



PLEASANT HILL SCHOOL DISTRICT NO. 1
Pleasant Hill, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2017



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS
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PLEASANT HILL SCHOOL DISTRICT NO. 1
Pleasant Hill, Oregon

DISTRICT OFFICIALS

June 30, 2017

BOARD OF DIRECTORS

Kevin Parrish, Chair
84614 Parkway Rd.
Pleasant Hill, Oregon 97455

Wylde Cafferata, Vice-Chair
82166 Lost Valley Ln.
Dexter, Oregon 97431

Curt Offenbacher
37160 Wallace Creek Rd.
Springfield, Oregon 97478

John Oldham
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Pleasant Hill, Oregon 97455

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

ADMINISTRATION

Tony Scurto, 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, 2017, 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. 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, 2017, 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.

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 and District contributions - pension, schedules of the District's early retirement liability and District contributions - early retirement, 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 and District contributions - pension, schedules of the District's early retirement liability and District contributions - early retirement, 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

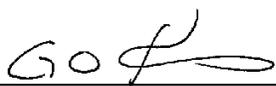
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pleasant Hill School District No. 1's basic financial statements. The individual fund schedules, other financial schedules, and supplemental information required by state regulations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules 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.

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 December 29, 2017 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
December 29, 2017

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, 2017. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2017, total net position of Pleasant Hill School District No. 1 amounted to \$6,414,991. Of this amount, \$7,800,599 was invested in capital assets, net of related debt. The remaining balance included \$190,452 restricted for debt service, \$80,033 restricted for bond projects, \$366,149 restricted for grant projects, and \$(2,022,242) of unrestricted net position.
- At June 30, 2017, the District's governmental funds reported combined ending fund balances of \$3,698,489.

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 and District contributions - pension, the schedules of the District's early retirement liability and District contributions - early retirement, 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, 2017, the District's assets exceeded liabilities by \$6,414,991.

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 increased by \$147,267 during the current fiscal year. The increase is primarily due to an increase in program revenues and a decrease in program expenses.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Assets		
Current assets	\$ 3,898,676	\$ 2,593,944
Restricted assets	821,518	4,553,094
Net capital assets	<u>25,563,024</u>	<u>24,860,276</u>
Total assets	<u>30,283,218</u>	<u>32,007,314</u>
Deferred outflows of resources	<u>5,249,728</u>	<u>1,086,868</u>
Liabilities		
Current liabilities	1,704,336	3,283,985
Noncurrent liabilities	<u>26,697,839</u>	<u>22,556,177</u>
Total liabilities	<u>28,402,175</u>	<u>25,840,162</u>
Deferred inflows of resources	<u>715,780</u>	<u>986,296</u>
Net position		
Net investment in capital assets	7,800,599	6,150,607
Restricted for various purposes	636,634	1,908,647
Unrestricted	<u>(2,022,242)</u>	<u>(1,791,530)</u>
Total net position	<u>\$ 6,414,991</u>	<u>\$ 6,267,724</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

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Program revenues		
Regular programs	\$ 917,178	\$ 915,079
Support services	287,698	-
Food services	332,207	284,778
Total program revenues	<u>1,537,083</u>	<u>1,199,857</u>
General revenues		
Property taxes - general	2,650,250	2,562,355
Property taxes - debt service	1,226,389	1,119,384
State school fund - general support	6,250,528	6,046,404
Common school fund	159,064	134,252
Federal forest fees	-	47,697
Investment earnings	67,409	94,290
Unrestricted grants and contributions	57,259	67,021
Miscellaneous	34,166	20,428
Sale of assets	163	1,038
Total general revenues	<u>10,445,228</u>	<u>10,092,869</u>
Total revenues	<u>11,982,311</u>	<u>11,292,726</u>
Program expenses		
Regular programs	6,258,604	7,824,202
Support services	4,170,350	4,731,396
Food services	321,991	348,971
Enterprise and community services	18,413	17,083
Unallocated depreciation expense	793,237	444,583
Interest on long-term debt	272,449	355,993
Total program expenses	<u>11,835,044</u>	<u>13,722,228</u>
Change in net position	147,267	(2,429,502)
Net position - beginning, as restated	<u>6,267,724</u>	<u>8,697,226</u>
Net position - end of year	<u>\$ 6,414,991</u>	<u>\$ 6,267,724</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 88% of the funding required for governmental programs. Property taxes and state school funding combined for 97% of general revenues and 85% of total revenues.

Charges for services make up less than 5% 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	\$ 496,682
• Food services charges for lunch and breakfast	<u>123,333</u>
Total charges for services	<u><u>\$ 620,015</u></u>

Operating grants and contributions represent less than 1% of total revenues. This category includes \$708,194 to support various educational activities and \$208,874 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 53% of the total expenses of \$11,835,044. In addition, approximately 34% 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 \$3,698,489.

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 \$1,885,346. 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, 2017 amounted to \$25,563,024, 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 \$793,237.

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 \$17,762,425. This amount comprises two 2014 series general obligation bonds with a related issuance premium. The District's total long-term liabilities decreased by \$947,244 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:

- Resources supporting the District's General Fund operations primarily reflect State and local revenues, with additional income from federal, county, and other sources. The largest segment, which includes State funding and local property taxes, is determined under the State School Fund formula and based on the level of funding approved by the State Legislature as well as the District's student enrollment or average daily membership.

PLEASANT HILL SCHOOL DISTRICT NO. 1
Pleasant Hill, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

- The District Board adopted the District's 2017-18 budget on June 5, 2017. The General Fund budget totals \$11.4 million, up \$496,000 or 4.6% from the previous year. Higher resources represent an anticipated \$576,000 increase in revenues, mostly from State funding, and a \$80,000 decrease in the beginning fund balance.
- The increase in General Fund resources was used to support slight increases in service levels and staff compensation, including increased PERS contributions. Transfers decreased \$224,000 and contingency increased to \$491,000, partially in anticipation of new programs to be funded by an anticipated last-minute increase in the state school funding. The 2017-18 Capital Projects Fund budget decreased by almost \$3,800,000 as we wrap up our building project.

The unassigned ending General Fund balance of \$1,885,346 will be available for program resources in fiscal year 2017-2018.

