



**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

ANNUAL FINANCIAL REPORT

June 30, 2018



**Accuity, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
436 1<sup>st</sup> Avenue W | PO Box 1072  
Albany, Oregon 97321 | (541) 223-5555

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

DISTRICT OFFICIALS

June 30, 2018

**BOARD OF DIRECTORS**

Wylda Cafferata, Chair  
82166 Lost Valley Ln.  
Dexter, Oregon 97431

Curt Offenbacher, Vice Chair  
37160 Wallace Creek Rd.  
Springfield, Oregon 97478

Jeff Bernardo  
84565 Drew Ln.  
Pleasant Hill, Oregon 97455

John Oldham  
85133 Ridgeway Rd.  
Pleasant Hill, Oregon 97455

Barbara Orre  
36485 North Pole Ln.  
Pleasant Hill, Oregon 97455

**ADMINISTRATION**

Scott Linenberger, Superintendent

Sheri Longobardo, Business Manager

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

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## **FINANCIAL SECTION**



**Accuity, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Pleasant Hill School District No. 1  
Pleasant Hill, Oregon 97455

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Pleasant Hill School District No. 1, Pleasant Hill, Oregon, 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 misstatements, 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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Title 2 U.S. *Code of Federal Regulations (CFR) Part 200; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 Pleasant Hill School District No. 1, Pleasant Hill, Oregon as of June 30, 2018, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in the year ended June 30, 2018, the District adopted new accounting guidance: GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, No. 85, *Omnibus 2017*, and No. 86, *Certain Debt Extinguishment Issues*. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the District's proportionate share of the net pension liability, OPEB RHIA benefit, OPEB liability, early retirement liability, and District contributions, and the budgetary comparison information on pages 4 through 11, 45 through 48, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management's discussion and analysis, schedules of the District's proportionate share of the net pension liability, OPEB RHIA benefit, OPEB liability, early retirement liability, and District contributions, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the aforementioned information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pleasant Hill School District No. 1’s basic financial statements. The individual fund schedules, other financial schedules, and supplemental information required by the Oregon Department of Education are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The individual fund schedules, schedule of expenditures of federal awards, and other financial schedules 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

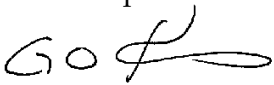
The supplemental information required by the Oregon Department of Education has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2019 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 the 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.

**Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated March 6, 2019 on our tests of the District’s compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

By:   
\_\_\_\_\_

Glen O. Kearns, CPA

Albany, Oregon  
March 6, 2019



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**INTRODUCTION**

As management of Pleasant Hill School District No. 1, Pleasant Hill, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- At June 30, 2018, total net position of Pleasant Hill School District No. 1 amounted to \$5,952,131. Of this amount, \$8,143,966 was invested in capital assets, net of related debt. The remaining balance included \$143,587 restricted for debt service, \$437,071 restricted for grant projects, and \$(2,772,493) of unrestricted net position.
- At June 30, 2018, the District's governmental funds reported combined ending fund balances of \$3,757,517.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Pleasant Hill School District No. 1's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other 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.

The statement of net position presents information on all of the District's assets, deferred outflows, deferred inflows, and liabilities with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. 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 and earned but unused vacation leave).

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Both of the government-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include revenues and expenditures associated with the purchase, construction, and major repair of governmental capital assets.

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

**Fund Financial Statements**

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of Pleasant Hill School District No. 1 are governmental funds.

**Governmental Funds**

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

Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Revenue Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major governmental funds.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Pleasant Hill School District No. 1 adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 14 through 17 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. The notes to the basic financial statements can be found on pages 18 through 44 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes the schedules of the District's proportionate share of the net pension liability - PERS, OPEB RHIA benefit, OPEB liability, early retirement liability, and District contributions, and the budgetary comparison information for the General and Special Revenue Funds. This required supplementary information can be found on pages 45 through 48 of this report.

Individual fund schedules can be found on pages 49 through 50 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2018, the District's assets exceeded liabilities by \$5,952,131.

A large portion of the District's net position reflects its investment in capital assets (e.g. land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets for classrooms and supporting services for providing kindergarten through twelfth grade education.

Consequently, these assets are not available for future spending. Although the District's investment in 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 since the capital assets themselves cannot be used to liquidate these liabilities.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**District's Net Position**

The District's net position decreased by \$230,430 during the current fiscal year. The decrease is primarily due to an increase in program expenses.

Condensed statement of net position information is shown below.

**Condensed Statement of Net Position**

	<b>Governmental Activities</b>	
	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current and other assets	\$ 4,213,683	\$ 3,898,676
Restricted assets	654,587	821,518
Net capital assets	<u>24,937,422</u>	<u>25,563,024</u>
Total assets	<u>29,805,692</u>	<u>30,283,218</u>
<b>Deferred outflows of resources</b>	<u>3,392,628</u>	<u>5,249,728</u>
<b>Liabilities</b>		
Current liabilities	1,834,904	1,704,336
Noncurrent liabilities	<u>24,781,184</u>	<u>26,941,323</u>
Total liabilities	<u>26,616,088</u>	<u>28,645,659</u>
<b>Deferred inflows of resources</b>	<u>630,101</u>	<u>715,780</u>
<b>Net position</b>		
Net investment in capital assets	8,143,966	7,800,599
Restricted for various purposes	580,658	636,634
Unrestricted	<u>(2,772,493)</u>	<u>(2,265,726)</u>
Total net position	<u>\$ 5,952,131</u>	<u>\$ 6,171,507</u>

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**District's Changes in Net Position**

The condensed statement of activities information shown below explains changes in net position.

**Condensed Changes in Net Position**

	<b>Governmental Activities</b>	
	<u>2018</u>	<u>2017</u>
<b>Program revenues</b>		
Regular programs	\$ 1,067,377	\$ 917,178
Support services	246,411	287,698
Food services	<u>367,415</u>	<u>332,207</u>
Total program revenues	<u>1,681,203</u>	<u>1,537,083</u>
<b>General revenues</b>		
Property taxes - general	2,740,628	2,650,250
Property taxes - debt service	1,275,042	1,226,389
State school fund - general support	6,355,154	6,250,528
Common school fund	173,074	159,064
Investment earnings	102,597	67,409
Unrestricted grants and contributions	71,928	57,259
Miscellaneous	39,349	34,166
Sale of assets	<u>617</u>	<u>163</u>
Total general revenues	<u>10,758,389</u>	<u>10,445,228</u>
Total revenues	<u>12,439,592</u>	<u>11,982,311</u>
<b>Program expenses</b>		
Regular programs	6,804,915	6,258,604
Support services	4,399,776	4,170,350
Food services	372,565	321,991
Enterprise and community services	5,706	18,413
Unallocated depreciation expense	796,337	793,237
Interest on long-term debt	<u>290,723</u>	<u>272,449</u>
Total program expenses	<u>12,670,022</u>	<u>11,835,044</u>
<b>Change in net position</b>	(230,430)	147,267
<b>Net position - beginning, as restated</b>	<u>6,182,561</u>	<u>6,024,240</u>
<b>Net position - end of year</b>	<u>\$ 5,952,131</u>	<u>\$ 6,171,507</u>

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

**Revenues**

Since the District's mission is to provide a free and appropriate public education for kindergarten through twelfth grade students within its boundaries, the District may not charge for its core services. As expected, therefore, general revenues provide 87% of the funding required for governmental programs. Property taxes and state school funding combined for 96% of general revenues and 83% of total revenues.

Charges for services make up less than 6% of total revenues and are composed of the following items for which it is appropriate that the District charge tuition or fees:

• Various educational activities	\$ 580,549
• Food services charges for lunch and breakfast	<u>147,311</u>
Total charges for services	<u><u>\$ 727,860</u></u>

Operating grants and contributions represent less than 1% of total revenues. This category includes \$733,239 to support various educational activities and \$220,104 to support food service operations.

**Expenses**

Expenses related to governmental activities are presented in several broad functional categories. Costs of direct classroom instruction activities account for 54% of the total expenses of \$12,670,022. In addition, approximately 35% of the costs in supporting services relate to students, instructional staff, and school administration.

**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 near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the District's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$3,757,517.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the General Fund was \$2,219,046. This total fund balance amount constitutes unassigned fund balance, which is available for spending at the District's discretion.

**BUDGETARY HIGHLIGHTS**

Budget amounts shown in the financial statements reflect the original budget amounts.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2018 amounted to \$24,937,422, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, and equipment and vehicles. The total depreciation related to the District's investment in capital assets for the current fiscal year amounted to \$796,337.

Additional information on the District's capital assets can be found in Note II-C on pages 30 through 31 of this report.

**Long-Term Liabilities**

At the end of the current fiscal year, the District had total long-term liabilities outstanding of \$16,793,456. This amount comprises two 2014 series general obligation bonds with a related issuance premium. The District's total long-term liabilities decreased by \$968,969 during the current fiscal year.

Additional information on the District's long-term liabilities can be found in Note II-G on pages 32 through 33 of this report.

**KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could affect its future financial health:

- Priority focus areas for the budget were
  - Purchase of a new health curriculum that is in alignment with Oregon State Standards
  - Upgrading of security on our school grounds by adding video cameras, and emergency lock down buttons
  - Completion of replacement of the high school gym roof, and corridor between the elementary school office and library.



**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

- The district reduced two teaching positions to give greater flexibility in spending for the upcoming year due to increasing costs.

The unassigned ending General Fund balance of \$2,219,046 will be available for program resources in fiscal year 2018-2019.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in the report or requests for additional information should be addressed to: Business Manager, Pleasant Hill School District No. 1, 36386 Highway 58, Pleasant Hill, Oregon 97455.

