

**WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019



12700 SW 72nd Ave.
Tigard, OR 97223

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

2018-19

FINANCIAL REPORT

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WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

BOARD OF EDUCATION

TERM EXPIRES

Frank R Pender, Board Chair	June 30, 2021
Larry Trott, Jr., Vice-Chair	June 30, 2021
Mike Riddle	June 30, 2021
Anne Wylie	June 30, 2021
Traci Buller	June 30, 2019
Dr. Alex Sanchez	June 30, 2019
Matias Trejo de Dios	June 30, 2019
Bill Linhart	June 30, 2021

All Board members receive mail at the address below.

ADMINISTRATION

Dave Novotney, Superintendent
Michael Dunckel, Business Manager

2611 Pringle Road SE
Salem, OR 97302

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WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

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WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

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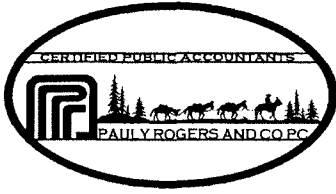
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PAULY, ROGERS AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcocpas.com

December 19, 2019

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Willamette Education Service District
Marion County, Oregon

Report on the Financial Statements

We have audited the basic accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Willamette Education Service District (the District), as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the 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 basic 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 the basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the basic 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 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 basic 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of Willamette Education Service District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of GASB Statement No. 83 *Certain Asset Retirement Obligations* and GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information 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 schedules of changes in total pension liability and related ratios and employer contributions for post-employment medical benefits or schedules of net pension liability and contributions for PERS or management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have 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 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, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplementary information, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The listing of board members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 19, 2019 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with Government Auditing Standards in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 19, 2019, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

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WILLAMETTE EDUCATION SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

As management of Willamette Education Service District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2019.

FINANCIAL HIGHLIGHTS

The governmental funds balance increased by \$975 thousand due to increased local property tax and state revenue with relatively flat expenditure and declining costs for debt service. The District's governmental activities reports a combined ending fund balance of \$6.3 million. The general fund unassigned ending fund balance is \$3.8 million. The capital projects fund is fully expended. Assets increased by \$11.6 million due to deposits and receivables. Liabilities increased by \$12 million, mainly due to accounts payables, net pension liability for PERS and OPEB liability for health insurance. The District's net position as of June 30, 2019 declined by \$241 thousand from the net position of June 30, 2018.

The proportionate share of the *Net Pension Asset* and the *Net Pension Related Deferrals* relate to future actuarial estimates of whether the District will have to pay more or less than what's currently in the pension bond programs. However, those future estimates are subject to volatility.

In the government-wide statements, the liabilities of the District exceeded its assets at June 30, 2019 by \$10.5 million mainly due to the implementation of GASB 68.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

Statement of Net Position

The Statement of Net Position presents information on all of the assets and liabilities of the District at year-end. Net assets are what remain after the liabilities have been paid or otherwise satisfied. Over time, increases and decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Statement of Activities

The Statement of Activities presents information showing how the net position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce the net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The Statement of Activities shows the net position as of June 30, 2019 decreased by \$241 thousand.

These financial highlights indicate the extent to which the District has maintained its financial position. The government-wide financial statements can be found on pages 1 and 2.

Fund Financial Statements.

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant of "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. WESD, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary 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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating 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 in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide Statement of Net Position and Statement of Activities.

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

Proprietary Funds

The proprietary Fund is used to account for the cost of internal technology services, technology services provided to other agencies and technology services provided to districts outside of the Marion/Polk/Yamhill County Region.

Fiduciary Funds

The Fiduciary fund is used to account for resources held for the benefit of parties outside of the District. The accounting used for fiduciary funds is the same as that used for governmental funds.