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

PLEASANT HILL SCHOOL DISTRICT NO. 1

Pleasant Hill, Oregon

STATEMENT OF NET POSITION

June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and investments	\$ 3,459,830
Cash with agent	4,074
Accounts receivable	209,292
Property taxes receivable	220,399
Inventory	5,081
Total current assets	<u>3,898,676</u>
Restricted assets	821,518
Capital assets not being depreciated	70,934
Capital assets being depreciated, net	<u>25,492,090</u>
Total assets	<u>30,283,218</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>5,249,728</u>
LIABILITIES	
Current liabilities	
Accounts payable	218,867
Payroll liabilities	494,393
Deposits payable	7,000
Compensated absences	4,190
Accrued interest	11,197
Bonds payable, current portion	<u>968,689</u>
Total current liabilities	1,704,336
Noncurrent liabilities	
Net pension liability	9,536,285
Early retirement payable	367,818
Bonds payable, less current portion	<u>16,793,736</u>
Total liabilities	<u>28,402,175</u>
DEFERRED INFLOWS OF RESOURCES	
Changes in proportion and contributions - PERS	711,066
Changes in proportion and contributions - early retirement	<u>4,714</u>
Total deferred inflows of resources	715,780
NET POSITION (DEFICIT)	
Net investment in capital assets	7,800,599
Restricted for various purposes	636,634
Unrestricted	<u>(2,022,242)</u>
Total net position	<u>\$ 6,414,991</u>

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, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
				<u>Services</u>
			<u>Contributions</u>	<u>Changes in</u>
				<u>Net Positon</u>
				<u>Primary</u>
				<u>Government</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities				
Instruction				
Regular programs	\$ 5,190,833	\$ 496,682	\$ 403,687	\$ (4,290,464)
Special programs	1,067,771	-	16,809	(1,050,962)
Support services				
Student support services	457,424	-	120,000	(337,424)
Instructional staff support	287,067	-	-	(287,067)
General administrative support	277,295	-	-	(277,295)
School administrative support	684,920	-	-	(684,920)
Business support services	2,163,534	-	-	(2,163,534)
Central activities support	274,058	-	167,698	(106,360)
Supplemental retirement program	26,052	-	-	(26,052)
Food services	321,991	123,333	208,874	10,216
Enterprise and community services	18,413	-	-	(18,413)
Unallocated depreciation expense	793,237	-	-	(793,237)
Interest on long-term debt	272,449	-	-	(272,449)
Total governmental activities	<u>\$ 11,835,044</u>	<u>\$ 620,015</u>	<u>\$ 917,068</u>	<u>(10,297,961)</u>
General revenues				
Property taxes - general				2,650,250
Property taxes - debt service				1,226,389
State school fund - general support				6,250,528
Common school fund				159,064
Investment earnings				67,409
Unrestricted grants and contributions				57,259
Miscellaneous				34,166
Sale of assets				163
Total general revenues				<u>10,445,228</u>
Change in net position				147,267
Net position - beginning, as restated				<u>6,267,724</u>
Net position - ending				<u>\$ 6,414,991</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, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and investments	\$ 2,426,881	\$ 1,408,265	\$ 185,471	\$ 166,687	\$ 4,187,304
Cash with agent	4,074	-	1,619	-	5,693
Accounts receivable	71,567	137,725	-	-	209,292
Property taxes receivable	220,399	-	92,425	-	312,824
Inventory	-	5,081	-	-	5,081
	-	5,081	-	-	5,081
Total assets	\$ 2,722,921	\$ 1,551,071	\$ 279,515	\$ 166,687	\$ 4,720,194
LIABILITIES					
Accounts payable	\$ 131,304	\$ 909	\$ -	\$ 86,654	\$ 218,867
Payroll liabilities	493,889	504	-	-	494,393
Deposits payable	-	7,000	-	-	7,000
	-	7,000	-	-	7,000
Total liabilities	625,193	8,413	-	86,654	720,260
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	212,382	-	89,063	-	301,445
	212,382	-	89,063	-	301,445
FUND BALANCES					
Nonspendable	-	5,081	-	-	5,081
Restricted	-	366,149	190,452	80,033	636,634
Committed	-	1,091,800	-	-	1,091,800
Assigned	-	79,628	-	-	79,628
Unassigned	1,885,346	-	-	-	1,885,346
	1,885,346	-	-	-	1,885,346
Total fund balances	1,885,346	1,542,658	190,452	80,033	3,698,489
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,722,921	\$ 1,551,071	\$ 279,515	\$ 166,687	\$ 4,720,194

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, 2017

Total fund balances		\$ 3,698,489
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	32,332,089	
Accumulated depreciation	<u>(6,769,065)</u>	25,563,024
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.		
		301,445
Amounts relating to the District's proportionate share of the net pension liability for the Oregon Public Employees Retirement System (PERS) 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 expense	5,249,728	
Deferred inflows of resources related to the return on pension assets	(711,066)	
Deferred inflows of resources related to early retirement	(4,714)	
Net pension liability	<u>(9,536,285)</u>	(5,002,337)
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	(4,190)	
Accrued interest	(11,197)	
Early retirement payable	(367,818)	
Bonds payable, net of related premium	<u>(17,762,425)</u>	<u>(18,145,630)</u>
Net position of governmental activities		\$ <u>6,414,991</u>