## **BASIC FINANCIAL STATEMENTS**

**PLESANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash and investments	\$ 3,596,495
Accounts receivable	412,053
Property taxes receivable	184,674
Inventory	3,264
Total current assets	4,196,486
Restricted assets	654,587
Net pension benefit - OPEB RHIA	17,197
Capital assets not being depreciated	70,934
Capital assets being depreciated, net	24,866,488
Total assets	29,805,692
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	3,392,628
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	236,867
Payroll liabilities	599,018
Deposits payable	7,000
Compensated absences	12,133
Accrued interest	11,197
Bonds payable, current portion	968,689
Total current liabilities	1,834,904
Noncurrent liabilities	
Net pension liability - PERS	8,401,164
Stipend liability - early retirement	336,682
OPEB liability - medical benefit	218,571
Bonds payable, less current portion	15,824,767
Total liabilities	26,616,088
<b>DEFERRED INFLOWS OF RESOURCES</b>	630,101
<b>NET POSITION</b>	
Net investment in capital assets	8,143,966
Restricted for various purposes	580,658
Unrestricted	(2,772,493)
Total net position	\$ 5,952,131

The accompanying notes are an integral part of these financial statements.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**

**Pleasant Hill, Oregon**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Program Revenues</u>			Net (Expense)
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	Revenue and
			<u>Grants and</u>	Changes in
	<u>Services</u>	<u>Contributions</u>		Net Positon
				<u>Primary</u>
				<u>Government</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities				
Instruction	\$ 6,804,915	\$ 403,810	\$ 663,567	\$ (5,737,538)
Support services	4,399,776	176,739	69,672	(4,153,365)
Enterprise and community services	372,565	147,311	220,104	(5,150)
Facilities acquisition	5,706	-	-	(5,706)
Unallocated depreciation expense	796,337	-	-	(796,337)
Interest on long-term debt	290,723	-	-	(290,723)
Total governmental activities	<u>\$ 12,670,022</u>	<u>\$ 727,860</u>	<u>\$ 953,343</u>	<u>(10,988,819)</u>
General revenues				
Property taxes - general				2,740,628
Property taxes - debt service				1,275,042
State school fund - general support				6,355,154
Common school fund				173,074
Investment earnings				102,597
Unrestricted grants and contributions				71,928
Miscellaneous				39,349
Gain on sale of assets				617
Total general revenues				<u>10,758,389</u>
Change in net position				(230,430)
Net position - beginning, as restated				<u>6,182,561</u>
Net position - ending				<u>\$ 5,952,131</u>

The accompanying notes are an integral part of these financial statements.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 2,815,071	\$ 1,218,495	\$ 138,428	\$ -	\$ 4,171,994
Accounts receivable	68,381	343,672	-	-	412,053
Property taxes receivable	184,674	-	79,088	-	263,762
Inventory	-	3,264	-	-	3,264
Total assets	\$ 3,068,126	\$ 1,565,431	\$ 217,516	\$ -	\$ 4,851,073
<b>LIABILITIES</b>					
Accounts payable	\$ 73,320	\$ 163,547	\$ -	\$ -	236,867
Payroll liabilities	599,018	-	-	-	599,018
Deposits payable	-	7,000	-	-	7,000
Total liabilities	672,338	170,547	-	-	842,885
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	176,742	-	73,929	-	250,671
<b>FUND BALANCES</b>					
Nonspendable	-	3,264	-	-	3,264
Restricted	-	437,071	143,587	-	580,658
Committed	-	942,345	-	-	942,345
Assigned	-	12,204	-	-	12,204
Unassigned	2,219,046	-	-	-	2,219,046
Total fund balances	2,219,046	1,394,884	143,587	-	3,757,517
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,068,126	\$ 1,565,431	\$ 217,516	\$ -	\$ 4,851,073

The accompanying notes are an integral part of these financial statements.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2018

<b>Total fund balances</b>		\$ 3,757,517
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	32,502,824	
Accumulated depreciation	<u>(7,565,402)</u>	24,937,422
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 60 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		
		250,671
Amounts relating to the District's proportionate share of PERS, OPEB, and early retirement actuarial valuation balances are not reported in governmental fund statements. In the governmental fund statements, pension is expensed when due. The amounts consist of:		
Deferred outflows of resources related to pension and OPEB expense	3,392,628	
Deferred inflows of resources related to the return on pension and OPEB assets	(630,101)	
Net pension liability - PERS	(8,401,164)	
OPEB RHIA benefit	17,197	
OPEB liability - medical benefit	(218,571)	
Stipend liability - early retirement	<u>(336,682)</u>	(6,176,693)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:		
Compensated absences	(12,133)	
Accrued interest	(11,197)	
Bonds payable, net of related premium	<u>(16,793,456)</u>	<u>(16,816,786)</u>
<b>Net position of governmental activities</b>		<b>\$ <u>5,952,131</u></b>

The accompanying notes are an integral part of these financial statements.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>					
Local revenue	\$ 3,086,150	\$ 563,580	\$ 1,212,827	\$ 423	\$ 4,862,980
Intermediate revenue	63,634	15,716	-	-	79,350
State revenue	6,577,964	184,252	-	-	6,762,216
Federal revenue	-	785,203	-	-	785,203
	<u>9,727,748</u>	<u>1,548,751</u>	<u>1,212,827</u>	<u>423</u>	<u>12,489,749</u>
Total revenues					
<b>EXPENDITURES</b>					
Current					
Instruction	5,385,572	1,129,292	-	-	6,514,864
Support services	3,694,486	485,079	-	-	4,179,565
Enterprise and community services	-	373,385	-	-	373,385
Facilities acquisition and construction	-	23,451	-	80,456	103,907
Debt service	-	-	1,259,692	-	1,259,692
	<u>9,080,058</u>	<u>2,011,207</u>	<u>1,259,692</u>	<u>80,456</u>	<u>12,431,413</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	647,690	(462,456)	(46,865)	(80,033)	58,336
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of assets	-	617	-	-	617
Transfers in	-	314,000	-	-	314,000
Transfers out	(314,000)	-	-	-	(314,000)
	<u>(314,000)</u>	<u>314,617</u>	<u>-</u>	<u>-</u>	<u>617</u>
Total other financing sources (uses)					
Net change in fund balances	333,690	(147,839)	(46,865)	(80,033)	58,953
Fund balances - beginning	<u>1,885,356</u>	<u>1,542,723</u>	<u>190,452</u>	<u>80,033</u>	<u>3,698,564</u>
Fund balances - ending	<u>\$ 2,219,046</u>	<u>\$ 1,394,884</u>	<u>\$ 143,587</u>	<u>\$ -</u>	<u>\$ 3,757,517</u>

The accompanying notes are an integral part of these financial statements.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

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

For the Year Ended June 30, 2018

<b>Net change in fund balances</b>		\$	58,953
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>			
Expenditures for and reclassifications to capital assets	170,735		
Depreciation expense recorded in the current year	<u>(796,337)</u>		(625,602)
<p>Pension and early retirement expenses or credits that do not meet the measureable and available criteria are not recognized as revenue or expense in the current year in governmental funds. In the statement of activities, pension and early retirement expenses or credits are recognized when determined to have been accrued.</p>			
Early retirement expense	13,730		
OPEB expense	48,443		
Pension expense	<u>(667,342)</u>		(605,169)
<p>Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.</p>			
Debt principal paid			968,969
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds.</p>			
Change in compensated absences	(7,943)		
Change in early retirement	<u>31,136</u>		23,193
<p>Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the statement of activities, property taxes are recognized as revenue when levied.</p>			
			<u>(50,774)</u>
<b>Change in net position</b>		<b>\$</b>	<b><u>(230,430)</u></b>

The accompanying notes are an integral part of these financial statements.



## **NOTES TO BASIC FINANCIAL STATEMENTS**

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statements of activities) report information on all of the activities of the District.

**B. Reporting Entity**

Pleasant Hill School District No. 1 functions as a local education agency, serving students in grades kindergarten through 12. The District is governed by a five-member board of directors. The daily functioning is under the supervision of the Superintendent.

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from all governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds, if any, are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund. The primary sources of revenue are property taxes and state revenues.

Special Revenue Fund – The Special Revenue Fund is used to account for revenues and expenditures of federal, state, local, and private grants, as well as Board-designated reserves, restricted for specific educational projects. The primary source of revenue is federal grants. The primary use of revenue is to fund special programs.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Debt Service Fund - The Debt Service Fund accounts for the repayment of the District's long-term debt. The primary source of revenue is property taxes. The primary use of revenue is payment of principal and interest due on long-term debt.

Capital Projects Fund - The Capital Projects Fund accounts for the accumulation of resources to be used for equipment, building, and other capital needs. The primary source of revenue is general obligation bond financing obtained by the District.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between funds included in governmental activities are eliminated.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 30 days of yearend). All other revenue items are considered to be measureable and available only when cash is received by the government.

**F. Budgetary Information**

Annual budgets are adopted on the modified accrual basis of accounting. The District budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, debt service, and capital projects funds.

The District begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year.

The board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total instruction, support services, community services, debt service, capital outlay, operating contingencies, and interfund transfers for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the board of directors at a regular board 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 of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there were no supplemental budgets. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**2. Investments**

State statutes authorize the District to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

**3. Restricted Assets**

Assets whose use is restricted for grant projects, debt service, facilities improvement and construction, or by other agreement are segregated on the Statement of Net Position.

**4. Accounts Receivable**

Receivables for federal and state grants, and state, county, and local shared revenues are recorded as revenue when earned.

**5. Supply Inventory**

Supply inventory is valued as cost using the first-in, first-out method. Inventory is accounted for using the purchases method for fund statements and using the consumption method for the statement of net position. Any donated inventory is valued at estimated fair market value. Purchased inventory is charged as an expenditure when purchased.

**6. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized. Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets are computed on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment and vehicles	5-20
Buildings and improvements	7-50

**7. Deferred Outflows/Inflows of Resources (Non-Pension Related)**

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 and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will therefore not be recognized as an inflow of resources (revenue) until that time.

The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**8. Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**9. Fund Balance Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**10. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The school board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for the specific purposes but do not meet the criteria to be classified as committed. The school board has by resolution authorized the Business Manager to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily.

In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

The District reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts that District intends to use for a specific purpose. Intent can be expressed by the school board or by an official or body to which the school board delegates authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The District has not formally adopted a minimum fund balance policy.

**H. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property Taxes**

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.



**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 30 days of fiscal year-end are recognized as revenue, while the remaining are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

**3. Compensated Absences**

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities on the statement of net position. In accordance with the provisions of GASB Statement No. 47, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**4. Pensions**

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 Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**5. Early Retirement**

The District's early retirement program covers licensed personnel hired prior to September 1, 1999. To qualify for the plan, licensed staff must have reached age 55 or have 30 years of continuous service within the Oregon school system, serving the most recent 10 years within the District. Qualifying employees receive a monthly stipend of up to \$625, which may be applied to insurance at the retiree's discretion. The monthly stipend terminates once the retiree reaches age 65 or qualifies for Federal Medicare coverage, whichever occurs first.

**I. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

Pleasant Hill School District No. 1 maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value.

The District participates in an external investment pool (State of Oregon Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company.

