)	\$ 5,061,957	\$ (11,396,189)
District's covered-employee payroll	\$ 28,338,797	\$ 27,589,159	\$ 26,974,079	\$ 23,433,260	\$ 24,845,141
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	113.00%	123.85%	47.62%	21.60%	45.87%
Plan fiduciary net position as a percentage of the total pension liability	83.12%	80.53%	91.88%	103.59%	91.97%

Douglas County School District No. 4 Contributions

	2018	2017	2016	2015	2014
Contractually required contributions	\$ 1,121,983	\$ 1,306,185	\$ 1,487,654	\$ 2,349,931	\$ 2,329,058
Contribution in relation to the contractually required	(1,121,983)	(1,306,185)	(1,487,654)	(2,349,931)	(2,329,058)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered - employee payroll	\$ 28,338,797	\$ 27,589,159	\$ 26,974,079	\$ 23,433,260	\$ 24,845,141
Contributions as a percentage of covered-employee payroll	3.96%	4.73%	5.52%	10.03%	9.37%

Notes to Schedule -

A summary of key changes implemented since the December 31, 2014 valuation are described briefly in *Note 9* in the Notes to the Basic Financial Statements. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2014 Experience Study for the system, which was published on September 23, 2015, and can be found at:
<http://www.oregon.gov/PERS/Documents/Financials/Actuarial/2015/Experience-Study.pdf>

Changes in Actuarial Method and Allocation Procedures:

General Service member weighting changed from 30% to 25% of proportional liability.

Changes in Economic Assumptions:

Inflation was lowered to 2.5%, and payroll growth was reduced from 3.75% to 3.5%. Investment return and interest crediting was reduced from 7.75% to 7.5%. With the implementation of GASB No. 67 and 68 this necessitated an explicit Tier 1/Tier 2 administrative expense assumption of \$33 million per year for December 31, 2014 and December 31, 2015. Health care cost inflation and implementation of the excise tax in 2018 was considered. Disability mortality tables were updated using the RP2000 generational tables, whereas RP2000 static tables were previously used. Rates for disability, retirement from active status, and termination were adjusted.

Changes in Salary Increase Assumptions:

Unused sick leave and vacation pay rates were adjusted. Retirement Health Insurance Account (RHIA) participation rate for healthy retirees was reduced from 45% to 38%. The RHIPA participation rate was changed from a uniform rate of 13% to a service-based table of rates.

Other Information:

This schedule is presented to illustrate required supplementary information for a 10 year period. The District adopted GASB 68 during fiscal 2014, as a result, only five years of information is presented.

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 -
OPERS RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)
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>2018</u>
District's proportion of the net pension asset/(liability)	0.26942259%
District's proportion of the net pension asset/(liability)	\$ 112,441
District's covered-employee payroll	\$ 28,338,797
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-0.40%
Plan fiduciary net position as a percentage of the total pension liability	83.12%

Douglas County School District No. 4 Contributions

	<u>2018</u>
Contractually required contributions	\$ 131,821
Contribution in relation to the contractually required	(131,821)
Contributions deficiency (excess)	\$ -
District's covered - employee payroll	\$ 28,338,797
Contributions as a percentage of covered-employee payroll	0.47%

Notes to Schedule -

Other Information:

This schedule is presented to illustrate required supplementary information for a 10 year period. The District adopted GASB 75 for RHIA during fiscal 2018, as a result, only one year of information is presented.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF CHANGE IN THE DISTRICT'S NET PENSION
LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2018

Total Pension Liability (Stipend):	2018	2017
Service cost	\$ 9,398	\$ 9,398
Interest	23,611	30,832
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions of other inputs	-	-
Benefit payments	(227,345)	(265,672)
Net change in total pension liability (Stipend)	(194,336)	(225,442)
Total pension liability (Stipend) - beginning	783,600	1,009,042
Total pension liability (Stipend) - ending	<u>\$ 589,264</u>	<u>\$ 783,600</u>
Estimated covered - employee payroll	\$ 1,356,804	\$ 1,317,285
Total pension liability (Stipend) as a percentage of estimated covered - employee payroll	43.43%	59.49%

Notes to Schedule -

Significant methods and assumptions used in calculating the actuarially determined contributions:

Significant methods and assumptions used in calculating the actuarially determined contributions are described in *Note 9* to the financial statements. No assets are accumulated in a trust to pay related benefits.