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, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES					
Local revenue	\$ 2,858,181	\$ 716,489	\$ 1,146,320	\$ 14,710	\$ 4,735,700
Intermediate revenue	25,153	3,935	-	-	29,088
State revenue	6,468,399	189,880	-	-	6,658,279
Federal revenue	-	532,290	-	-	532,290
	<u>9,351,733</u>	<u>1,442,594</u>	<u>1,146,320</u>	<u>14,710</u>	<u>11,955,357</u>
EXPENDITURES					
Current					
Instruction	5,073,850	678,031	-	5,209	5,757,090
Support services	3,615,999	540,981	-	409	4,157,389
Enterprise and community services	-	338,296	-	-	338,296
Facilities acquisition and construction	-	-	-	1,348,152	1,348,152
Debt service	-	-	1,219,693	-	1,219,693
	<u>8,689,849</u>	<u>1,557,308</u>	<u>1,219,693</u>	<u>1,353,770</u>	<u>12,820,620</u>
Excess (deficiency) of revenues over (under) expenditures	661,884	(114,714)	(73,373)	(1,339,060)	(865,263)
OTHER FINANCING SOURCES (USES)					
Sale of assets	-	163	-	-	163
Transfers in	-	533,000	-	-	533,000
Transfers out	(533,000)	-	-	-	(533,000)
	<u>(533,000)</u>	<u>533,163</u>	<u>-</u>	<u>-</u>	<u>163</u>
Net change in fund balances	128,884	418,449	(73,373)	(1,339,060)	(865,100)
Fund balances - beginning	<u>1,756,462</u>	<u>1,124,209</u>	<u>263,825</u>	<u>1,419,093</u>	<u>4,563,589</u>
Fund balances - ending	<u>\$ 1,885,346</u>	<u>\$ 1,542,658</u>	<u>\$ 190,452</u>	<u>\$ 80,033</u>	<u>\$ 3,698,489</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, 2017

Net change in fund balances		\$ (865,100)
<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	16,443,598	
Dispositions of and reclassifications to capital assets, net	(14,947,613)	
Depreciation expense recorded in the current year	<u>(793,237)</u>	702,748
<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	7,856	
Pension expense	<u>(752,889)</u>	(745,033)
<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		947,244
<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	12,559	
Change in early retirement	<u>68,058</u>	80,617
<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>26,791</u>
Change in net position		<u>\$ 147,267</u>

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, 2017

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, 2017

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, 2017

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 60 days of year end). 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. All funds are budgeted on the modified accrual basis of accounting.

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, 2017

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, 2017

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, 2017

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, 2017

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.

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, 2017

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, 2017

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, 2017

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 quotes 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, 2017.

Fair values of assets measured on a recurring basis at June 30, 2017 are as follows:

	Level 1		Level 2
Investments		Investments	
CD	\$ 9,167	LGIP	\$ 3,827,024

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, 2017, the District had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 3,827,024
Certificate of Deposit	Unrated	8/30/16	9,167
Total investments			\$ 3,836,191

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, 2017

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, 2017, \$250,000 of the District’s deposits were insured by the FDIC, and \$373,034 were collateralized under the Public Funds Collateralization Program.

Deposits

The District’s deposits and investments at June 30, 2017 are as follows:

Checking accounts	\$ 349,201
Savings accounts	1,912
Total investments	<u>3,836,191</u>
Total deposits and investments	<u>\$ 4,187,304</u>

PLEASANT HILL SCHOOL DISTRICT NO. 1
Pleasant Hill, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 2,426,881
Special Revenue Fund	<u>1,032,949</u>
Total governmental activities - Unrestricted	<u>3,459,830</u>
Governmental activities - restricted	
Special Revenue Fund	375,316
Debt Service Fund	185,471
Capital Projects Fund	<u>166,687</u>
Total governmental activities - restricted	<u>727,474</u>
Total cash and investments	<u>\$ 4,187,304</u>

B. Restricted Assets

At June 30, 2017, the District's restricted assets were as follows:

Governmental activities	
Cash and investments	\$ 727,474
Cash with agent	1,619
Property taxes receivable	<u>92,425</u>
Total restricted assets	<u>\$ 821,518</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.

PLEASANT HILL SCHOOL DISTRICT NO. 1
Pleasant Hill, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

C. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 70,934	\$ -	\$ -	\$ 70,934
Construction in progress	<u>14,947,613</u>	<u>-</u>	<u>(14,947,613)</u>	<u>-</u>
Total capital assets not being depreciated	<u>15,018,547</u>	<u>-</u>	<u>(14,947,613)</u>	<u>70,934</u>
Capital assets being depreciated				
Buildings and improvements	15,427,877	16,368,934	-	31,796,811
Equipment and vehicles	<u>389,680</u>	<u>74,664</u>	<u>-</u>	<u>464,344</u>
Total capital assets being depreciated	<u>15,817,557</u>	<u>16,443,598</u>	<u>-</u>	<u>32,261,155</u>
Less accumulated depreciation for				
Buildings and improvements	(5,654,528)	(769,304)	-	(6,423,832)
Equipment and vehicles	<u>(321,300)</u>	<u>(23,933)</u>	<u>-</u>	<u>(345,233)</u>
Total accumulated depreciation	<u>(5,975,828)</u>	<u>(793,237)</u>	<u>-</u>	<u>(6,769,065)</u>
Total capital assets being depreciated, net	<u>9,841,729</u>	<u>15,650,361</u>	<u>-</u>	<u>25,492,090</u>
Governmental activities capital assets, net	<u>\$ 24,860,276</u>	<u>\$ 15,650,361</u>	<u>\$ (14,947,613)</u>	<u>\$ 25,563,024</u>

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	31,796,811	(6,423,832)	25,372,979
Equipment and vehicles	<u>464,344</u>	<u>(345,233)</u>	<u>119,111</u>
Total governmental capital assets	<u>\$ 32,332,089</u>	<u>\$ (6,769,065)</u>	<u>\$ 25,563,024</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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	<u>\$ 793,237</u>

D. Interfund Transfers

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

	<u>Transfers in:</u>
	Special Revenue
	Fund
Transfers out:	
General Fund	<u>\$ 533,000</u>

Transfers were made primarily to fund equipment upgrades and facility maintenance, to fund special purpose reserves, and to build PERS reserves.

E. Accounts Payable

At June 30, 2017, the District had accounts payable totaling \$218,872 due to vendors.

F. Compensated Absences

The following is a summary of compensated absences for the year ending June 30, 2017:

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Compensated absences	\$ 16,749	\$ -	\$ (12,559)	\$ 4,190

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

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June 30, 2017

G. 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>10,185,259</u>	<u>-</u>	<u>947,244</u>	<u>9,238,015</u>	<u>968,689</u>
Subtotal bonds		<u>17,950,259</u>	<u>17,950,259</u>	<u>-</u>	<u>947,244</u>	<u>17,003,015</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>\$ 18,709,669</u>	<u>\$ -</u>	<u>\$ 947,244</u>	<u>\$ 17,762,425</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.