The State's investment policies are governed by the Oregon Revised Statutes (ORS) and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which established diversification percentages and specifies the types and maturities of investments. The portion of the external investment pool which belongs to local government investment participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report (CAFR). A copy of the State's CAFR may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

The classification of securities within the fair value hierarchy is based on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

- *Level 1* - Unadjusted quoted prices for identical investments in active markets.
- *Level 2* - Observable inputs other than quoted market prices; and,
- *Level 3* - Unobservable inputs.

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2018.

Fair values of assets measured on a recurring basis at June 30, 2018 are as follows:

	Level 1		Level 2
Investments		Investments	
CD	\$ 9,187	LGIP	\$ 3,808,566

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The District has adopted an investment policy that does not require diversification of investments.

Investments

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

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 3,808,566
Certificate of Deposit	Unrated	8/30/16	9,187
Total investments			\$ 3,817,753

Interest Rate Risk

The District has a formal policy that does not limit investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Concentration of Credit Risk – Investments

The District does not have a formal policy that places a limit on the amount that may be invested in any one institution. Almost 100 percent of the District’s investments are in the Oregon Local Government Investment Pool.

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the District’s deposits may not be returned. All District deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories.

Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The District holds accounts at Banner Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2018, \$250,000 of the District’s deposits were insured by the FDIC, and \$259,030 was collateralized under the Public Funds Collateralization Program.

Deposits

The District’s deposits and investments at June 30, 2018 are as follows:

Checking accounts	\$ 352,328
Savings accounts	1,913
Total investments	<u>3,817,753</u>
Total deposits and investments	<u>\$ 4,171,994</u>

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 2,815,071
Special Revenue Fund	<u>781,424</u>
Total governmental activities - Unrestricted	<u>3,596,495</u>
Governmental activities - restricted	
Special Revenue Fund	437,071
Debt Service Fund	<u>138,428</u>
Total governmental activities - restricted	<u>575,499</u>
Total cash and investments	<u><u>\$ 4,171,994</u></u>

**B. Restricted Assets**

At June 30, 2018, the District's restricted assets were as follows:

Governmental activities	
Cash and investments	\$ 575,499
Property taxes receivable	<u>79,088</u>
Total restricted assets	<u><u>\$ 654,587</u></u>

Restricted assets are for future payments of principal and interest on long-term debt, future facilities acquisition and construction, and future expenditures of grant monies.

**C. Deferred Inflows/Outflows of Resources**

Deferred inflows and outflows of resources summarized on the statement of net position are comprised of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net pension liability - PERS	\$ 3,358,011	\$ (621,812)
OPEB RHIA benefit	20,887	(8,289)
Stipend liability - Early Retirement	<u>13,730</u>	<u>-</u>
Total	<u><u>\$ 3,392,628</u></u>	<u><u>\$ (630,101)</u></u>

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**D. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 70,934	\$ -	\$ -	\$ 70,934
Capital assets being depreciated				
Buildings and improvements	31,796,811	109,660	-	31,906,471
Equipment and vehicles	464,344	61,075	-	525,419
Total capital assets being depreciated	32,261,155	170,735	-	32,431,890
Less accumulated depreciation for				
Buildings and improvements	(6,423,832)	(767,428)	-	(7,191,260)
Equipment and vehicles	(345,233)	(28,909)	-	(374,142)
Total accumulated depreciation	(6,769,065)	(796,337)	-	(7,565,402)
Total capital assets being depreciated, net	25,492,090	(625,602)	-	24,866,488
Governmental activities capital assets, net	\$ 25,563,024	\$ (625,602)	\$ -	\$ 24,937,422

Capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 70,934	\$ -	\$ 70,934
Buildings and improvements	31,906,471	(7,191,260)	24,715,211
Equipment and vehicles	525,419	(374,142)	151,277
Total governmental capital assets	\$ 32,502,824	\$ (7,565,402)	\$ 24,937,422

In relation to governmental activities, depreciation was not charged to specific functions or programs of the District. Capital assets are for the use of the entire District and are therefore unallocated. Depreciation expense is recorded on the statement of activities as follows:

Governmental activities	
Unallocated depreciation expense	\$ 796,337

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**E. Interfund Transfers**

Operating transfers are reflected as other financing sources (uses) in the governmental funds. Interfund transfers during the year consisted of:

	Transfers in:
	Special Revenue
	Fund
Transfers out:	
General Fund	\$ 314,000

Transfers were made primarily to fund special purpose reserves.

**F. Accounts Payable**

At June 30, 2018, the District had accounts payable totaling \$218,872 due to vendors.

**G. Compensated Absences**

The following is a summary of compensated absences for the year ending June 30, 2018:

	Restated Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 4,190	\$ 7,943	\$ -	\$ 12,133

The General Fund has traditionally been used to liquidate the liability related to compensated absences.

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**H. Long-Term Liabilities**

**1. Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities transactions for the year:

	Interest Rates	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
2014A GO Bond	3.00-4.125%	7,765,000	7,765,000	-	-	7,765,000	-
2014B GO Bond	0.75-3.94%	<u>10,185,259</u>	<u>9,238,015</u>	<u>-</u>	<u>968,969</u>	<u>8,269,046</u>	<u>968,689</u>
Subtotal bonds		<u>17,950,259</u>	<u>17,003,015</u>	<u>-</u>	<u>968,969</u>	<u>16,034,046</u>	<u>968,689</u>
2014 GO Premium		<u>759,410</u>	<u>759,410</u>	<u>-</u>	<u>-</u>	<u>759,410</u>	<u>-</u>
Total bond premiums		<u>759,410</u>	<u>759,410</u>	<u>-</u>	<u>-</u>	<u>759,410</u>	<u>-</u>
Total governmental activities		<u>\$ 18,709,669</u>	<u>\$ 17,762,425</u>	<u>\$ -</u>	<u>\$ 968,969</u>	<u>\$ 16,793,456</u>	<u>\$ 968,689</u>

The Debt Service Fund has traditionally been used to liquidate the above long-term liabilities.

**2. General Obligation Bonds, Series 2014A and 2014B**

On December 22, 2014, the District issued general obligation bonds, series 2014A and 2014B, of \$7,765,000 and \$10,185,260, respectively, with a related premium of \$759,410. Fixed interest rates for the series 2014A and 2014B bonds range from 3.00 - 4.125% and 0.75 - 3.94%, respectively. Interest is due semiannually on June 15 and December 15. For the series 2014A bonds, principal is due beginning June 15, 2020.



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**3. Interest Expense**

In relation to governmental activities, interest expense was not charged to specific functions or programs of the District. Interest expense is recorded on the statement of activities as follows:

Governmental activities	
Interest on long-term debt	<u>\$ 290,723</u>

**4. Future Maturities of Long-Term Liabilities**

The schedule below does not include amortization of bond premiums as listed above.

Year Ending June 30	2014A GO Bonds		2014B GO Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ -	\$ 254,706	\$ 986,370	\$ 63,630	\$ 986,370	\$ 318,336
2020	1,105,000	254,706	-	-	1,105,000	254,706
2021	1,180,000	221,556	-	-	1,180,000	221,556
2022	1,245,000	197,956	-	-	1,245,000	197,956
2023	1,310,000	173,056	-	-	1,310,000	173,056
2024-2028	2,925,000	183,152	3,407,163	1,607,837	6,332,163	1,790,989
2029-2033	-	-	3,222,964	2,347,036	3,222,964	2,347,036
2034-2035	-	-	652,829	5,532,845	652,829	5,532,845
Total	<u>\$ 7,765,000</u>	<u>\$ 1,285,132</u>	<u>\$ 8,269,326</u>	<u>\$ 9,551,348</u>	<u>\$ 16,034,326</u>	<u>\$ 10,836,480</u>

**5. General Obligation Debt Capacity**

ORS 328.245 establishes a parameter of bonded debt indebtedness for school districts. Kindergarten through twelfth grade school districts may issue an aggregate principal amount up to 7.95% of the Real Market Value of all taxable properties within the district.

Information on the District's general obligation capacity is presented below:

Real Market Value (Fiscal Year 2018) <sup>(1)</sup>	\$	946,185,053
General Obligation Debt Capacity (7.95% of Real Market Value)	\$	75,221,712
Less: Outstanding Debt Subject to Limit		<u>(16,793,456) <sup>(2)</sup></u>
Remaining General Obligation Debt Capacity	\$	58,428,256
Percent of Capacity Issued		22.33%

(1) The District's fiscal year commences July 1 and ends on June 30 of the following year (the "Fiscal Year"). Source: Lane County Department of Assessment and Taxation.

(2) Represents voter-approved, unlimited-tax general obligations of the District.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**I. Constraints on Fund Balances**

Constraints on fund balances reported on the balance sheet are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Fund balances:					
Nonspendable - inventory	\$ -	\$ 3,264	\$ -	\$ -	\$ 3,264
Restricted for:					
Enrichment activities	-	19,576	-	-	19,576
Student activities	-	189,107	-	-	189,107
Nutrition services	-	73,093	-	-	73,093
Scholarship programs	-	8,187	-	-	8,187
Music programs	-	561	-	-	561
Grant programs	-	298	-	-	298
Science programs	-	146,249	-	-	146,249
Debt service	-	-	143,587	-	143,587
Committed to:					
Insurance/benefit reserve	-	368,309	-	-	368,309
K-12 enrichment	-	1,577	-	-	1,577
Equipment replacement	-	28,933	-	-	28,933
Maintenance reserve	-	325,055	-	-	325,055
Technology reserve	-	132,252	-	-	132,252
Instructional materials reserve	-	12,086	-	-	12,086
Field repair and replacement	-	74,133	-	-	74,133
Assigned to:					
Special projects	-	12,204	-	-	12,204
Unassigned	<u>2,219,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,219,046</u>
Total fund balances	<u>\$ 2,219,046</u>	<u>\$ 1,394,884</u>	<u>\$ 143,587</u>	<u>\$ -</u>	<u>\$ 3,757,517</u>

**III. OTHER INFORMATION**

**A. 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; and natural disasters for which the District carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

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**B. Retirement Plans**

**1. Oregon Public Employees Retirement System**

*General Information about the Pension Plan*

Name of Pension Plan

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

Description of Benefit Terms

*Plan Benefits – PERS Pension (Chapter 238)*

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A

*PERS Pension*

The ORS Chapter 238 Defined Benefit Pension 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 either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

*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

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*Disability Benefits*

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

*Benefit Changes after Retirement*

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision.