Changes in benefit terms:

None noted.

Other information:

This schedule is presented to illustrate required supplementary information for a 10 year period. The District adopted GASB 73 during fiscal 2017, as a result, only two years of information is presented.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB
LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2018

Total OPEB Liability (Medical):	2018	2017
Service cost	\$ 194,938	\$ 194,938
Interest	209,986	225,971
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions of other inputs	-	-
Benefit payments	<u>(813,449)</u>	<u>(941,769)</u>
Net change in total OPEB liability (Medical):	(408,525)	(520,860)
Total OPEB liability - beginning	<u>6,308,864</u>	<u>6,829,724</u>
Total OPEB liability - ending	<u>\$ 5,900,339</u>	<u>\$ 6,308,864</u>
Estimated covered - employee payroll	\$ 27,421,654	\$ 26,622,965
Total OPEB liability as a percentage of estimated covered - employee payroll	21.52%	23.70%

Notes to Schedule -

Significant methods and assumptions used in calculating the actuarially determined contributions:

Significant methods and assumptions used in calculating the actuarially determined contributions are described in Note 8 to the financial statements. No assets are accumulated in a trust to pay related benefits

Changes in benefit terms:

None noted.

Other information:

This schedule is presented to illustrate required supplementary information for a 10 year period. The District adopted GASB 75 during fiscal 2017, as a result, only two years of information is presented.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ADOPTED	FINAL		
REVENUES:				
Local Sources:				
Property Taxes	\$ 15,180,032	\$ 15,180,032	\$ 15,388,195	\$ 208,163
Charges for Services	496,500	496,459	394,191	(102,268)
Investment Earnings	85,000	85,000	253,983	168,983
Miscellaneous	175,000	175,000	219,638	44,638
Intermediate Sources:				
Intergovernmental	203,388	203,388	254,183	50,795
State Sources:				
State School Fund	36,639,197	39,574,197	40,541,882	967,685
Intergovernmental	723,755	723,755	572,201	(151,554)
Federal Sources:				
Intergovernmental	5,000	5,000	682,799	677,799
TOTAL REVENUES	53,507,872	56,442,831	58,307,072	1,864,241
EXPENDITURES:				
Instruction	32,030,696	34,283,151	32,903,491	1,379,660
Support Services	20,259,241	20,941,745	20,915,824	25,921
Contingency	900,000	900,000	-	900,000
TOTAL EXPENDITURES	53,189,937	56,124,896	53,819,315	2,305,581
EXCESS OF REVENUE OVER/(UNDER) EXPENDITURES	317,935	317,935	4,487,757	4,169,822
OTHER FINANCING SOURCES (USES):				
Transfers Out	(1,387,935)	(1,387,935)	(1,387,935)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,387,935)	(1,387,935)	(1,387,935)	-
NET CHANGE IN FUND BALANCE	(1,070,000)	(1,070,000)	3,099,822	4,169,822
FUND BALANCE - JULY 1, 2017	1,420,000	1,420,000	2,957,364	1,537,364
FUND BALANCE - JUNE 30, 2018	\$ 350,000	\$ 350,000	\$ 6,057,186	\$ 5,707,186