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

June 30, 2017

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>\$ 272,449</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
2018	\$ -	\$ 254,706	\$ 968,689	\$ 36,311	\$ 968,689	\$ 291,017
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
2023-2027	4,235,000	356,208	2,291,949	1,003,051	6,526,949	1,359,259
2028-2032	-	-	3,997,850	2,617,150	3,997,850	2,617,150
2033-2035	-	-	993,157	1,091,843	993,157	1,091,843
Total	\$ 7,765,000	\$ 1,539,838	\$ 9,238,015	\$ 4,811,985	\$ 17,003,015	\$ 6,351,823

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 2017) ⁽¹⁾	\$ 860,719,039
General Obligation Debt Capacity (7.95% of Real Market Value)	\$ 68,427,164
Less: Outstanding Debt Subject to Limit	<u>(17,003,015) ⁽²⁾</u>
Remaining General Obligation Debt Capacity	\$ 51,424,149
Percent of Capacity Issued	24.85%

(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, 2017

H. Constraints on Fund Balances

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Fund balances:					
Nonspendable - inventory	\$ -	\$ 5,081	\$ -	\$ -	\$ 5,081
Restricted for:					
Enrichment activities	-	15,393	-	-	15,393
Student activities	-	153,785	-	-	153,785
Nutrition services	-	66,864	-	-	66,864
Scholarship programs	-	9,167	-	-	9,167
Music programs	-	612	-	-	612
Grant programs	-	328	-	-	328
Science programs	-	120,000	-	-	120,000
Debt service	-	-	190,452	-	190,452
Bond projects	-	-	-	80,033	80,033
Committed to:					
Insurance/benefit reserve	-	368,339	-	-	368,339
K-12 enrichment	-	8,638	-	-	8,638
Equipment replacement	-	41,556	-	-	41,556
Maintenance reserve	-	326,174	-	-	326,174
Technology reserve	-	194,259	-	-	194,259
Instructional materials reserve	-	97,501	-	-	97,501
Field repair and replacement	-	55,333	-	-	55,333
Assigned to:					
Japanese exchange program	-	17,030	-	-	17,030
Student enrichment	-	2,006	-	-	2,006
Special projects	-	60,592	-	-	60,592
Unassigned	<u>1,885,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,885,346</u>
Total fund balances	<u>\$ 1,885,346</u>	<u>\$ 1,542,658</u>	<u>\$ 190,452</u>	<u>\$ 80,033</u>	<u>\$ 3,698,489</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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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

B. Retirement Plans

1. Oregon Public Employees Retirement System

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, and Internal Revenue Code Section 401(a).

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.

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.

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, 2014 actuarial valuation, which became effective July 1, 2015. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Employer contributions for the year ended June 30, 2017 were \$1,095,642.

Pension Plan Comprehensive Annual Financial Report (CAFR)

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

Actuarial Valuations

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method.

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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 used to determine the Total Pension Liability:

Valuation date	December 31, 2014
Measurement date	June 30, 2016
Experience Study	2014, published September 2015
<i>Actuarial Assumptions:</i>	
Inflation rate	2.50 percent (reduced from 2.75%)
Long-term expected rate of return*	7.50 percent (reduced from 7.75%)
Discount rate	7.50 percent (reduced from 7.75%)
Projected salary increases	3.50 percent (reduced from 3.75%)
Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/.015%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members:

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	<p>Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.</p>
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* At its September 25, 2015 meeting, the PERS Board reduced the assumed rate of return on investments from 7.75 percent to 7.50 percent.

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 based on the 2014 Experience Study, which reviewed experience for the four-year period ended on December 31, 2014.

Discount Rate

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

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

At June 30, 2017, the District reported a liability of \$9,536,285 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016 the District's proportion was 0.06352305%.

For the year ended June 30, 2017, the District recognized pension expense of \$1,585,695. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ 315,502	\$ -
Change in assumptions	2,033,860	-
Net difference between projected and actual earnings on investments	1,883,970	-
Changes in proportionate share	35,835	(666,405)
Differences between employer contributions and employer's proportionate share of system contributions	158,704	(44,661)
Total (prior to post-MD contributions)	4,427,871	(711,066)
Contributions subsequent to the MD	821,857	-
Total (subsequent to post-MD contributions)	\$ 5,249,728	\$ (711,066)

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 of resources and deferred inflows of resources related to pensions will be recognized in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2018	\$ 638,781
2019	368,781
2020	1,337,494
2021	983,863
2022	117,886

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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:

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

1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
\$ 15,397,920	\$ 9,536,285	\$ 4,636,983

Plan Changes Reflected

We are not aware of any changes subsequent to the June 30, 2016 Measurement Date that are required to be reported.

C. 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.

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.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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, 2016
Actuarial Cost Method	Entry Age Normal
Interest Discount	3.2%
Inflation Rate	2.5%
Projected Salary Increase	2%
Insurance Trends	<p>Medical premiums increase by 8% in 2017/2018, then 0.5% less each subsequent year until they are increasing at 5% per year.</p> <p>Dental premiums increase by 2% in 2017/2018, then 0.5% more each subsequent year until they are increasing at 3% per year.</p> <p>Vision premiums increase by 4% in 2017/2018, then 0.5% less each subsequent year until they are increasing at 5% per year.</p> <p>All insurance trends include the assumed general inflation rate of 2.5%.</p>
Demographic Assumptions	Mortality and withdrawal rates are generally intended to match those selected by the Oregon PERS

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

	actuary to value benefits for Oregon PERS school district employees.
Retirement Rates	Retirement rates are based on the District's experience from 2010-2016. Rates are generally higher than those used in the Oregon PERS December 31, 2014 report in order to reflect the high popularity of the District's early retirement program.
Mortality Rates	Active employees mortality is assumed to be 60% (males) or 55% (females) of the retiree mortality rates.