OPSRP Pension Program (OPSRP DB)

*Pension Benefits*

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

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: police and fire - 1.8 percent is multiplied by the number of years of service and the final average salary.

Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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

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

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*Death Benefits*

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

*Disability Benefits*

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

*Benefit Changes After Retirement*

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Employer contributions for the year ended June 30, 2018 were \$1,099,587.

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

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Actuarial Valuations

The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

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

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study	2014, published September 2015
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.50 percent
Discount Rate	7.50 percent
Projected Salary Increases	3.50 percent
Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/.15%) in accordance with <i>Moro</i> decision; blend based on service.

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Mortality	<p><b>Health retirees and beneficiaries:</b> RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active members:</b> Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation.</p> <p><b>Disabled retirees:</b> 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>
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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 on the 2014 Experience Study, which reviewed experience for the four-year period ended December 31, 2014.

Discount Rate

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

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan’s portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS’ audited financial statements at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf>.

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Assumed Asset Allocation

<u>Asset Class</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	13.5%	21.5%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

*Pension Liabilities, 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 \$8,401,164 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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 December 31, 2017 the District's proportion was 0.07590186%.

For the year ended June 30, 2018, the District recognized pension expense of \$1,706,949. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



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	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ 406,284	\$ -
Change in assumptions	1,531,382	-
Net difference between projected and actual earnings on investments	86,552	-
Changes in proportionate share	25,295	(592,706)
Differences between employer contributions and employer's proportionate share of system contributions	283,882	(29,106)
Total (prior to post-MD contributions)	2,333,395	(621,812)
Contributions subsequent to the MD	1,024,616	-
Total (subsequent to post-MD contributions)	\$ 3,358,011	\$ (621,812)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported by the District as deferred outflows or inflows of resources related to pension will be recognized in pension expense in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2019	\$ 294,662
2020	980,253
2021	633,359
2022	(214,738)
2023	18,047

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

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

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District's proportionate share of the net pension liability (asset):

1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
\$ 14,317,117	\$ 8,401,164	\$ 3,454,331

*Changes in Assumptions*

The Board reviews the discount rate in odd-numbered years as part of the Board's adoption of actuarial methods and assumptions. That rate is then adopted in an administrative rule at the time the Board sets the new rate. On July 28, 2017, the PERS Board adopted a 7.20% assumed rate. The rule specifies that the adopted assumed rate will be effective for PERS transactions with an effective date of January 1, 2018, consistent with this Board's policy decision from 2013 that the assumed rate will be effective January 1 following the Board's adoption of the rate. A January 1 effective date also provides equitable treatment to all members who retire in a year that a change is adopted, no matter which month they retire. The adopted assumed rate will be aligned with the new actuarial equivalency factors (AEFs), which will allow for a clear effective date for all transactions that involve calculations using both the rate and AEF components.

**C. Other Post-Employment Benefits (GASB 75) RHIA - Oregon PERS Plan**

**1. Oregon Public Employees Retirement System (PERS) Retirement Health Insurance Account (RHIA) Other Post-Employment Benefit (OPEB) Plan (the Plan)**

*General Information about the OPEB Plan*

Name of OPEB Plan

The Oregon PERS RHIA consists of a single cost-sharing multiple-employer defined benefit OPEB plan.

Description of Benefit Terms

*Plan Benefits - PERS RHIA (Chapter 238)*

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A, and the Internal Revenue Code Section 401(a).

*OPEB Membership*

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

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To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (C) enroll in a PERS-sponsored health plan.

As of June 30, 2017, the inactive RHIA plan participants currently receiving benefits totaled 44,769, and there were 61,208 active and 16,369 inactive members who meet the requirements to receive RHIA benefits when they retire.

Basis of Accounting

Contributions for employers are recognized on the accrual basis of accounting. Employer contributions to PERS are calculated based on creditable compensation for active members reported by employers. Employer contributions are accrued when due pursuant to legal requirements.

Consistent with GASB Statement No. 75, paragraph 59(a), employer proportions are determined as a measure of the proportionate relationship of the employer to all employers consistent with the manner in which contributions to the OPEB plan are determined.

Contributions

Employer contributions for the year ended June 30, 2018 were \$20,887.

OPEB RHIA Plan Comprehensive Annual Financial Report (CAFR)

All assumptions, methods, and plan provisions used in these calculations are described in the Oregon PERS RHIA Cost-Sharing Multiple-Employer OPEB Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the year ended June 30, 2017. That independently audited report was dated April 11, 2018 and can be found at:

[https://www.oregon.gov/pers/EMP/Documents/GASB/2018/GASB\\_75\\_06.30.2017.pdf](https://www.oregon.gov/pers/EMP/Documents/GASB/2018/GASB_75_06.30.2017.pdf)

Proportionate Share Allocation Methodology

The basis for the employer's proportion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers. If the employer did not make contributions during the fiscal year, their proportionate share will be set to zero and the employer will be allocated no proportionate share of the OPEB amounts.

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Actuarial Methods and Assumptions:

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study	2014, published September 23, 2015
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.50 percent
Discount Rate	7.50 percent
Projected Salary Increases	3.50 percent
Retiree healthcare participation	Healthy retirees: 38%; disabled retirees: 20%
Mortality	<p><b>Health retirees and beneficiaries:</b> RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active members:</b> Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation.</p> <p><b>Disabled retirees:</b> 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 projected benefits 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 on the 2014 Experience Study, which reviewed experience for the four-year period ended December 31, 2014.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2017 was 7.50. 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 RHIA 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 OPEB plan investments for the RHIA was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return

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

For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf>.

Depletion Date Projection

GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses.

*OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2018, the District reported an asset of \$17,197 for its proportionate share of the OPEB asset. The OPEB asset was measured at June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017 the District's proportion was 0.04120545%.

For the year ended June 30, 2018, the District recognized OPEB income of \$28. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	\$ -	\$	7,965
Changes in proportionate share	-		324
Contributions subsequent to the measurement date	20,887		-
Total	\$ 20,887	\$	8,289

Differences between expected and actual experience, changes in assumptions, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service life determined as of the beginning of the June 30, 2017 measurement period is 3.7 years.

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year ended June 30, 2018. Other amounts reported by the District as deferred outflows or inflows of resources related to OPEB will be recognized in OPEB expense in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources
2019	\$ 18,776
2020	(2,111)
2021	(2,075)
2022	(1,992)
2023	-

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

*Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate*

The following presents the District's proportionate share of the net OPEB asset calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using a higher 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 proportionate share of the net OPEB (asset) liability:

1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
\$ 2,397	\$ (17,197)	\$ (33,863)

*Changes in Assumptions*

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

**D. Other Post-Employment Benefits (GASB 75) - District Medical Benefit Plan**

**1. Other Post-Employment Benefit (OPEB) District Medical Benefit Plan (the Plan)**

*General Information about the OPEB Plan*

Name of OPEB Plan

The District Medical Benefit Plan consists of a single-employer retiree benefit plan that provides post-employment health, dental, vision, and life insurance benefits to eligible employees and their dependents.

Description of Benefit Terms

*Plan Benefits - Implicit Medical Benefit*

Plan benefits are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapter 243. ORS stipulated that for the purpose of establishing health care premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims costs, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District's implicit employer contributions.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

The calculated OPEB liability is derived using the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members at that point. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the OEB plan reflect a long-term perspective.

*Medical Benefit Membership and Eligibility*

Benefits and eligibility for members are established through the collective bargaining agreements. All classes of employee are eligible to continue coverage upon retirement. Qualified spouses, domestic partners, and children may qualify for coverage.

*Medical Benefit Duration and Amount*

Coverage for retirees and eligible dependents continues until Medicare eligibility for each individual (or until dependent children become ineligible).

*Participant Statistics*

As of June 30, 2018, there were 117 active participants in the Medical Benefit plan. The average age of participants is 45.5.

The District did not establish an irrevocable trust (or equivalent arrangement) to account for this plan.

Funding Policy

The benefits from this program are paid by the District 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.

Actuarial Methods and Assumptions:

The District engaged an actuary to perform an evaluation as of June 30, 2018 using age entry normal, level percent of salary Actuarial Cost Method.



**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

The Single Employer Pension Plan liability was determined using the following actuarial assumptions, applied to all periods including the measurement:

Valuation Date	June 30, 2018
Measurement Dates/Fiscal Year Ends	June 30, 2018 and June 30, 2019
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Interest Discount	3.87 percent discount rate assumption
General Inflation	2.50 percent per year
Salary Scale	2.00 percent per year
Annual Premium Increase Rate	3.00 percent to 5.00 percent

Mortality rates were based on the RP=2000 Active/Healthy Annuitant Mortality Table for males and females, as appropriate.

Turnover rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by years of service. Disability rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by employee age.

Medical claims for retirees receiving a District subsidy are assumed to be 38% greater than the medical premiums paid by this group. Medical claims for retirees self-paying for coverage are assumed to be 70% greater than the medical premiums paid by this group.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

100% of eligible future retirees eligible for a direct District benefit under the early retirement program will elect to receive benefits. 35% of retirees only eligible for self-pay coverage are assumed to continue coverage upon retirement. Based on the observed rates from 2010 to 2018, 40% will elect a stipend and 60% will elect District contributions towards health insurance.

Based on assumed retirement patterns, the Plan's limit of seven new retirees per year is not expected to have an impact on future retirements.

The District recognized implicit medical expense of \$22,210 during the current fiscal year.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

*Changes in Medical Benefit OPEB Liability*

	Total OPEB Liability
July 1, 2017 - Beginning, as restated	\$ 220,871
Benefit Payments	(22,210)
Service Cost	11,792
Total Pension Liability Interest	8,118
June 30, 2018 - End of Year	\$ 218,571

*Sensitivity of the Net OPEB Liability to Changes in Discount and Trend Rates*

The following presents the net OPEB liability, calculated using the discount rate of 3.87%, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower or 1-percentage-point higher than the current rate:

1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
\$ 235,914	\$ 218,571	\$ 202,880

The following presents the net OPEB liability, calculated using the trend rate, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower or 1-percentage-point higher than the current rate:

1% Decrease	Discount Rate	1% Increase
\$ 198,723	\$ 218,571	\$ 242,241

**E. Early Retirement Program**

*General Information about the Program*

Program Description

The District's early retirement program provides monthly benefits to certain eligible licensed retirees. Retirees may choose to receive their benefits in the form of subsidized healthcare benefits or a monthly stipend. The early retirement program is valued as a pension plan as defined in GASB Statement No. 73, since any given retiree will receive the same monthly benefit regardless of their choice to continue coverage under the District's health plan.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Funding

The District's early retirement program is unfunded as defined by GASB. Contributions to the plan have been determined on a pay-as-you-go basis.