Notes to the Basic Financial Statements

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

CHANGES IN NET POSITION

	June 30, 2019	June 30, 2018
	Governmental Activities	Governmental Activities
Revenues		
Program revenues		
Charges for services	\$ 1,653,522	\$ 3,795,064
Operating grants and contributions	27,794,930	24,358,330
General revenues		
Property taxes	11,407,712	11,214,948
State school fund general support	26,687,390	26,652,093
Gain on Disposal of Assets	6,150	(3,934)
Earnings on investments	336,857	286,704
Intermediate revenue	24,510	12,289
Local Revenue	8,057,349	5,274,445
Total revenues	75,968,420	71,589,939
Program expenses		
Instruction	33,368,387	30,162,407
Support services	41,136,480	40,716,699
Enterprise and community services	80,855	85,635
Interest on long-term obligations	1,623,875	1,565,143
Total program expenses	76,209,597	72,529,884
Change in net Position	(241,157)	(939,945)
Prior Period Adjustments	-	-
Net Position - beginning	(10,278,477)	(9,338,532)
Net Position - ending	\$ (10,519,634)	\$ (10,278,477)

Financial Analysis of the District's Funds

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

Governmental Funds

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

At June 30, 2019, the District's governmental funds reported combined ending fund balances of \$6.3 million, an increase of \$975 thousand in comparison with the prior year.

General Fund

The General Fund is the chief operating fund of the District. As of June 30, 2019, the unassigned fund balance was \$3.8 million.

CAPITAL ASSET AND DEBT ADMINISTRATION**Capital Assets**

The District's investment in capital assets includes land, buildings and improvements, and vehicles and equipment. As of June 30, 2019, the District had invested over \$13 million in capital assets, net of depreciation.

Long-Term Obligations

At the end of the current fiscal year, the District had total long-term obligations of \$39 million consisting of net pension liability, pension obligation bonds, and other long term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant factor impacting the District's budget is the State School Fund. This funding source provides the revenue for services and programs for the District's constituent school districts, and is equal to 66% of the District's general fund program resources. Other impactful economic factors include increased health insurance rates, pension rates, negotiated union contracts with the District's two employee organizations, and a higher percentage of current property tax revenue.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Michael Dunckel
Director of Business Services
Willamette ESD
2611 Pringle Rd. SE
Salem OR 97302

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WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2019

ASSETS

Deposits and Investments	\$ 3,566,611
Receivables	10,354,509
Prepaid Expenses	26,795
Capital Assets:	
Land	1,260,650
Construction in Progress	11,102
Buildings and Equipment, Net of Depreciation	<u>11,813,924</u>

TOTAL ASSETS 27,033,591

DEFERRED OUTFLOWS OF RESOURCES

OPEB Related Deferrals - Health Insurance	101,526
Pension Related Deferrals - PERS	<u>10,311,180</u>

TOTAL ASSETS AND PENSION RELATED DEFERRALS 37,446,297

LIABILITIES

Accounts Payable	1,035,742
Payroll and Withholdings Payable	1,820,772
Accrued Interest	8,265
Compensated Absences	63,556
Unearned Revenue	18,507
Due to Agency Fund	3,435,536
Long-Term Liabilities:	
OPEB Liability - Health Insurance	934,861
Net Pension Liability - PERS	18,058,387
Obligations Due Within One Year	1,113,836
Obligations Due in More Than One Year	18,788,532
Unamortized Bond Premium	<u>34,217</u>

TOTAL LIABILITIES 45,312,211

DEFERRED INFLOWS OF RESOURCES

OPEB Related Deferrals - Health Insurance	49,856
Pension Related Deferrals - PERS	<u>2,603,864</u>

TOTAL LIABILITIES AND PENSION RELATED DEFERRALS 47,965,931

NET POSITION

Net Investment in Capital Assets	7,581,784
Restricted for Debt Service	22,434
Unrestricted	<u>(18,123,852)</u>

TOTAL NET POSITION \$ (10,519,634)

**WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues		Net Revenues (Expenses) and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 33,368,387	\$ 734,614	\$ 12,778,412	\$ (19,855,361)
Support Services	41,136,480	918,908	15,016,518	(25,201,054)
Enterprise and Community Services	80,835	-	-	(80,835)
Interest on Long-Term Obligations	1,623,875	-	-	(1,623,875)
Total Governmental Activities	\$ 76,209,577	\$ 1,653,522	\$ 27,794,930	(46,761,125)
General Revenues				
Property Taxes				11,407,712
State School Fund General Support				26,687,390
Other Local Revenue				8,057,349
Intermediate Revenue				24,510
Earnings on Investments				336,857
Gain/(Loss) on Disposal of Assets				6,150
Total General Revenues				46,519,968
				Change in Net Position (241,157)
				Beginning Net Position (10,278,477)
				Ending Net Position \$ (10,519,634)

**WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL
ASSETS					
Deposits and Investments	\$ 2,640,438	\$ -	\$ 22,434	\$ -	\$ 2,662,872
Receivables:					
Property Taxes	509,210	-	-	-	509,210
Accounts	9,594	9,795,140	-	-	9,804,734
Prepays	8	26,787	-	-	26,795
Due from Other Funds	3,000,000	-	-	-	3,000,000
Total Assets	\$ 6,159,250	\$ 9,821,927	\$ 22,434	\$ -	\$ 16,003,611
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 40,035	\$ 953,882	\$ -	\$ -	\$ 993,917
Loans Payable	-	-	-	-	-
Payroll Liabilities	1,820,772	-	-	-	1,820,772
Due to Other Funds	-	6,435,536	-	-	6,435,536
Total Liabilities	1,860,807	7,389,418	-	-	9,250,225
Deferred Inflows of Resources:					
Unavailable Revenue-Property Taxes	443,874	-	-	-	443,874
Total Deferred Inflows of Resources	443,874	-	-	-	443,874
Fund Balances:					
Nonspendable	8	26,787	-	-	26,795
Restricted:					
Debt Service	-	-	22,434	-	22,434
Unassigned	3,854,561	2,405,722	-	-	6,260,283
Total Fund Balances	3,854,569	2,432,509	22,434	-	6,309,512
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,159,250	\$ 9,821,927	\$ 22,434	\$ -	\$ 16,003,611

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
June 30, 2019

Total Fund Balances - Governmental Funds \$ 6,309,512

The net pension asset (liability) for PERS is the difference between the total pension liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries. (18,058,387)

Deferred inflows and outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to the measurement date.

Deferred Outflows - PERS	10,311,180
Deferred Inflows - PERS	(2,603,864)
Deferred Outflows - OPEB - Health Insurance	101,526
Deferred Inflows - OPEB - Health Insurance	(49,856)

The cost of capital assets (land, buildings and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the District as a whole.

Net Capital Assets	13,085,676
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The unamortized portion of prepaid pension cost and bond premiums is not available to pay for current period expenditures, and therefore is not reported in the governmental funds.

Bond Premium	(34,217)
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Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the Statement of Net Position.

Long-term Liabilities:		
Other Post-Employment Benefits - Health Insurance	\$ (934,861)	
Accrued Vacation	(63,556)	
Accrued Interest	(8,265)	
Limited Tax Pension Bonds Payable	<u>(19,902,368)</u>	(20,909,050)

The assets and liabilities of the Internal Service funds are included in the governmental activities in the Statement of Net Position. 883,972

Unearned Revenue Related to Property Taxes	<u>443,874</u>
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Net Position	<u><u>\$ (10,519,634)</u></u>
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The accompanying notes are an integral part of the basic financial statements.

**WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL
REVENUES					
Local Sources	\$ 13,866,605	\$ 5,693,632	\$ 2,196,267	\$ 1,100	\$ 21,757,604
Intermediate Sources	-	24,510	-	-	24,510
State Sources	26,687,390	18,315,584	-	-	45,002,974
Federal Sources	-	7,744,512	-	-	7,744,512
Total Revenues	<u>40,553,995</u>	<u>31,778,238</u>	<u>2,196,267</u>	<u>1,100</u>	<u>74,529,600</u>
EXPENDITURES					
Current:					
Instruction	-	20,826,831	-	-	20,826,831
Support Services	4,634,457	20,086,610	-	-	24,721,067
Community Services	-	50,458	-	-	50,458
Capital Outlay	-	-	-	189,404	189,404
Debt Service:					
Principal	-	-	1,312,739	-	1,312,739
Interest	-	-	1,624,483	-	1,624,483
Total Expenditures	<u>4,634,457</u>	<u>40,963,899</u>	<u>2,937,222</u>	<u>189,404</u>	<u>48,724,982</u>
Excess (Deficiency) of Revenues over Expenditures	35,919,538	(9,185,661)	(740,955)	(188,304)	25,804,618
OTHER FINANCING SOURCES (USES)					
5200 Transfers In	-	156,260	752,886	-	909,146
5202 ESD Transit	-	10,309,404	-	-	10,309,404
5200 Transfers Out	(772,886)	(519,556)	-	-	(1,292,442)
5202 ESD Transit	(34,616,763)	-	-	-	(34,616,763)
5300 Sale of Capital Assets	6,150	-	-	-	6,150
5301 Transit Dollars Out	-	(144,689)	-	-	(144,689)
Total Other Financing Sources (Uses)	<u>(35,383,499)</u>	<u>9,801,419</u>	<u>752,886</u>	<u>-</u>	<u>(24,829,194)</u>
Net Change in Fund Balances	536,039	615,758	11,931	(188,304)	975,424
Fund Balances at Beginning of Year	<u>3,318,530</u>	<u>1,816,751</u>	<u>10,503</u>	<u>188,304</u>	<u>5,334,088</u>
Fund Balances at End of Year	<u>\$ 3,854,569</u>	<u>\$ 2,432,509</u>	<u>\$ 22,434</u>	<u>\$ -</u>	<u>\$ 6,309,512</u>

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Total Net Changes in Fund Balances - Governmental Funds \$ 975,424

The PERS pension expense represents the changes in net pension asset (liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits. (2,527,496)

Changes in OPEB Liability (3,348)

Repayment of bond principal, capital leases and post retirement obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Additions to bond principal, capital leases and post retirement obligations is an expense for the Statement of Net Position but not the governmental funds.

Accrued Interest	608	
Bond Premium	3,802	
Debt Principal Repaid	1,312,738	
	1,317,148	1,317,148

Capital asset dispositions create a gain or loss on the Statement of Activities, but dispositions that do not result from a sale of assets are not recognized in the governmental funds. Depreciation Expense is also recognized in the Statement of Activities but not in the governmental funds.

Capital Asset Additions, Net	650,359	
Depreciation Expense	(553,124)	
	97,235	97,235

Compensated absences are recognized as an expenditure in the governmental funds when they are paid, but the liability is recorded in the Statement of Net Position until they are paid. (Net) 1

The activities of the Internal Service funds are included in the governmental activities in the Statement of Activities. 247,727

Revenue in the Statement of Activities differs from the amount reported in the governmental funds. In the governmental funds, which are on the modified accrual basis, the District recognizes a deferred revenue for all property taxes levied but not received; however, in the Statement of Activities, there is no unavailable revenue and the full property tax receivable is accrued. (347,848)

Change in Net Position - Governmental Activities \$ (241,157)

The accompanying notes are an integral part of the basic financial statements.

**WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON**

**STATEMENT OF NET POSITION - INTERNAL SERVICE FUND
June 30, 2019**

ASSETS

Deposits and Investments	\$ 903,739
Accounts Receivable	<u>40,565</u>
Total Assets	<u>944,304</u>

LIABILITIES

Accounts Payable	41,825
Unearned Revenue	<u>18,507</u>
Total Liabilities	<u>60,332</u>

NET POSITION

Unrestricted	<u>883,972</u>
Total Net Position	<u><u>\$ 883,972</u></u>

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUND
For the Year Ended June 30, 2019

Operating Revenues:		
Services Provided Other Funds	\$	<u>1,780,518</u>
Operating Expenses:		
Cost of Services		<u>1,532,790</u>
Operating Income (Loss)		<u>247,728</u>
Change in Net Position		247,728
Net Position - Beginning		<u>636,244</u>
Net Position - Ending	\$	<u><u>883,972</u></u>

**WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON**

**STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
For the Year Ended June 30, 2019**

Cash Flows from Operating Activities:	
Receipts from Other Funds	\$ 1,730,913
Receipts from Vendors	37,013
Payments to Vendors	<u>(1,504,444)</u>
Net Cash (Used) Provided by Operating Activities	263,482
Cash Balance - Beginning	<u>640,257</u>
Cash Balance - Ending	<u><u>\$ 903,739</u></u>
Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities:	
Operating Income	\$ 247,728
Adjustments to Reconcile Net Income to Net Cash	
Decrease in Accounts Receivable	(31,098)
Increase in Accounts Payable	28,346
Increase in Unearned Revenue	18,507
Decrease in Due to Other Funds	<u>640,256</u>
	<u><u>\$ 903,739</u></u>

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
June 30, 2019

	<u>Agency</u>
<u>ASSETS</u>	
Deposits and Investments	\$ 2,735,567
Due From Other Funds	<u>3,435,536</u>
Total Assets	<u>\$ 6,171,103</u>
 <u>LIABILITIES</u>	
Accounts Payable	\$ 5,458,859
Due To Other Agencies	<u>712,244</u>
Total Liabilities	<u>\$ 6,171,103</u>

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS

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WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

REPORTING ENTITY

The Willamette Education Service District (the District) is a municipal corporation and serves as the administrative agent for more than 40 state and federal projects throughout Marion, Polk, and Yamhill counties. The District was formed in accordance with ORS 334.020 and Section 25, Chapter 784 Oregon Laws 1933. The ESD offers services in four core areas: school improvements, technology, programs for children with special needs, and administrative support. Control is vested in its Board of Directors. Five directors are elected by service area. These five board members then appoint an additional four directors who represent business, higher education, social services and at-large sectors of the service community. Administrative functions are delegated to individuals who report to and are responsible to the Board. The chief administrative officer is the superintendent.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental entities and special service districts which provide services within the District's boundaries. However, the District is not financially accountable for any of these entities, and therefore, none of them are considered component units, as defined by the Governmental Accounting Standards Board (GASB) Statement 61, or included in these basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Position and Statements of Activities, which display information about the District as a whole. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this rule include charges between various programs and functions. Elimination of these charges would distort the direct costs and revenues reported for the various activities involved.

The Statement of Activities demonstrates the degree to which the expenses of a given function are offset by program revenues. Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from general revenues.

All direct expenses are reported by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the fund statements were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND FINANCIAL STATEMENTS

The accounts are organized and operated on the basis of funds. A fund is an independent, self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the value is received without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, certain programs are funded by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are monies from both restricted and unrestricted net position available to finance the program. It is the policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

GOVERNMENTAL FUND TYPES

Governmental funds are used to account for general government activities. Governmental fund types use the flow of *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. All revenues reported in the governmental funds are considered to be available if they are collected within sixty days after year-end, except for taxes receivable which are only accrued for 30 days. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, interfund transactions, and certain compensated absences, pension costs, and claims and judgments which are not recognized as expenditures because they will be liquidated with future expendable financial resources. Capital asset acquisitions are reported as expenditures in the governmental funds, and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues susceptible to accrual are interest, state, county and local shared revenue and federal and state grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following major funds are reported:

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General – This fund accounts for the financial operations that are not accounted for in any other fund. Principal sources of revenue are state school funding and property taxes. Primary expenditures are salaries for educational and support staff.