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, 2017, the District reported a liability of \$367,818 for its unfunded early retirement liability. The District recognized early retirement expense of \$88,938 during the current fiscal year. The following schedule represents the changes made to the early retirement liability during the June 30, 2017 fiscal year:

	Total Early Retirement Liability
July 1, 2016 - Beginning	\$ 435,876
Benefit Payments	(88,938)
Service Cost	3,566
Total Pension Liability Interest	12,600
Assumptions Change	3,843
Experience (Gain)/Loss	871
June 30, 2017 - End of Year	\$ 367,818

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

At June 30, 2017, 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	\$ -	\$ 3,843
Experience change (gain)/loss	-	871
Total	\$ -	\$ 4,714

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)
2018	\$ (4,714)

D. 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	\$ 5,314,872
Adjustment for capital asset changes	952,852
Net position - beginning, as restated	\$ 6,267,724

E. Concentrations - Collective Bargaining Agreements

At June 30, 2017, the District had approximately 103 staff. Of this total, 95 are covered under collective bargaining agreements. Of this number, 51 are certified staff represented by a union, and 44 are classified staff covered by a collective bargaining agreement.

F. Subsequent Events

Management has evaluated subsequent events through December 29, 2017, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.06352305%	0.07590186%	0.07320080%
District's proportionate share of the net pension liability (asset)	\$ 9,536,285	\$ 4,357,876	\$ (1,659,253)
District's covered-employee payroll	\$ 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	258.50%	117.87%	-36.00%
Plan fiduciary net position as a percentage of the total pension liability	80.53%	91.88%	103.59%

Schedule of District Contributions - Pension

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

PLEASANT HILL SCHOOL DISTRICT NO. 1
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SCHEDULES OF THE DISTRICT'S EARLY RETIREMENT
LIABILITY AND DISTRICT CONTRIBUTIONS

EARLY RETIREMENT

Schedule of the District's Early Retirement Liability

	2017	2016
District's early retirement liability (asset)	\$ 367,818	\$ 435,876
District's covered-employee payroll	\$ 689,810	\$ 689,810
District's early retirement liability (asset) as a percentage of its covered-employee payroll	53%	63%

Schedule of District Contributions - Early Retirement

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

PLEASANT HILL SCHOOL DISTRICT NO. 1
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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Local revenue	\$ 2,841,500	\$ 16,681	\$ 2,858,181
Intermediate revenue	18,000	7,153	25,153
State revenue	6,236,134	232,265	6,468,399
Total revenues	9,095,634	256,099	9,351,733
EXPENDITURES			
Current			
Instruction	5,342,222	(268,372)	5,073,850
Support services	3,755,565	(139,566)	3,615,999
Contingency	182,000	(182,000)	-
Total expenditures	9,279,787	(589,938)	8,689,849
Excess (deficiency) of revenues over (under) expenditures	(184,153)	846,037	661,884
OTHER FINANCING SOURCES (USES)			
Transfers in	1,000	1,000	-
Transfers out	(538,000)	(5,000)	(533,000)
Total other financing sources (uses)	(537,000)	(4,000)	(533,000)
Net change in fund balance	(721,153)	850,037	128,884
Fund balance - beginning, as restated	1,794,353	(37,891)	1,756,462
Fund balance - ending	\$ 1,073,200	\$ 812,146	\$ 1,885,346

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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Local revenue	\$ 657,200	\$ 59,289	\$ 716,489
Intermediate revenue	40,000	(36,065)	3,935
State revenue	125,000	64,880	189,880
Federal revenue	844,000	(311,710)	532,290
Total revenues	<u>1,666,200</u>	<u>(223,606)</u>	<u>1,442,594</u>
EXPENDITURES			
Current			
Instruction	1,354,701	(676,670)	678,031
Support services	1,140,066	(599,085)	540,981
Enterprise and community services	418,812	(80,516)	338,296
Facilities acquisition and construction	150,000	(150,000)	-
Total expenditures	<u>3,063,579</u>	<u>(1,506,271)</u>	<u>1,557,308</u>
Excess (deficiency) of revenues over (under) expenditures	(1,397,379)	1,282,665	(114,714)
OTHER FINANCING SOURCES (USES)			
Sale of assets	-	163	163
Transfers in	538,000	(5,000)	533,000
Transfers out	(1,000)	(1,000)	-
Total other financing sources (uses)	<u>537,000</u>	<u>(3,837)</u>	<u>533,163</u>
Net change in fund balance	(860,379)	1,276,828	418,449
Fund balance - beginning	<u>860,379</u>	<u>263,830</u>	<u>1,124,209</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 1,540,658</u>	<u>\$ 1,542,658</u>

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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Local revenue	\$ 1,127,225	\$ 19,095	\$ 1,146,320
EXPENDITURES			
Debt service	1,219,806	(113)	1,219,693
Excess (deficiency) of revenues over (under) expenditures	(92,581)	19,208	(73,373)
Fund balance - beginning	260,100	3,725	263,825
Fund balance - ending	\$ 167,519	\$ 22,933	\$ 190,452

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, 2017

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Local revenue	\$ 5,000	\$ 9,710	\$ 14,710
EXPENDITURES			
Current			
Instruction	10,260	(5,051)	5,209
Support services	6,130	(5,721)	409
Facilities acquisition and construction	4,066,610	(2,718,458)	1,348,152
Total expenditures	4,083,000	(2,729,230)	1,353,770
Excess (deficiency) of revenues over (under) expenditures	(4,078,000)	2,738,940	(1,339,060)
Fund balance - beginning	4,078,000	(2,658,907)	1,419,093
Fund balance - ending	\$ -	\$ 80,033	\$ 80,033