Employee and Financial Data

The District's early retirement program is closed to new entrants. The District has 11 active employees who are still eligible for benefits and 14 retirees currently collecting benefits. No other future employees will be eligible for benefits under the plan.

Eligibility

The program covers licensed personnel hired prior to September 1, 1999 and was established under separate bargaining agreements. To qualify, licensed staff must have reached age 55 or have 30 years of service within the Oregon school system, serving the most recent 10 years within the District. No more than seven employees may retire per fiscal year (preference given by seniority). Qualifying employees receive a monthly stipend of up to \$625, which may be applied to insurance at the retiree's discretion. The monthly stipend terminates once the retiree reaches age 65 or qualifies for Federal Medicare coverage, whichever occurs first.

If the surviving spouse was participating in the insurance option at the time of the retiree's death, the health insurance subsidy continues to the spouse until the retiree would have reached age 65 or until the spouse becomes eligible for Medicare, or the spouse may choose to receive the benefit as a stipend.

Actuarial Methods and Assumptions

Valuation Date	June 30, 2018
Measurement Dates/Fiscal Year Ends	June 30, 2018 and June 30, 2019
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Interest Discount	3.87 percent discount rate assumption
General Inflation	2.50 percent per year
Salary Scale	2.00 percent per year
Annual Premium Increase Rate	3.00 percent to 5.00 percent

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Demographic Assumptions	Mortality and withdrawal rates are generally intended to match those selected by the Oregon PERS actuary to value benefits for Oregon PERS school district employees.
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Mortality rates were based on the RP=2000 Active/Healthy Annuitant Mortality Table for males and females, as appropriate.

Turnover rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by years of service. Disability rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by employee age.

Medical claims for retirees receiving a District subsidy are assumed to be 38% greater than the medical premiums paid by this group. Medical claims for retirees self-paying for coverage are assumed to be 70% greater than the medical premiums paid by this group.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

100% of eligible future retirees eligible for a direct District benefit under the early retirement program will elect to receive benefits. 35% of retirees only eligible for self-pay coverage are assumed to continue coverage upon retirement. Based on the observed rates from 2010 to 2018, 40% will elect a stipend and 60% will elect District contributions towards health insurance.

Based on assumed retirement patterns, the Plan's limit of seven new retirees per year is not expected to have an impact on future retirements.

Actuarial Valuation Change

The District elected to use the Entry Age Normal (EAN) Level Percent of Pay method for calculating the total pension liability in accordance with accepted actuarial principles. The actuarial cost method has changed since the prior valuation where the EAN Level Dollar method was used. This change was made in order to comply with GASB Statement No. 73.

*Program Liabilities, Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources*

At June 30, 2018, the District reported a liability of \$336,682 for its unfunded early retirement liability. The District recognized early retirement expense of \$69,940 during the current fiscal year.

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

The following schedule represents the changes made to the early retirement liability during the June 30, 2018 fiscal year:

	Total Early Retirement Liability
July 1, 2017 - Beginning	\$ 367,818
Benefit Payments	(69,940)
Service Cost	2,590
Total Pension Liability Interest	12,881
Assumptions Change	10,094
Experience (Gain)/Loss	13,239
June 30, 2018 - End of Year	\$ 336,682

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumptions change (gain)/loss	\$ 5,940	\$ -
Experience change (gain)/loss	7,790	-
Total	\$ 13,730	\$ -

Amounts reported by the District as deferred outflows of resources and deferred inflows of resources related to early retirement will be recognized in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2019	\$ 9,603
2020	4,127
Total	\$ 13,730

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

**F. Restatement of Previously Issued Financial Statements**

The District's previously issued financial statements were restated as follows:

Government-Wide Statements	Governmental Activities
Net position - beginning, as originally reported	\$ 6,404,012
To record GASB 75 implementation	<u>(232,505)</u>
Net position - beginning, as restated	<u><u>\$ 6,171,507</u></u>

**G. Concentrations - Collective Bargaining Agreements**

At June 30, 2018, the District had approximately 108 staff. Of this total, 99 are covered under collective bargaining agreements. Of this number, 52 are certified staff represented by a union, and 47 are classified staff covered by respective collective bargaining agreements.

**H. New Pronouncements**

For the fiscal year ended June 30, 2018, the District implemented the following new accounting standards:

*GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. It requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities.

*GASB Statement No. 85, Omnibus 2017* - This statement addresses practice issues identified during implementation of other GASB Statements, including blending component units, goodwill, fair value measurement and application, and postemployment benefits.

*GASB Statement No. 86, Certain Debt Extinguishment Issues* - This statement addresses the accounting and financial reporting for in-substance defeasance of debt where existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt.

The District will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements for implementing any of the following pronouncements:

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**Pleasant Hill, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

GASB Statement No. 84, *Fiduciary Activities* - This statement established criteria and guidance for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes, as well as the reporting requirements for these fiduciary funds. The statement is effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 87, *Leases* - This statement addresses the accounting and financial reporting for leases by governments, requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. The statement is effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements* - This statement addresses the information that is disclosed in the notes to government financial statements related to debt, including borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for fiscal years beginning after June 15, 2018.

**I. Subsequent Events**

Management has evaluated subsequent events through March 6, 2019, which was the date that the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY AND DISTRICT CONTRIBUTIONS

**OREGON PERS SYSTEM**

**Schedule of the District's Proportionate Share of the Net Pension Liability**

	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.07590186%	0.06352305%	0.07590186%	0.07320080%
District's proportionate share of the net pension liability (asset)	\$ 8,401,164	\$ 9,536,285	\$ 4,357,876	\$ (1,659,253)
District's covered-employee payroll	\$ 4,152,598	\$ 3,689,125	\$ 3,697,042	\$ 4,797,998
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	202.31%	258.50%	117.87%	-36.00%
Plan fiduciary net position as a percentage of the total pension liability	83.12%	80.53%	91.88%	103.59%

**Schedule of District Contributions - Pension**

	2018	2017	2016	2015
Contractually required contribution	\$ 1,099,587	\$ 842,432	\$ 820,109	\$ 835,839
Contributions in relation to the contractually required contribution	<u>(1,099,587)</u>	<u>(842,432)</u>	<u>(820,109)</u>	<u>(835,839)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,550,483	\$ 4,304,259	\$ 4,050,515	\$ 4,597,998
Contributions as a percentage of covered-employee payroll	24.16%	19.57%	20.25%	18.18%

**PLEASANT HILL SCHOOL DISTRICT**  
**Pleasant Hill, Oregon**

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
OTHER POST EMPLOYMENT BENEFITS AND DISTRICT CONTRIBUTIONS

**OREGON PERS SYSTEM RHIA**

**Schedule of the District's Proportionate Share of the Other Post Employment Benefits**

	<u>2018</u>	<u>2017</u>
District's proportion of the OPEB liability (asset)	0.04120545%	0.04284150%
District's proportionate share of the OPEB liability (asset)	\$ (17,197)	\$ 11,634
District's covered-employee payroll	\$ 4,152,598	\$ 3,689,125
District's proportionate share of the OPEB liability (asset) as a percentage of its covered-employee payroll	-0.41%	0.32%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	108.88%	94.15%

**Schedule of District Contributions - OPEB RHIA benefit**

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 20,887	\$ 20,923
Contributions in relation to the contractually required contribution	<u>(20,887)</u>	<u>(20,923)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,550,483	\$ 4,304,259
Contributions as a percentage of covered-employee payroll	0.46%	0.49%

**PLEASANT HILL SCHOOL DISTRICT**  
**Pleasant Hill, Oregon**

SCHEDULES OF CHANGES IN OTHER POST EMPLOYMENT BENEFITS (OPEB)  
LIABILITY AND RELATED RATIOS - MEDICAL BENEFIT

**DISTRICT MEDICAL BENEFIT PLAN**

Schedule of Changes	2018
<b>Total Medical Benefit Pension Liability - beginning, as restated</b>	\$ <u><u>220,871</u></u>
Changes for the year:	
Service Cost	\$ 11,792
Interest	8,118
Benefit Payments	<u>(22,210)</u>
Net changes for the year	<u>(2,300)</u>
<b>Total Medical Benefit Pension Liability - ending</b>	\$ <u><u>218,571</u></u>
District's covered-employee payroll	\$ 4,523,509
Net Medical Benefit Pension Liability as a Percentage of Covered Payroll	4.83%

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

SCHEDULES OF THE DISTRICT'S EARLY RETIREMENT  
LIABILITY AND DISTRICT CONTRIBUTIONS

**EARLY RETIREMENT**

**Schedule of the District's Early Retirement Liability**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's early retirement liability (asset)	\$ 336,682	\$ 367,818	\$ 435,876
District's covered-employee payroll	\$ 461,359	\$ 689,810	\$ 689,810
District's early retirement liability (asset) as a percentage of its covered-employee payroll	73%	53%	63%

**Schedule of District Contributions - Early Retirement**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 69,940	\$ 101,967	\$ 112,097
Contributions in relation to the contractually required contribution	<u>(69,940)</u>	<u>(101,967)</u>	<u>(112,097)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 461,359	\$ 689,810	\$ 689,810
Contributions as a percentage of covered-employee payroll	15%	15%	16%

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

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

GENERAL FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
<b>REVENUES</b>			
Local revenue	\$ 2,875,100	\$ 211,050	\$ 3,086,150
Intermediate revenue	7,000	56,634	63,634
State revenue	6,440,357	137,607	6,577,964
Total revenues	9,322,457	405,291	9,727,748
<b>EXPENDITURES</b>			
Current			
Instruction	5,600,211	(214,639)	5,385,572
Support services	3,925,957	(231,471)	3,694,486
Contingency	191,000	(191,000)	-
Total expenditures	9,717,168	(637,110)	9,080,058
Excess (deficiency) of revenues over (under) expenditures	(394,711)	1,042,401	647,690
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	50,000	50,000	-
Transfers out	(314,000)	-	(314,000)
Total other financing sources (uses)	(264,000)	50,000	(314,000)
Net change in fund balance	(658,711)	992,401	333,690
Fund balance - beginning	1,715,034	170,322	1,885,356
Fund balance - ending	\$ 1,056,323	\$ 1,162,723	\$ 2,219,046