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, 2018

	BUDGET			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ADOPTED	FINAL	ACTUAL	
REVENUES:				
Local Sources:				
Intergovernmental	\$ 22,300	\$ 22,300	\$ 4,655	\$ (17,645)
Local Grant	302,084	402,084	502,342	100,258
Charges for Services	1,267,000	1,267,000	2,131,070	864,070
Miscellaneous	20,000	20,000	128,217	108,217
Intermediate Sources:				
Intergovernmental	266,686	266,686	335,429	68,743
State Sources:				
Intergovernmental	750,281	812,281	684,973	(127,308)
Federal Sources:				
Intergovernmental	5,266,281	5,491,281	5,211,491	(279,790)
TOTAL REVENUES	7,894,632	8,281,632	8,998,177	716,545
EXPENDITURES:				
Instruction	6,144,179	5,906,180	4,035,988	1,870,192
Supporting Services	2,256,756	2,681,755	2,370,926	310,829
Community Services	2,467,414	2,667,414	2,667,000	414
TOTAL EXPENDITURES	10,868,349	11,255,349	9,073,914	2,181,435
EXCESS OF REVENUE OVER/(UNDER) EXPENDITURES	(2,973,717)	(2,973,717)	(75,737)	2,897,980
OTHER FINANCING SOURCES (USES):				
Transfers In	789,000	789,000	789,000	-
TOTAL OTHER FINANCING SOURCES (USES)	789,000	789,000	789,000	-
NET CHANGE IN FUND BALANCE	(2,184,717)	(2,184,717)	713,263	2,897,980
FUND BALANCE - JULY 1, 2017	2,184,717	2,184,717	2,680,480	495,763
FUND BALANCE - JUNE 30, 2018	\$ -	\$ -	\$ 3,393,743	\$ 3,393,743

OTHER 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, 2018

	BUDGET			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ADOPTED	FINAL	ACTUAL	
REVENUES:				
Local Sources:				
Property Taxes	\$ 2,087,187	\$ 2,087,187	\$ 2,057,407	\$ (29,780)
Pension Obligation Bonds (internal fee)	4,000,000	4,000,000	4,817,224	817,224
Interest on Investments	250	292	127,216	126,924
TOTAL REVENUES	6,087,437	6,087,479	7,001,847	914,368
EXPENDITURES:				
Debt Service	5,557,767	5,557,809	5,557,809	-
TOTAL EXPENDITURES	5,557,767	5,557,809	5,557,809	-
EXCESS OF REVENUE OVER/(UNDER) EXPENDITURES	529,670	529,670	1,444,038	914,368
OTHER FINANCING SOURCES/(USES):				
Transfers In	228,661	228,661	228,661	-
TOTAL OTHER FINANCING SOURCES (USES)	228,661	228,661	228,661	-
NET CHANGE IN FUND BALANCE	758,331	758,331	1,672,699	914,368
FUND BALANCE - JULY 1, 2017	5,450,000	5,450,000	5,625,101	175,101
FUND BALANCE - JUNE 30, 2018	\$ 6,208,331	\$ 6,208,331	\$ 7,297,800	\$ 1,089,469

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, 2018

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ADOPTED	FINAL		
REVENUES:				
Local Sources				
Miscellaneous	\$ 140,000	\$ 140,000	\$ 130,195	\$ (9,805)
State Sources:				
Intergovernmental	3,300,000	3,300,000	658,923	(2,641,077)
TOTAL REVENUES	<u>3,440,000</u>	<u>3,440,000</u>	<u>789,118</u>	<u>(2,650,882)</u>
EXPENDITURES:				
Capital Outlay	3,880,274	3,880,274	771,907	3,108,367
TOTAL EXPENDITURES	<u>3,880,274</u>	<u>3,880,274</u>	<u>771,907</u>	<u>3,108,367</u>
EXCESS OF REVENUE OVER/(UNDER) EXPENDITURES	<u>(440,274)</u>	<u>(440,274)</u>	<u>17,211</u>	<u>457,485</u>
OTHER FINANCING SOURCES/(USES):				
Transfers In	480,000	480,000	480,000	-
Transfers Out	(109,726)	(109,726)	(109,726)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>370,274</u>	<u>370,274</u>	<u>370,274</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(70,000)</u>	<u>(70,000)</u>	<u>387,485</u>	<u>457,485</u>
FUND BALANCE - JULY 1, 2017	<u>550,000</u>	<u>550,000</u>	<u>1,055,855</u>	<u>505,855</u>
FUND BALANCE - JUNE 30, 2018	<u>\$ 480,000</u>	<u>\$ 480,000</u>	<u>\$ 1,443,340</u>	<u>\$ 963,340</u>