OTHER FINANCIAL SCHEDULES

PLEASANT HILL SCHOOL DISTRICT NO. 1
Pleasant Hill, Oregon

REVENUE SUMMARY - ALL FUNDS

June 30, 2017

Revenue from Local Sources	Fund 100	Fund 200	Fund 300	Fund 400
1110 Ad Valorem Taxes Levied by District	\$ 2,701,357.92	\$ -	\$ 1,133,590.32	\$ -
1190 Penalties and Interest on Taxes	10,060.45	-	3,735.98	-
1410 Regular Day School Transportation	10,320.67	-	-	-
1500 Earnings on Investments	49,496.00	316.53	8,994.21	9,712.18
1600 Food Service	-	123,330.93	-	-
1700 Extracurricular Activities	59,096.33	379,568.21	-	-
1910 Rentals	4,017.00	100.00	-	-
1920 Contributions and Donations From Private Sources	-	165,521.82	-	-
1940 Services Provided Other Local Educational Agencies	-	3,000.00	-	-
1960 Recovery of Prior Years' Expenditures	-	3,359.21	-	-
1990 Miscellaneous	23,835.10	41,291.09	-	5,000.00
Total Revenue from Local Sources	\$ 2,858,183.47	\$ 716,487.79	\$ 1,146,320.51	\$ 14,712.18
Revenue from Intermediate Sources	Fund 100	Fund 200	Fund 300	Fund 400
2101 County School Funds	\$ 23,893.48	\$ -	\$ -	\$ -
2200 Restricted Revenue	1,260.47	3,934.74	-	-
Total Revenue from Intermediate Sources	\$ 25,153.95	\$ 3,934.74	\$ -	\$ -
Revenue from State Sources	Fund 100	Fund 200	Fund 300	Fund 400
3101 State School Fund - General Support	\$ 6,335,411.89	\$ -	\$ -	\$ -
3102 State School Fund - School Lunch Match	-	2,671.68	-	-
3103 Common School Fund	135,171.40	-	-	-
3115 State School Fund Prior Year Adjustment	(87,555.96)	-	-	-
3199 Other Unrestricted Grants-in-Aid	57,258.69	-	-	-
3299 Other Restricted Grants-in-Aid	28,113.15	187,208.03	-	-
Total Revenue from State Sources	\$ 6,468,399.17	\$ 189,879.71	\$ -	\$ -
Revenue from Federal Sources	Fund 100	Fund 200	Fund 300	Fund 400
4500 Restricted Revenue From the Federal Government Through the State	\$ -	\$ 462,665.14	\$ -	\$ -
4710 Grants-In-Aide From the Federal Government Through Other Intermediate Agencies	-	69,623.98	-	-
Total Revenue from Federal Sources	\$ -	\$ 532,289.12	\$ -	\$ -
Revenue from Other Sources	Fund 100	Fund 200	Fund 300	Fund 400
5200 Interfund Transfers	\$ -	\$ 533,000.00	\$ -	\$ -
5300 Sale of or Compensation for Loss of Fixed Assets	-	162.86	-	-
5400 Resources - Beginning Fund Balance	1,756,461.64	1,124,209.05	263,825.07	1,419,092.79
Total Revenue from Other Sources	\$ 1,756,461.64	\$ 1,657,371.91	\$ 263,825.07	\$ 1,419,092.79
Grand Totals	\$ 11,108,198.23	\$ 3,099,963.27	\$ 1,410,145.58	\$ 1,433,804.97

PLEASANT HILL SCHOOL DISTRICT NO. 1
Pleasant Hill, Oregon

EXPENDITURE SUMMARY - GENERAL FUND

June 30, 2017

Instruction Expenditures

	Totals	Object 100	Object 200
1111 Primary, K-3	\$ 1,690,271.12	\$ 1,066,534.85	\$ 578,682.68
1121 Middle/Junior High Programs	899,203.51	567,248.95	324,279.07
1122 Middle/Junior High School Extracurricular	15,743.02	9,748.18	2,135.56
1131 High School Programs	1,412,092.72	895,432.14	467,787.44
1132 High School Extracurricular	283,648.69	165,509.84	39,552.18
1210 Programs for the Talented and Gifted	6,547.73	4,227.17	1,379.30
1220 Restrictive Programs for Students with Disabilities	28,562.85	749.58	231.51
1250 Less Restrictive Programs for Students with Disabilities	473,835.54	280,701.90	192,626.12
1260 Treatment and Habilitation	2,467.50	-	-
1280 Alternative Education	261,477.04	-	-
Total Instruction Expenditures	\$ 5,073,849.72	\$ 2,990,152.61	\$ 1,606,673.86

Support Services Expenditures

	Totals	Object 100	Object 200
2110 Attendance and Social Work Services	\$ 405.00	\$ -	\$ -
2120 Guidance Services	205,587.70	131,688.43	71,300.78
2130 Health Services	20,113.59	13,847.56	4,099.17
2150 Speech Pathology and Audiology Services	57,115.26	43,165.00	13,667.89
2190 Service Direction, Student Support Services	65,700.18	41,686.00	23,177.09
2210 Improvement of Instruction Services	105,734.59	50,232.61	49,076.05
2220 Educational Media Services	95,711.87	47,029.97	36,735.23
2230 Assessment & Testing	1,197.67	-	-
2240 Instructional Staff Development	26,209.77	19,403.17	6,806.60
2310 Board of Education Services	31,832.57	-	-
2320 Executive Administration Services	235,400.98	142,320.84	76,002.04
2410 Office of the Principal Services	621,621.58	368,061.98	240,521.94
2490 Other Support Services - School Administration	3,201.20	-	-
2520 Fiscal Services	265,355.44	144,704.87	66,487.94
2540 Operation and Maintenance of Plant Services	901,741.41	295,378.40	185,475.65
2550 Student Transportation Services	678,273.63	-	-
2640 Staff Services	3,113.00	-	-
2660 Technology Services	195,720.71	85,367.05	46,512.38
2700 Supplemental Retirement Program	101,966.56	49,380.48	52,586.08
Total Support Services Expenditures	\$ 3,616,002.71	\$ 1,432,266.36	\$ 872,448.84

Other Uses Expenditures

	Totals	Object 100	Object 200
5200 Transfers of Funds	\$ 533,000.00	\$ -	\$ -
Total Other Uses Expenditures	\$ 533,000.00	\$ -	\$ -

Grand Total

\$ 9,222,852.43 \$ 4,422,418.97 \$ 2,479,122.70

Object 300	Object 400	Object 500	Object 600
\$ 10,126.99	\$ 34,926.60	\$ -	\$ -
4,644.83	3,030.66	-	-
1,998.41	1,860.87	-	-
12,261.72	36,611.42	-	-
5,061.27	44,175.90	-	29,349.50
85.00	856.26	-	-
27,581.76	-	-	-
-	507.52	-	-
2,467.50	-	-	-
261,477.04	-	-	-
\$ 325,704.52	\$ 121,969.23	\$ -	\$ 29,349.50