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

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

SPECIAL REVENUE FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
<b>REVENUES</b>			
Local revenue	\$ 834,654	\$ (271,074)	\$ 563,580
Intermediate revenue	16,897	(1,181)	15,716
State revenue	13,290	170,962	184,252
Federal revenue	757,309	27,894	785,203
Total revenues	1,622,150	(73,399)	1,548,751
<b>EXPENDITURES</b>			
Current			
Instruction	1,399,970	(270,678)	1,129,292
Support services	1,126,378	(641,299)	485,079
Enterprise and community services	423,002	(49,617)	373,385
Facilities acquisition and construction	284,944	(261,493)	23,451
Total expenditures	3,234,294	(1,223,087)	2,011,207
Excess (deficiency) of revenues over (under) expenditures	(1,612,144)	1,149,688	(462,456)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of assets	-	617	617
Transfers in	314,000	-	314,000
Transfers out	(50,000)	(50,000)	-
Total other financing sources (uses)	264,000	50,617	314,617
Net change in fund balance	(1,348,144)	1,100,305	(147,839)
Fund balance - beginning	1,348,144	194,579	1,542,723
Fund balance - ending	\$ -	\$ 1,294,884	\$ 1,394,884

**OTHER SUPPLEMENTARY INFORMATION**

**INDIVIDUAL FUND SCHEDULES**

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

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

DEBT SERVICE FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
<b>REVENUES</b>			
Local revenue	\$ 1,180,024	\$ 32,803	\$ 1,212,827
<b>EXPENDITURES</b>			
Debt service	1,260,706	(1,014)	1,259,692
Excess (deficiency) of revenues over (under) expenditures	(80,682)	33,817	(46,865)
Fund balance - beginning	185,682	4,770	190,452
Fund balance - ending	\$ 105,000	\$ 38,587	\$ 143,587



**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

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

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
<b>REVENUES</b>			
Local revenue	\$ 500	\$ (77)	\$ 423
<b>EXPENDITURES</b>			
Current			
Support services	200	(200)	-
Facilities acquisition and construction	237,473	(157,017)	80,456
Total expenditures	237,673	(157,217)	80,456
Excess (deficiency) of revenues over (under) expenditures	(237,173)	157,140	(80,033)
Fund balance - beginning	237,173	(157,140)	80,033
Fund balance - ending	\$ -	\$ -	\$ -

## **OTHER FINANCIAL SCHEDULES**

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

REVENUE SUMMARY - ALL FUNDS

June 30, 2018

<b>Revenue from Local Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>
1110 Ad Valorem Taxes Levied by District	\$ 2,850,244.08	\$ -	\$ 1,195,475.51	\$ -
1190 Penalties and Interest on Taxes	14,936.14	-	5,637.58	-
1311 Tuition from Individuals	17,029.85	(17,029.85)	-	-
1410 Regular Day School Transportation	8,404.68	-	-	-
1500 Earnings on Investments	90,374.19	228.75	11,713.74	423.04
1600 Food Service	-	147,310.37	-	-
1700 Extracurricular Activities	61,836.66	279,986.80	-	-
1910 Rentals	6,157.07	-	-	-
1920 Contributions and Donations From Private Sources	2,000.00	107,137.10	-	-
1940 Services Provided Other Local Educational Agencies	-	(2,005.64)	-	-
1990 Miscellaneous	35,158.63	47,953.02	-	-
<b>Total Revenue from Local Sources</b>	<b>\$ 3,086,141.30</b>	<b>\$ 563,580.55</b>	<b>\$ 1,212,826.83</b>	<b>\$ 423.04</b>
<b>Revenue from Intermediate Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>
2101 County School Funds	\$ 59,966.45	\$ -	\$ -	\$ -
2102 ESD Apportionment	-	750.00	-	-
2200 Restricted Revenue	3,668.35	14,966.07	-	-
<b>Total Revenue from Intermediate Sources</b>	<b>\$ 63,634.80</b>	<b>\$ 15,716.07</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue from State Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>
3101 State School Fund - General Support	\$ 6,614,592.51	\$ -	\$ -	\$ -
3102 State School Fund - School Lunch Match	-	2,833.61	-	-
3103 Common School Fund	113,107.90	-	-	-
3115 State School Fund Prior Year Adjustment	(262,273.10)	-	-	-
3199 Other Unrestricted Grants-in-Aid	71,928.15	-	-	-
3299 Other Restricted Grants-in-Aid	40,607.99	181,418.28	-	-
<b>Total Revenue from State Sources</b>	<b>\$ 6,577,963.45</b>	<b>\$ 184,251.89</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue from Federal Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>
4500 Restricted Revenue From the Federal Government Through the State	\$ -	\$ 715,319.00	\$ -	\$ -
4710 Grants-In-Aide From the Federal Government Through Other Intermediate Agencies	-	69,883.54	-	-
<b>Total Revenue from Federal Sources</b>	<b>\$ -</b>	<b>\$ 785,202.54</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue from Other Sources</b>	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 300</b>	<b>Fund 400</b>
5200 Interfund Transfers	\$ -	\$ 314,000.00	\$ -	\$ -
5300 Sale of or Compensation for Loss of Fixed Assets	-	617.28	-	-
5400 Resources - Beginning Fund Balance	1,885,355.63	1,542,722.23	190,451.76	80,033.05
<b>Total Revenue from Other Sources</b>	<b>\$ 1,885,355.63</b>	<b>\$ 1,857,339.51</b>	<b>\$ 190,451.76</b>	<b>\$ 80,033.05</b>
<b>Grand Totals</b>	<b>\$ 11,613,095.18</b>	<b>\$ 3,406,090.56</b>	<b>\$ 1,403,278.59</b>	<b>\$ 80,456.09</b>

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

EXPENDITURE SUMMARY - GENERAL FUND

June 30, 2018

**Instruction Expenditures**

	Totals	Object 100	Object 200
1111 Primary, K-3	\$ 1,839,961.64	\$ 1,114,991.64	\$ 677,073.98
1113 Elementary Extracurricular	1,114.47	841.20	273.27
1121 Middle/Junior High Programs	1,006,945.75	607,226.45	390,826.41
1122 Middle/Junior High School Extracurricular	13,028.01	9,518.28	3,509.73
1131 High School Programs	1,446,559.46	867,552.94	527,160.62
1132 High School Extracurricular	258,729.69	151,873.37	38,334.55
1210 Programs for the Talented and Gifted	2,026.33	1,178.00	488.33
1220 Restrictive Programs for Students with Disabilities	15,430.65	3,915.09	392.56
1250 Less Restrictive Programs for Students with Disabilities	512,534.96	292,358.71	219,688.91
1260 Treatment and Habilitation	3,393.25	-	-
1280 Alternative Education	285,847.41	-	-
<b>Total Instruction Expenditures</b>	<b>\$ 5,385,571.62</b>	<b>\$ 3,049,455.68</b>	<b>\$ 1,857,748.36</b>

**Support Services Expenditures**

	Totals	Object 100	Object 200
2110 Attendance and Social Work Services	\$ 284.28	\$ 55.00	\$ 4.28
2120 Guidance Services	241,681.87	152,953.71	86,195.49
2130 Health Services	19,619.49	13,213.55	4,386.67
2150 Speech Pathology and Audiology Services	69,063.90	50,464.00	18,232.50
2190 Service Direction, Student Support Services	52,679.00	35,855.87	16,737.53
2210 Improvement of Instruction Services	68,067.64	32,226.84	33,252.31
2220 Educational Media Services	101,855.80	47,852.27	40,240.14
2230 Assessment & Testing	2,897.33	891.60	70.73
2240 Instructional Staff Development	31,320.36	22,632.04	8,664.34
2310 Board of Education Services	32,648.43	-	-
2320 Executive Administration Services	238,110.15	136,073.06	80,168.18
2410 Office of the Principal Services	626,095.46	370,231.15	237,809.44
2490 Other Support Services - School Administration	2,330.90	-	-
2520 Fiscal Services	277,345.26	152,697.18	87,759.69
2540 Operation and Maintenance of Plant Services	909,553.35	300,359.62	216,098.36
2550 Student Transportation Services	750,678.15	-	-
2570 Internal Services	430.71	-	430.71
2640 Staff Services	3,430.50	-	-
2660 Technology Services	181,789.41	62,319.33	35,443.70
2700 Supplemental Retirement Program	84,595.86	45,511.17	39,084.69
<b>Total Support Services Expenditures</b>	<b>\$ 3,694,477.85</b>	<b>\$ 1,423,336.39</b>	<b>\$ 904,578.76</b>

**Other Uses Expenditures**

	Totals	Object 100	Object 200
5200 Transfers of Funds	\$ 314,000.00	\$ -	\$ -
<b>Total Other Uses Expenditures</b>	<b>\$ 314,000.00</b>	<b>\$ -</b>	<b>\$ -</b>

**Grand Total**

<b>\$ 9,394,049.47</b>	<b>\$ 4,472,792.07</b>	<b>\$ 2,762,327.12</b>
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Object 300	Object 400	Object 500	Object 600	Object 700
\$ 10,306.91	\$ 37,589.11	\$ -	\$ -	\$ -
-	-	-	-	-
4,614.99	4,277.90	-	-	-
-	-	-	-	-
14,728.51	36,737.39	-	380.00	-
33,073.35	18,647.97	7,472.90	9,327.55	-
170.00	190.00	-	-	-
11,123.00	-	-	-	-
-	487.34	-	-	-
3,393.25	-	-	-	-
285,847.41	-	-	-	-
<b>\$ 363,257.42</b>	<b>\$ 97,929.71</b>	<b>\$ 7,472.90</b>	<b>\$ 9,707.55</b>	<b>\$ -</b>

Object 300	Object 400	Object 500	Object 600	Object 700
\$ 225.00	\$ -	\$ -	\$ -	\$ -
400.09	2,132.58	-	-	-
645.00	1,023.27	-	351.00	-
-	367.40	-	-	-
85.60	-	-	-	-
2,787.49	-	-	(199.00)	-
680.00	13,083.39	-	-	-
1,935.00	-	-	-	-
23.98	-	-	-	-
28,213.65	916.62	-	3,518.16	-
18,266.78	1,358.13	-	2,244.00	-
4,628.10	10,951.77	-	2,475.00	-
113.30	2,217.60	-	-	-
10,583.46	2,012.97	-	24,291.96	-
263,347.18	72,861.47	-	56,886.72	-
750,678.15	-	-	-	-
-	-	-	-	-
3,430.50	-	-	-	-
16,242.32	67,490.70	-	293.36	-
-	-	-	-	-
<b>\$ 1,102,285.60</b>	<b>\$ 174,415.90</b>	<b>\$ -</b>	<b>\$ 89,861.20</b>	<b>\$ -</b>