OTHER FINANCIAL SCHEDULES

SCHOOL DISTRICT FINANCIAL
ACCOUNTING SUMMARIES

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
2017-18 SCHOOL DISTRICT AUDIT ALL FUND REVENUE SUMMARY

Revenue from Local Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
1110 Ad Valorem Taxes Levied by District	15,388,195	-	2,057,407	-	-	-	-
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	17,188	-	-	-	-	-	-
1320 Adult/Continuing Education Tuition	-	-	-	-	-	-	-
1330 Summer School Tuition	-	-	-	-	-	-	-
1400 Transportation Fees	-	-	-	-	-	-	-
1500 Earnings on Investments	253,983	-	127,216	-	-	-	-
1600 Food Service	-	653,888	-	-	-	-	-
1700 Extracurricular Activities	211,242	1,319,902	-	-	-	-	-
1800 Community Services Activities	98,225	-	-	-	-	-	-
1910 Rentals	66,866	157,280	-	-	-	-	-
1920 Contributions and Donations From Private Sources	-	506,997	-	1,000	-	-	-
1930 Rental or Lease Payments From Private Contractors	-	-	-	-	-	-	-
1940 Services Provided Other Local Education Agencies	-	-	-	-	-	-	-
1950 Textbook Sales and Rentals	-	-	-	-	-	-	-
1960 Recovery of Prior Years' Expenditure	-	-	-	-	-	-	-
1970 Services Provided Other Funds	-	-	4,817,224	-	-	-	-
1980 Fees Charged to Grants	670	-	-	-	-	-	-
1990 Miscellaneous	219,638	128,217	-	129,195	-	-	-
Total Revenue from Local Sources	16,256,007	2,766,284	7,001,847	130,195	-	-	-
Revenue from Intermediate Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
2101 County School Funds	145,795	-	-	-	-	-	-
2102 Education Service District Apportionment	108,388	320,054	-	-	-	-	-
2105 Natural Gas, Oil, and Mineral Receipts	-	-	-	-	-	-	-
2199 Other Intermediate Sources	-	-	-	-	-	-	-
2200 Restricted Revenue	-	15,375	-	-	-	-	-
2800 Revenue in Lieu of Taxes	-	-	-	-	-	-	-
2900 Revenue for/on Behalf of the District	-	-	-	-	-	-	-
Total Revenue from Intermediate Sources	254,183	335,429	-	-	-	-	-
Revenue from State Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
3101 State School Fund - General Support	40,541,882	-	-	-	-	-	-
3102 State School Fund - School Lunch Match	-	22,415	-	-	-	-	-
3103 Common School Fund	572,201	-	-	-	-	-	-
3104 State Managed County Timber	-	-	-	-	-	-	-
3199 Other Unrestricted Grants-in-Aid	-	-	-	-	-	-	-
3204 Driver Education	-	49,190	-	-	-	-	-
3222 State School Fund (SSF) Transportation Equipment	-	-	-	-	-	-	-
3299 Other Restricted Grants-in-Aid	-	613,368	-	658,923	-	-	-
3800 Revenue in Lieu of Taxes	-	-	-	-	-	-	-
3900 Revenue for/on Behalf of the District	-	-	-	-	-	-	-
Total Revenue from State Sources	41,114,083	684,973	-	658,923	-	-	-
Revenue from Federal Sources	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	-	19,541	-	-	-	-	-
4500 Restricted Rev From the Fed Gov't Through the State	-	5,020,786	-	-	-	-	-
4700 Grants-In-Aid From the Fed Gov't Through Intermediate	-	-	-	-	-	-	-
4801 Federal Forest Fees	682,799	-	-	-	-	-	-
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	-	171,164	-	-	-	-	-
Total Revenue from Federal Sources	682,799	5,211,491	-	-	-	-	-
Revenue from Other Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
5100 Long Term Debt Financing Sources	-	-	-	-	-	-	-
5200 Interfund Transfers	-	789,000	228,661	480,000	-	-	-
5300 Sale of or Compensation for Loss of Fixed Assets	-	-	-	-	-	-	-
5400 Resources - Beginning Fund Balance	2,957,364	2,680,480	5,625,101	1,055,855	-	-	-
Total Revenue from Other Sources	2,957,364	3,469,480	5,853,762	1,535,855	-	-	-
Grand Totals	61,264,436	12,467,657	12,855,609	2,324,973	-	-	-