Object 300	Object 400	Object 500	Object 600
\$ 405.00	\$ -	\$ -	\$ -
1,466.23	982.26	-	150.00
380.00	1,786.86	-	-
-	282.37	-	-
658.09	-	-	179.00
4,045.66	114.27	-	2,266.00
-	11,946.67	-	-
1,197.67	-	-	-
-	-	-	-
28,016.47	928.45	-	2,887.65
12,826.51	1,490.34	-	2,761.25
2,801.96	6,595.70	-	3,640.00
2,160.60	1,040.60	-	-
28,691.44	2,512.47	-	22,958.72
294,112.56	63,689.00	7,950.00	55,135.80
678,273.63	-	-	-
3,113.00	-	-	-
53,567.67	10,007.93	-	265.68
-	-	-	-
\$ 1,111,716.49	\$ 101,376.92	\$ 7,950.00	\$ 90,244.10

Object 300	Object 400	Object 500	Object 600
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
\$ 1,437,421.01	\$ 223,346.15	\$ 7,950.00	\$ 119,593.60

PLEASANT HILL SCHOOL DISTRICT NO. 1
Pleasant Hill, Oregon

EXPENDITURE SUMMARY - SPECIAL REVENUE FUND

June 30, 2017

Instruction Expenditures

	Totals	Object 100	Object 200
1111 Elementary, K-5 or K-6	\$ 22,805.08	\$ 175.44	\$ 45.00
1113 Elementary Extracurricular	9,992.67	-	-
1121 Middle/Junior High Programs	26,161.29	750.44	286.73
1131 High School Programs	41,041.24	992.18	189.00
1132 High School Extracurricular	303,389.14	302.10	80.66
1140 Pre-Kindergarten Programs	47,753.34	21,526.61	25,145.46
1210 Programs for the Talented and Gifted	310.00	-	-
1250 Less Restrictive Programs for Students with Disabilities	86,536.49	45,187.73	40,619.29
1272 Title I	140,039.58	85,595.78	54,214.80
Total Instruction Expenditures	\$ 678,028.83	\$ 154,530.28	\$ 120,580.94

Support Services Expenditures

	Totals	Object 100	Object 200
2120 Guidance Services	\$ 63,384.01	\$ 34,137.37	\$ 20,790.15
2150 Speech Pathology and Audiology Services	922.95	-	-
2190 Service Direction, Student Support Services	893.26	701.76	191.50
2210 Improvement of Instruction Services	2,046.26	877.20	164.50
2220 Educational Media Services	3,835.50	-	-
2240 Instructional Staff Development	8,825.74	6,669.00	2,156.74
2320 Executive Administration Services	10,050.00	-	-
2520 Fiscal Services	11,903.67	3,146.96	8,756.71
2540 Operation and Maintenance of Plant Services	309,528.05	25,396.34	1,643.26
2550 Student Transportation Services	284.46	-	-
2660 Technology Services	129,305.57	1,754.40	233.89
Total Support Services Expenditures	\$ 540,979.47	\$ 72,683.03	\$ 33,936.75

Enterprise and Community Services Expenditures

	Totals	Object 100	Object 200
3100 Food Services	\$ 320,183.43	\$ 86,990.32	\$ 63,583.29
3300 Community Services	18,113.71	4,210.52	6,071.95
Total Enterprise and Community Services Expenditures	\$ 338,297.14	\$ 91,200.84	\$ 69,655.24

Grand Total

Grand Total	\$ 1,557,305.44	\$ 318,414.15	\$ 224,172.93
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Object 300	Object 400	Object 500	Object 600	Object 700
\$ 2,644.40	\$ 19,940.24	\$ -	\$ -	\$ -
1,160.10	4,904.07	-	153.52	3,774.98
360.00	23,960.12	-	804.00	-
1,695.00	37,166.06	999.00	-	-
22,063.75	153,414.63	-	63,690.52	63,837.48
-	1,081.27	-	-	-
310.00	-	-	-	-
-	729.47	-	-	-
-	229.00	-	-	-
\$ 28,233.25	\$ 241,424.86	\$ 999.00	\$ 64,648.04	\$ 67,612.46

Object 300	Object 400	Object 500	Object 600	Object 600
\$ 6,356.59	\$ 2,099.90	\$ -	\$ -	\$ -
-	922.95	-	-	-
-	-	-	-	-
1,004.56	-	-	-	-
-	3,835.50	-	-	-
-	-	-	-	-
10,050.00	-	-	-	-
-	-	-	-	-
77,374.90	116,611.17	88,502.38	-	-
284.46	-	-	-	-
12,898.54	110,191.74	-	4,227.00	-
\$ 107,969.05	\$ 233,661.26	\$ 88,502.38	\$ 4,227.00	\$ -

Object 300	Object 400	Object 500	Object 600	Object 600
\$ 8,484.41	\$ 155,651.90	\$ -	\$ 5,473.51	\$ -
1,113.05	6,619.19	-	99.00	-
\$ 9,597.46	\$ 162,271.09	\$ -	\$ 5,572.51	\$ -
\$ 145,799.76	\$ 637,357.21	\$ 89,501.38	\$ 74,447.55	\$ 67,612.46

PLEASANT HILL SCHOOL DISTRICT NO.1
Pleasant Hill, Oregon

EXPENDITURE SUMMARY - DEBT SERVICE FUND

June 30, 2017

Other Uses Expenditures

5100 Debt Service

	Totals	Object 600
	\$ 1,219,693.04	\$ 1,219,693.04
Total Other Uses Expenditures	\$ 1,219,693.04	\$ 1,219,693.04
Grand Total	\$ 1,219,693.04	\$ 1,219,693.04