Object 300	Object 400	Object 500	Object 600	Object 700
\$ -	\$ -	\$ -	\$ -	\$ 314,000.00
\$ -	\$ -	\$ -	\$ -	\$ 314,000.00
<b>\$ 1,465,543.02</b>	<b>\$ 272,345.61</b>	<b>\$ 7,472.90</b>	<b>\$ 99,568.75</b>	<b>\$ 314,000.00</b>

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

**EXPENDITURE SUMMARY - SPECIAL REVENUE FUND**

June 30, 2018

**Instruction Expenditures**

	Totals	Object 100	Object 200
1111 Elementary, K-5 or K-6	\$ 70,454.38	\$ 409.16	\$ 142.62
1113 Elementary Extracurricular	6,280.34	-	-
1121 Middle/Junior High Programs	4,181.14	1,028.32	439.45
1122 Middle/Junior High School Extracurricular	16,804.18	2,878.32	1,045.82
1131 High School Programs	312,863.80	94,909.27	67,821.48
1132 High School Extracurricular	306,765.52	1,000.00	409.19
1140 Pre-Kindergarten Programs	35,198.35	24,751.32	9,106.61
1210 Programs for the Talented and Gifted	5,037.20	2,250.36	812.50
1220 Restrictive Programs for Students with Disabilities	197.35	145.21	52.14
1250 Less Restrictive Programs for Students with Disabilities	193,694.06	98,336.09	94,396.98
1272 Title I	177,817.57	98,500.49	70,945.32
<b>Total Instruction Expenditures</b>	<b>\$ 1,129,293.89</b>	<b>\$ 324,208.54</b>	<b>\$ 245,172.11</b>

**Support Services Expenditures**

	Totals	Object 100	Object 200
2110 Attendance and Social Work Services	\$ 183.34	\$ 170.00	\$ 13.34
2120 Guidance Services	70,424.61	39,451.84	22,936.90
2150 Speech Pathology and Audiology Services	1,059.45	-	-
2190 Service Direction, Student Support Services	52,592.19	35,855.76	16,736.43
2210 Improvement of Instruction Services	26,846.71	4,153.88	796.38
2220 Educational Media Services	-	-	-
2240 Instructional Staff Development	27,524.65	9,604.10	3,912.01
2490 Other Support Services - School Administration	242.09	-	-
2520 Fiscal Services	5,373.74	3,173.46	2,200.28
2540 Operation and Maintenance of Plant Services	207,319.77	21,961.48	1,721.44
2550 Student Transportation Services	-	-	-
2660 Technology Services	93,514.88	2,436.32	518.46
<b>Total Support Services Expenditures</b>	<b>\$ 485,081.43</b>	<b>\$ 116,806.84</b>	<b>\$ 48,835.24</b>

**Enterprise and Community Services Expenditures**

	Totals	Object 100	Object 200
3100 Food Services	\$ 359,158.05	\$ 88,356.67	\$ 67,576.97
3300 Community Services	14,223.19	5,381.64	1,272.83
<b>Total Enterprise and Community Services Expenditures</b>	<b>\$ 373,381.24</b>	<b>\$ 93,738.31</b>	<b>\$ 68,849.80</b>

**Facilities Acquisition and Construction Expenditures**

	Totals	Object 100	Object 200
4190 Other Facilities Construction Services	\$ 23,451.00	\$ -	\$ -
<b>Total Facilities Acquisition and Construction Expenditures</b>	<b>\$ 23,451.00</b>	<b>\$ -</b>	<b>\$ -</b>

**Grand Total**

<b>Grand Total</b>	<b>\$ 2,011,207.56</b>	<b>\$ 534,753.69</b>	<b>\$ 362,857.15</b>
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Object 300	Object 400	Object 500	Object 600
\$ 1,600.87	\$ 68,301.73	\$ -	\$ -
1,395.58	4,734.76	-	150.00
430.00	2,283.37	-	-
1,048.45	831.59	-	11,000.00
13,286.78	104,413.41	32,412.86	20.00
-	304,653.45	-	702.88
111.99	1,228.43	-	-
1,974.34	-	-	-
-	-	-	-
-	960.99	-	-
-	8,371.76	-	-
<b>\$ 19,848.01</b>	<b>\$ 495,779.49</b>	<b>\$ 32,412.86</b>	<b>\$ 11,872.88</b>

Object 300	Object 400	Object 500	Object 600
\$ -	\$ -	\$ -	\$ -
6,547.31	1,488.56	-	-
-	1,059.45	-	-
-	-	-	-
20,806.63	900.82	-	189.00
-	-	-	-
12,853.54			1,155.00
242.09	-	-	-
-	-	-	-
179,072.46	2,321.39	2,243.00	-
-	-	-	-
2,602.80	87,632.30	-	325.00
<b>\$ 222,124.83</b>	<b>\$ 93,402.52</b>	<b>\$ 2,243.00</b>	<b>\$ 1,669.00</b>

Object 300	Object 400	Object 500	Object 600
\$ 10,710.23	\$ 185,563.51	\$ -	\$ 6,950.67
1,363.82	6,204.90	-	-
<b>\$ 12,074.05</b>	<b>\$ 191,768.41</b>	<b>\$ -</b>	<b>\$ 6,950.67</b>

Object 300	Object 400	Object 500	Object 600
\$ -	\$ -	\$ 23,451.00	\$ -
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,451.00</b>	<b>\$ -</b>
<b>\$ 254,046.89</b>	<b>\$ 780,950.42</b>	<b>\$ 58,106.86</b>	<b>\$ 20,492.55</b>

**PLEASANT HILL SCHOOL DISTRICT NO.1**  
**Pleasant Hill, Oregon**

EXPENDITURE SUMMARY - DEBT SERVICE FUND

June 30, 2018

**Other Uses Expenditures**

5100 Debt Service

	Totals	Object 600
	\$ 1,259,692.30	\$ 1,259,692.30
<b>Total Other Uses Expenditures</b>	<b>\$ 1,259,692.30</b>	<b>\$ 1,259,692.30</b>
<b>Grand Total</b>	<b>\$ 1,259,692.30</b>	<b>\$ 1,259,692.30</b>



**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

EXPENDITURE SUMMARY - CAPITAL PROJECTS FUND

June 30, 2018

<b>Support Services Expenditures</b>	<b>Totals</b>	<b>Object 300</b>	<b>Object 500</b>	<b>Object 600</b>
2520 Support Services - Fiscal Services	\$ 0.19	\$ -	\$ -	\$ 0.19
<b>Total Support Services Expenditures</b>	<b>\$ 0.19</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0.19</b>
<b>Facilities Acquisition and Construction Expenditures</b>	<b>Totals</b>	<b>Object 300</b>	<b>Object 500</b>	<b>Object 600</b>
4190 Other Facilities Construction Services	\$ 80,455.90	\$ 77,411.90	\$ 3,044.00	\$ -
<b>Total Facilities Acquisition and Construction Expenditures</b>	<b>\$ 80,455.90</b>	<b>\$ 77,411.90</b>	<b>\$ 3,044.00</b>	<b>\$ -</b>
<b>Grand Total</b>	<b>\$ 80,456.09</b>	<b>\$ 77,411.90</b>	<b>\$ 3,044.00</b>	<b>\$ 0.19</b>

**PLEASANT HILL SCHOOL DISTRICT NO. 1**

**Pleasant Hill, Oregon**

SCHEDULE OF CONTINUING DISCLOSURE REQUIREMENTS

GENERAL OBLIGATION REFUNDING BONDS

June 30, 2018

**1. PROPERTY VALUATION**

	2017
Real Market Value	<u>\$946,185,053</u>
Taxable Assessed Value	\$636,307,942

**2. PROPERTY TAXES**

**A. Representative Levy Rate** (per \$1,000 of Assessed Value)

	Billing Rate	Bond Levy Rate	Local Option Rate	Consolidated Rate
General Government				
Lane County 4-H/Extension LO	\$0.0000	\$0.0000	\$0.0150	\$0.0150
Lane County Public Safety LO	0.0000	0.0000	0.3800	0.3800
PH Rural Fire Protection District	1.1031	0.0000	0.0000	1.1031
Lane County	1.2793	0.0000	0.0000	1.2793
Total General Government	<u>\$2.3824</u>	<u>\$0.0000</u>	<u>\$0.3950</u>	<u>\$2.7774</u>
Education				
Pleasant Hill School District	\$4.6414	\$1.9293	\$0.0000	\$6.5707
Lane Community College	0.6191	0.0000	0.0000	0.6191
Lane ESD	0.2232	0.0000	0.0000	0.2232
Total Education	<u>\$5.4837</u>	<u>\$1.9293</u>	<u>\$0.0000</u>	<u>\$7.4130</u>
<b>Total Tax Rate</b>	\$7.8661	\$1.9293	\$0.3950	\$10.1904

**B. Tax Collections**

	General	Debt Service	Total
Property Taxes Levied	\$2,926,202.65	\$1,227,628.91	\$4,153,831.56
Property Taxes Collected	\$2,858,156.08	\$1,198,617.51	\$4,056,773.59

**3. GENERAL OBLIGATION BONDS**

**A. Outstanding Long-Term Debt (See pages 32 and 33.)**

**B. Outstanding General Obligation Bonds See page 32 and 33 for detail.)**

General Obligation Bonds	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding as of June 30, 2018
GO Bonds, Series 2014	12/22/2014	6/15/2035	17,950,260	16,034,046
Total General Obligation Bonds				<u>\$16,034,046</u>

(continued)

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

SCHEDULE OF CONTINUING DISCLOSURE REQUIREMENTS

GENERAL OBLIGATION REFUNDING BONDS

June 30, 2018

(continued)

<b>4. MAJOR TAXPAYERS</b>	<b>Assessed Value</b>	<b>Tax</b>
Emerald PUD	\$12,754,500	\$129,646
McDougal, Richard N.	3,432,037	39,094
Northwest Natural Gas Company	3,211,000	31,633
Weyerhaeuser Company	3,097,525	28,830
Union Pacific Railroad Company	3,078,728	28,721
Guistina Land & Timber Company	2,741,272	25,531
Lost Creek Timber	2,380,186	22,170
Ziemski, Glenn	2,047,946	21,210
Carver, Colin T & Doan, Stephanie	514,187	20,253
Level 3 Communications LLC	2,017,398	19,543
<b>5. AVERAGE DAILY MEMBERSHIP (Weighted)</b>		
<b>Extended ADMw:</b>	<b>2016</b>	<b>2017</b>
Current Fiscal Year Estimated ADMw	1,181.48	1,168.01
Prior Fiscal Year Estimated ADMw	1,216.69	1,156.90
Extended ADMw (greater of Current or Prior Year)	1,216.69	1,168.01
<b>6. FINANCIAL FACTORS</b>		
(1) General Fund Balance Sheet	See page 14.	
(2) General Fund Statement of Revenues, Expenditures and Changes in Fund Balance	See page 16.	