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
2017-18 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY
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	11,814,054	7,084,747	4,168,179	294,121	267,007	-	-	-
1112 Intermediate Programs	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	-	-	-	-	-	-	-	-
1121 Middle/Junior High Programs	5,477,586	3,242,497	2,017,879	155,335	61,875	-	-	-
1122 Middle/Junior High Extracurricular	238,894	150,948	50,489	34,553	2,904	-	-	-
1131 High School Programs	6,071,909	3,609,121	2,166,849	160,013	135,926	-	-	-
1132 High School Extracurricular	788,164	460,987	172,160	116,621	38,396	-	-	-
1140 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1210 Talented & Gifted	-	-	-	-	-	-	-	-
1220 Restrict Prog for Students w/Disabilities	1,488,072	974,916	499,151	13,719	286	-	-	-
1250 Less Restrict Prog Students w/Disabilities	3,356,375	1,960,089	1,290,213	72,754	33,319	-	-	-
1260 Early Intervention	304,839	-	-	304,839	-	-	-	-
1271 Remediation	9,406	6,896	2,510	-	-	-	-	-
1272 Title I	-	-	-	-	-	-	-	-
1280 Alternative Education	2,705,538	611,465	367,338	1,658,894	67,841	-	-	-
1291 English as a Second Language	357,805	226,944	120,720	9,477	664	-	-	-
1292 Teen Parent Program	201,563	121,972	69,179	1,054	9,358	-	-	-
1293 Migrant Education	-	-	-	-	-	-	-	-
1294 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	89,286	50,081	33,489	656	5,060	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction	32,903,491	18,500,663	10,958,156	2,822,036	622,636	-	-	-
Support Service Expenditures	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance & Social Work Services	159,310	98,359	60,951	-	-	-	-	-
2120 Guidance Services	1,862,276	1,163,066	679,632	14,910	4,668	-	-	-
2130 Health Services	40,241	-	-	40,241	-	-	-	-
2140 Psychological Services	461,903	305,744	147,471	1,453	7,235	-	-	-
2150 Speech Pathology & Audiology	-	-	-	-	-	-	-	-
2160 Other Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support	434,703	195,790	105,064	129,907	3,942	-	-	-
2210 Improvement of Instruction	338,482	198,570	96,706	33,029	10,177	-	-	-
2220 Educational Media Services	840,220	446,593	310,556	1,182	81,889	-	-	-
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	92,544	21,610	6,416	63,668	850	-	-	-
2310 Board of Education Services	150,189	7,084	2,932	73,491	5,599	-	61,083	-
2320 Executive Administration Services	340,189	212,207	111,193	11,106	5,683	-	-	-
2410 Office of the Principal Services	3,497,695	2,188,647	1,164,787	123,320	20,941	-	-	-
2490 Other Support Services - School Admin	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	682,509	384,222	199,232	22,841	74,919	-	1,295	-
2520 Fiscal Services	-	-	-	-	-	-	-	-
2540 Operation & Maint of Plant Services	5,861,134	1,967,400	1,172,056	1,527,310	494,473	467,899	231,996	-
2550 Student Transportation Services	3,720,562	87,943	49,162	3,577,624	4,509	-	1,324	-
2570 Internal Services	201,295	127,484	70,333	548	2,930	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2620 Planning, Research, Development, Evaluation	-	-	-	-	-	-	-	-
2630 Information Services	2,573	1,155	418	-	1,000	-	-	-
2640 Staff Services	537,617	275,165	176,711	73,955	11,786	-	-	-
2660 Technology Services	964,274	407,607	222,494	205,578	128,595	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	728,108	219,185	500,923	8,000	-	-	-	-
Total Support Services	20,915,824	8,307,831	5,077,037	5,908,163	859,196	467,899	295,698	-
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	-	-	-	-	-	-	-	-
Facilities Acquisition and Construction 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	-	-	-	-	-	-	-	-
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	1,387,935	-	-	-	-	-	-	1,387,935
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
6000 Contingencies	-	-	-	-	-	-	-	-
Total Other Uses Expenditures	1,387,935	-	-	-	-	-	-	1,387,935
Total Requirements and Balances	55,207,250	26,808,494	16,035,193	8,730,199	1,481,832	467,899	295,698	1,387,935