PLEASANT HILL SCHOOL DISTRICT NO. 1
Pleasant Hill, Oregon

EXPENDITURE SUMMARY - CAPITAL PROJECTS FUND

June 30, 2017

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600
1111 Elementary, K-5 or K-6	\$ 1,593.35	\$ 1,200.00	\$ 393.35	\$ -	\$ -	\$ -	\$ -
1131 High School Programs	3,616.46	2,700.00	916.46	-	-	-	-
Total Instruction Expenditures	\$ 5,209.81	\$ 3,900.00	\$ 1,309.81	\$ -	\$ -	\$ -	\$ -
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600
2520 Support Services - Fiscal Services	\$ 120.60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120.60
2540 Operation and Maintenance of Plant Services	289.04	215.26	73.78	-	-	-	-
Total Support Services Expenditures	\$ 409.64	\$ 215.26	\$ 73.78	\$ -	\$ -	\$ -	\$ 120.60
Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600
4190 Other Facilities Construction Services	\$ 1,348,152.47	\$ -	\$ -	\$ 453,085.10	\$ 15,620.47	\$ 878,318.64	\$ 1,128.26
Total Facilities Acquisition and Construction Expenditures	\$ 1,348,152.47	\$ -	\$ -	\$ 453,085.10	\$ 15,620.47	\$ 878,318.64	\$ 1,128.26
Grand Total	\$ 1,353,771.92	\$ 4,115.26	\$ 1,383.59	\$ 453,085.10	\$ 15,620.47	\$ 878,318.64	\$ 1,248.86

PLEASANT HILL SCHOOL DISTRICT NO. 1
Pleasant Hill, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

Federal Grantor, Pass through Grantor, Program Title	CFDA	Revenue	Expenditures
<u>U.S. Department of Education</u>			
Passed through Lane Education Service District			
Youth Transition Program	84.186	\$ 19,123	\$ 19,123
Passed through Oregon State Department of Education			
Title I Grants to Local Educational Agencies (Title IA of the ESEA)*	84.010	140,040	140,040
Special Education Cluster			
IDEA Special Education Grants To States	84.027	87,899	87,899
Title IIA Improving Teaching Quality State Grants	84.367	<u>10,872</u>	<u>10,872</u>
Total U.S. Department of Education		<u>257,934</u>	<u>257,934</u>
<u>U.S. Department of Agriculture</u>			
Passed through Oregon State Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	51,116	51,116
National School Lunch Program	10.555	115,798	115,798
NSLP Commodities	10.555	<u>22,450</u>	<u>22,450</u>
Total U.S. Department of Agriculture		<u>189,364</u>	<u>189,364</u>
<u>U.S. Department of Labor</u>			
Passed through Lane County			
WIA/WIOA Youth Program	17.259	69,624	69,624
United Way Basic Needs	93.556	<u>15,368</u>	<u>15,368</u>
Total U.S. Department of Labor		<u>84,992</u>	<u>84,992</u>
Total federal expenditures		<u>\$ 532,290</u>	<u>\$ 532,290</u>

PLEASANT HILL SCHOOL DISTRICT NO. 1
Pleasant Hill, Oregon

SCHEDULE OF CONTINUING DISCLOSURE REQUIREMENTS

GENERAL OBLIGATION REFUNDING BONDS

June 30, 2016

1. PROPERTY VALUATION

	2016
Real Market Value	\$860,719,039
Taxable Assessed Value	\$609,669,979

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	0.5500	1.8293
Total General Government	\$2.3824	\$0.0000	\$0.9450	\$3.3274
Education				
Pleasant Hill School District	\$4.6414	\$1.8229	\$0.0000	\$6.4643
Lane Community College	0.6191	0.2007	0.0000	0.8198
Lane ESD	0.2232	0.0000	0.0000	0.2232
Total Education	\$5.4837	\$2.0236	\$0.0000	\$7.5073
Total Tax Rate	\$7.8661	\$2.0236	\$0.9450	\$10.8347

B. Tax Collections

	General	Debt Service	Total
Property Taxes Levied	\$2,789,086.87	\$1,173,614.71	\$3,962,701.58
Property Taxes Collected	\$2,701,357.92	\$1,133,590.32	\$3,834,948.24

3. GENERAL OBLIGATION BONDS

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

B. Outstanding General Obligation Bonds See page 59 for detail.)

	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding as of June 30, 2016
General Obligation Bonds				
GO Bonds, Series 2014	12/22/2014	6/15/2035	17,950,260	17,003,015
Total General Obligation Bonds				\$17,003,015

(continued)

PLEASANT HILL SCHOOL DISTRICT NO. 1
Pleasant Hill, Oregon

SCHEDULE OF CONTINUING DISCLOSURE REQUIREMENTS

GENERAL OBLIGATION REFUNDING BONDS

June 30, 2016

(continued)

4. MAJOR TAXPAYERS	Assessed Value	Tax
Emerald PUD	\$12,200,000	\$123,870
McDougal, Richard N.	3,546,639	35,201
Northwest Natural Gas Company	3,071,000	30,227
Weyerhaeuser Company	3,003,372	27,929
Union Pacific Railroad Company	2,891,571	26,951
Guistina Land & Timber Company	2,661,468	24,767
Lost Creek Timber	2,310,900	21,504
Ziemski, Glenn	1,987,285	20,482
Bella Casa MHC LLC	1,620,012	16,863
Wiley Mountain LLC	1,553,900	15,423
5. AVERAGE DAILY MEMBERSHIP (Weighted)	2015	2016
Extended ADMw:		
Current Fiscal Year Estimated ADMw	1,216.69	1,187.80
Prior Fiscal Year Estimated ADMw	1,171.93	1,216.69
Extended ADMw (greater of Current or Prior Year)	1,216.69	1,216.69
6. FINANCIAL FACTORS		
(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, 2017

Fiscal Year	TOTAL ALL REQUIREMENTS			GENERAL OBLIGATION BONDS Series 2014A			GENERAL OBLIGATION BONDS Series 2014B		
	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
2018	\$ 1,259,706	\$ 968,689	\$ 291,017	\$ 254,706	\$ -	\$ 254,706	\$ 1,005,000	\$ 968,689	\$ 36,311
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
TOTALS	\$ 23,354,838	\$ 17,003,015	\$ 6,351,823	\$ 9,304,838	\$ 7,765,000	\$ 1,539,838	\$ 14,050,000	\$ 9,238,015	\$ 4,811,985

**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, 2017, and have issued our report thereon dated December 29, 2017. 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 stylized and cursive.

Accuity, LLC

December 29, 2017

PLEASANT HILL SCHOOL DISTRICT NO. 1
Pleasant Hill, Oregon

SUPPLEMENTAL INFORMATION REQUIRED BY OREGON DEPARTMENT OF EDUCATION

For the Year Ended June 30, 2017

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	\$ 194,044
Function 2550	\$ 2,088

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

\$	-
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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