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

SCHEDULE OF FUTURE REQUIREMENTS OF BONDED DEBT

For the Year Ended June 30, 2018

Fiscal Year	TOTAL ALL REQUIREMENTS			GENERAL OBLIGATION BONDS Series 2014A			GENERAL OBLIGATION BONDS Series 2014B		
	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
2019	\$ 1,304,706	\$ 986,370	\$ 318,336	\$ 254,706	\$ -	\$ 254,706	\$ 1,050,000	\$ 986,370	\$ 63,630
2020	1,359,706	1,105,000	254,706	1,359,706	1,105,000	254,706	-	-	-
2021	1,401,556	1,180,000	221,556	1,401,556	1,180,000	221,556	-	-	-
2022	1,442,956	1,245,000	197,956	1,442,956	1,245,000	197,956	-	-	-
2023	1,483,056	1,310,000	173,056	1,483,056	1,310,000	173,056	-	-	-
2024	1,530,656	1,410,000	120,656	1,530,656	1,410,000	120,656	-	-	-
2025	1,577,496	1,515,000	62,496	1,577,496	1,515,000	62,496	-	-	-
2026	1,625,000	1,155,781	469,219	-	-	-	1,625,000	1,155,781	469,219
2027	1,670,000	1,136,168	533,832	-	-	-	1,670,000	1,136,168	533,832
2028	1,720,000	1,115,214	604,786	-	-	-	1,720,000	1,115,214	604,786
2029	1,775,000	1,098,707	676,293	-	-	-	1,775,000	1,098,707	676,293
2030	1,825,000	1,076,348	748,652	-	-	-	1,825,000	1,076,348	748,652
2031	640,000	358,938	281,062	-	-	-	640,000	358,938	281,062
2032	655,000	348,643	306,357	-	-	-	655,000	348,643	306,357
2033	675,000	340,328	334,672	-	-	-	675,000	340,328	334,672
2034	695,000	331,272	363,728	-	-	-	695,000	331,272	363,728
2035	715,000	321,557	393,443	-	-	-	715,000	321,557	393,443
<b>TOTALS</b>	<b>\$ 22,095,132</b>	<b>\$ 16,034,326</b>	<b>\$ 6,060,806</b>	<b>\$ 9,050,132</b>	<b>\$ 7,765,000</b>	<b>\$ 1,285,132</b>	<b>\$ 13,045,000</b>	<b>\$ 8,269,326</b>	<b>\$ 4,775,674</b>

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



**Accuity, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors  
Pleasant Hill School District No. 1  
Pleasant Hill, Oregon 97455

We have audited the basic financial statements of Pleasant Hill School District No. 1 as of and for the year ended June 30, 2018, and have issued our report thereon dated March 6, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether Pleasant Hill School District No. 1'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 162-010-0000 through 162-010-0320 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 an objective of our audit, and accordingly, we do not express such an opinion.

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

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

**Indebtedness limitations, restrictions, and repayment**

**Budgets legally required (ORS Chapter 294)**

**Insurance and fidelity bonds in force or required by law**

**Programs funded from outside sources**

**Authorized investment of surplus funds (ORS Chapter 294)**

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

**State school fund factors and calculation**

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

#### **OAR 162-010-0230 Internal Control**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

This report is intended solely for the information and use of the board of directors and management of Pleasant Hill School District No. 1 and the Oregon Secretary of State, and is not intended to be, and should not be used by anyone other than these parties.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is written in a cursive, flowing style.

Accuity, LLC

March 6, 2019

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

SUPPLEMENTAL INFORMATION REQUIRED BY OREGON DEPARTMENT OF EDUCATION

For the Year Ended June 30, 2018

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

- A. Energy Bill for Heating - **All Funds:**  
 Please enter your expenditures for electricity and heating fuel for these Functions and Objects.

	Objects 325 and 326
Function 2540	\$ 184,021
Function 2550	\$ 2,100

- B. Replacement of Equipment - **General Fund:**  
 Include all General Fund expenditures in object 542, except for the following exclusions:

\$	-
----	---

Exclude these functions:

1113, 1122, and 1132 Co-curricular Activities  
 1140 Pre-Kindergarten  
 1300 Continuing Education  
 1400 Summer School

Exclude these functions:

4150 Construction  
 2550 Pupil Transportation  
 3100 Food Service  
 3300 Community Services



## **SINGLE AUDIT SECTION**

**PLEASANT HILL SCHOOL DISTRICT NO. 1**  
**Pleasant Hill, Oregon**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor, Pass through Grantor, Program Title	Pass-through Entity ID	CFDA	Expenditures
<b><u>U.S. Department of Education</u></b>			
Passed through Lane Education Service District			
Youth Transition Program	NA	84.186	\$ 24,065
Passed through Oregon State Department of Education			
Title I Grants to Local Educational Agencies (Title IA of the ESEA)	2081	84.010	179,345
Special Education Cluster*			
IDEA Special Education Grants To States	2081	84.027	249,075
Special Education Preschool Grants	2081	84.173	<u>409</u>
Total Special Education Cluster			249,484
Title IIA Improving Teaching Quality State Grants	2081	84.367	<u>47,000</u>
Total U.S. Department of Education			<u>499,894</u>
<b><u>U.S. Department of Agriculture</u></b>			
Passed through Oregon State Department of Education			
Child Nutrition Cluster			
School Breakfast Program	2081	10.553	63,740
National School Lunch Program	2081	10.555	130,703
NSLP Commodities	2081	10.555	<u>20,982</u>
Total U.S. Department of Agriculture			<u>215,425</u>
<b><u>U.S. Department of Labor</u></b>			
Passed through Lane County			
WIA/WIOA Youth Program*	31085	17.259	69,884
Total U.S. Department of Labor			<u>69,884</u>
Total federal expenditures			<u>\$ 785,203</u>

\*Major program

**PLEASANT HILL SCHOOL DISTRICT**  
**Pleasant Hill, Oregon**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

**I. PURPOSE OF SCHEDULE**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Pleasant Hill School District under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) 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 activities of the District, it is not intended to and does not present the financial position, changes in net position, nor the operating funds' revenues and expenses.

**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AWARD EXPENDITURES**

**A. Basis of Presentation**

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

**B. Federal Financial Assistance**

Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, non-monetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the schedule of expenditures of federal awards, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

**C. Major Programs**

The Uniform Guidance establishes criteria to be used in defining major federal financial assistance programs. Major programs of the District are those programs selected for testing by the auditor using a risk assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance.

**PLEASANT HILL SCHOOL DISTRICT**  
**Pleasant Hill, Oregon**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

**D. Reporting Entity**

The reporting entity is fully described in the notes to the District's basic financial statements. Additionally, the schedule of expenditures of federal awards includes all federal programs administered by the District for the year ended June 30, 2018.

**E. Revenue and Expenditure Recognition**

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting. Revenues are recorded as received in cash or on the accrual basis where measurable and available. Expenditures are recorded when the liability is incurred.



**Accuity, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**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  
Pleasant Hill School District  
Pleasant Hill, Oregon 97455

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, each major fund, and the aggregate remaining fund information of Pleasant Hill School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Pleasant Hill School District's basic financial statements, and have issued our report thereon dated March 6, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pleasant Hill School 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 Pleasant Hill School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pleasant Hill School 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as finding 2018-001 that we consider to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Accuity, LLC

Albany, Oregon  
March 6, 2019



**Accuity, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors  
Pleasant Hill School District  
Pleasant Hill, Oregon 97455

**Report on Compliance for Each Major Federal Program**

We have audited Pleasant Hill School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and OMB Circular A-133 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 Federal Program**

In our opinion, Pleasant Hill School 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 Pleasant Hill School 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 and to test and report on internal control over compliance in accordance with 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 a 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. We consider the following deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a significant deficiency.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Pleasant Hill School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Accuity, LLC  
Albany, Oregon  
March 6, 2019



**PLEASANT HILL SCHOOL DISTRICT**  
**Pleasant Hill, Oregon**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's opinion issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

*Federal Awards*

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
17.259	WIA/WIOA Youth Program	
84.027/84.173	Special Education Cluster	
Dollar threshold used to distinguish between Type A and type B programs:		\$750,000
Auditee qualified as low-risk auditee?		No

**PLEASANT HILL SCHOOL DISTRICT**  
**Pleasant Hill, Oregon**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

**SECTION I - SUMMARY OF FINDINGS**

<b>Finding Number</b>	<b>Finding</b>
2018-001	Adequate time and effort documentation was not obtained from staff in a timely manner.

<b>Finding Number</b>	<b>Finding</b>
2018-001	Adequate time and effort documentation was not obtained from staff in a timely manner.

**Condition:** Special education coordinators did not ensure all time and effort related to the program was adequately supported with time and effort documentation. While documentation was made available for all employees charged to the program, some of the documentation was not obtained until after it was requested by audit staff, many months subsequent to year end.

**Prevalence:** Special education cluster

**Criteria:** Payroll charges charged to federal programs are required to be supported by documentation, signed in a timely manner by the employee and supervisor.

**Questioned costs:** None

**Effect:** The possibility exists that time charged to programs was not for work done in those programs.

**Recommendations:** We recommend a new control process requiring semi-annual review by the special education coordinator to ensure timely documentation is obtained.

**PLEASANT HILL SCHOOL DISTRICT**  
**Pleasant Hill, Oregon**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2018

**SECTION I - CORRECTIVE ACTION PLAN**

<b>Finding Number</b>	<b>Corrective Action</b>
2018-001	The District has already implemented a new control process to ensure all employees charged to the special education program have adequately documented time and effort