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
2017-18 SCHOOL DISTRICT AUDIT EXPENDITURES SUMMARY
FUND 200 - SPECIAL REVENUE FUND

Instruction Expenditures

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	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
263,511	129,154	6,331	13,016	115,010	-	-	-
-	-	-	-	-	-	-	-
206,695	-	-	-	206,695	-	-	-
301,171	131,167	80,763	2,117	87,124	-	-	-
214,691	-	-	-	214,691	-	-	-
182,816	9,914	3,832	39,162	106,624	23,284	-	-
891,754	56,678	16,911	4,308	812,953	-	904	-
271,280	159,852	98,996	2,938	9,494	-	-	-
-	-	-	-	-	-	-	-
446,119	256,315	176,827	12,354	623	-	-	-
301,559	190,783	110,125	651	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
921,410	545,551	330,301	7,700	37,858	-	-	-
8,651	-	-	1,189	7,462	-	-	-
4,590	-	-	-	4,590	-	-	-
343	-	-	343	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
21,368	9,102	9,132	1,563	1,571	-	-	-
-	-	-	-	-	-	-	-
30	22	8	-	-	-	-	-
Total Instruction	4,035,988	1,488,538	833,226	85,341	1,604,695	23,284	904

Support Service Expenditures

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	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
107,091	63,547	42,827	243	474	-	-	-
86,366	2,025	747	39,750	41,350	1,900	594	-
126,420	79,627	45,998	-	795	-	-	-
71,974	44,020	27,954	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
221,324	137,422	83,613	213	-	-	76	-
178,595	62,089	35,603	-	80,903	-	-	-
9,533	6,676	2,572	-	285	-	-	-
47,547	-	-	2,199	45,348	-	-	-
995,081	337,349	186,851	441,560	29,321	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,967	2,405	562	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
195,130	570	233	80,449	10,403	72,301	31,174	-
1,325	-	-	1,325	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
327,573	55,203	35,953	-	236,417	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
Total Support Services	2,370,926	790,933	462,913	565,739	445,296	74,201	31,844

Community Services Expenditures

3100 Food Services
3200 Other Enterprise Services
3300 Community Services
3500 Custody & Care of Children Services

Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2,574,307	688,675	440,927	73,047	1,365,750	5,908	-	-
-	-	-	-	-	-	-	-
92,693	101	41	-	92,551	-	-	-
-	-	-	-	-	-	-	-
Total Enterprise and Community Services	2,667,000	688,776	440,968	73,047	1,458,301	5,908	-

Facilities Acquisition and Construction Expenditures

4110 Service Area Direction
4120 Site Acquisition & Development Services
4150 Bldg Acquisition, Construction & Improvement
4190 Other Facilities Construction Services

Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction	-	-	-	-	-	-	-

Other Uses Expenditures

5100 Debt Service
5200 Transfers to Other Funds
5300 Apportionment of Funds by ESD
6000 Contingencies

Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
Total Other Uses Expenditures	-	-	-	-	-	-	-

Total Requirements and Balances

9,073,914	2,968,247	1,737,107	724,127	3,508,292	103,393	32,748	-
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SUPPLEMENTAL INFORMATION, 2017-2018

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	\$ 927,129
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, 2018, and have issued our report thereon dated November 29, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.



Mark E. Damon CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
November 29, 2018



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**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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 29, 2018.

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 29, 2018

**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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2018.

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 29, 2018

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Expenditures
U.S. Department of Education			
<i>Passed Through Oregon Department of Education:</i>			
Title IA:			
Main IA	84.010	41044	\$ 150,630
Main IA	84.010	45687	1,593,186
Total Title I			<u>1,743,816</u>
IDEA Part B:			
IDEA, Section 611	84.027	41496	51,589
IDEA, Section 611	84.027	45164	849,351
IDEA Enhancement	84.027	42630	560
IDEA Enhancement	84.027	46415	7,957
IDEA Extended Assessment	84.027	45036	549
IDEA SPR & I	84.027	44369	4,680
Post School Outcomes (PSO)	84.027	48410	525
IDEA, Section 619	84.173	45372	9,263
Total IDEA Cluster			<u>924,475</u>
Vocational Ed. Reg. Program:			
Vocational Education Basic	84.048	40309	12,529
Vocational Education Basic	84.048	44283	55,990
Total Vocational Ed. Reg. Program			<u>68,519</u>
Rural and Low Income Schools:			
Rural and Low Income Schools	84.358	47610	<u>81,353</u>
Title III English Language Acquisition:			
Title III English Language Acq	84.365	41753	4,050
Title III English Language Acq	84.365	44209	5,488
Total Title IIA Improving Teacher Quality			<u>9,538</u>
Title IIA Improving Teacher Quality:			
Title IIA Improving Teacher Quality	84.367	45795	<u>250,227</u>
Student Support and Academic Enrichment 17-19:			
Title VI - Student Support and Academic Enrichment	84.424	47816	<u>35,224</u>
<i>Direct Federal Award:</i>			
Title VII Indian Education	84.060A	N/A	<u>19,541</u>
Total U.S. Department of Education			<u>3,132,692</u>
U.S. Department of Health and Human Services			
<i>Passed Through Oregon Department of Education:</i>			
Child Care and Development Block Grant	93.575	N/A	<u>8,832</u>
Total U.S. Department of Health and Human Services			<u>8,832</u>
U.S. Department of Agriculture			
<i>Passed Through Oregon Department of Education:</i>			
School Breakfast Program	10.553	N/A	582,424
National School Lunch	10.555	N/A	1,267,856
Commodities (Note B)	10.555	N/A	171,164
Summer Food Service	10.559	N/A	29,946
Total Food Service Program			<u>2,051,390</u>
CACFP	10.558	N/A	<u>18,576</u>
<i>Passed Through Douglas County Management & Finance:</i>			
Schools and Roads - Grants to States	10.665	N/A	<u>682,799</u>
Total U.S. Department of Agriculture			<u>2,752,765</u>
Total Expenditures of Federal Awards			<u>\$ 5,894,290</u>

Note: There were no awards passed through to subrecipients

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

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, 2018. 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 modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE D – 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, 2018

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 program tested as major was:

U.S. Department of Education:
Title I CFDA: 84.010
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