Special Revenue – This fund accounts for the majority of the federal and state grant money received and expended. The principal revenue sources are federal and state grants. The primary expenditures are costs associated with running the specialized education programs.

Debt Service – This fund accounts for the repayment of principal and interest on general obligation bonds and the PERS bonds. The principal revenue source is charges to other funds.

Capital Projects – This fund provides facility services for the District. Services include major repair/ replacement projects at District facilities.

Additionally, the following fund types are reported:

Agency – This fund is custodial in nature and does not involve the measurement of results of operations. This fund accounts for pass through money received from various sources and distributed to school districts for transit funds.

Internal Service Fund – The Internal Service Fund accounts for the operation of District functions that provide goods or services to other District functions, other Districts, or to other governmental units, on a cost-reimbursable basis.

BUDGETS

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting in the main program categories required by Oregon Local Budget Law. The budgets for all budgeted funds are adopted on a basis consistent with generally accepted accounting principles except that property taxes received after year-end are not considered budgetary resources in the funds, inventory is expensed when purchased, debt, post-employment benefits and accrued vacation are recorded as an expense when paid, capital outlay is recorded as an expenditure rather than capitalized, pension costs are not recorded until paid, and depreciation and amortization are not recorded on capital assets. Also, proceeds of long-term borrowing are recognized as an “other financing source” and principal paid is considered an expenditure. OPEB costs are expensed when paid instead of when the liability is incurred.

The budgeting process begins by appointing Budget Committee members in the fall of each year. Recommendations are developed through early spring with the budget committee approving the budget in late spring. Public notices of the budget hearing are generally published in May or June with a public hearing being held in June. The Board may amend the budget prior to adoption. However, budgeted expenditures for each fund may not be increased by more than ten percent without re-publication. The budget is then adopted, appropriations are made, and the tax levy declared no later than June 30th.

Expenditure budgets are appropriated at the following levels for each fund: Instruction, Support Services, Community Services, Facilities Acquisition and Construction, Debt Service, Contingencies, and Transfers.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures cannot legally exceed the adopted appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year-end. Management may amend line items in the budget without Board approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Board approves them due to unforeseen circumstances, which could not be determined at the time the budget was adopted. Budget amounts shown in the basic financial statements reflect the original and final budgeted appropriation amounts.

Expenditures of the various funds were within authorized appropriations.

CASH AND CASH EQUIVALENTS

The 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.

For the purpose of the Statement of Net Position and the Balance Sheet, monies in the Oregon State Local Government Investment Pool, savings deposits, and demand deposits are considered to be cash and investments.

Investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Other investments are stated at amortized cost, which approximates fair value.

PROPERTY TAXES RECEIVABLE

Uncollected real and personal property taxes are reflected on the Statement of Net Position and the Balance Sheet as receivables. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens, so no allowance for uncollected amounts has been established. All property taxes receivable are due from property owners within the District.

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 distributions of collections to entities levying taxes. Property taxes become a lien against the property when levied on July 1 of each year and are payable in three installments due on November 15, February 15 and May 15. Property tax collections are distributed monthly except for November, when such distributions are made weekly.

ACCOUNTS RECEIVABLE

Accounts and other receivables are comprised primarily of claims for reimbursement of costs under various federal, state and local grants. All are considered collectible by management, and therefore, there is no allowance for uncollectible accounts.

GRANTS

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as unearned revenue on the Statement of Net Position and the Balance Sheet.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS

Capital assets are recorded at original cost or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. In addition, capital assets purchased may be capitalized regardless of the thresholds established. Such assets are reported at historical cost or estimated historical cost if purchased or constructed. The cost of routine maintenance and repairs that do not add to the value of the assets or materially extend asset lives are charged to expenditures as incurred and not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	80
Land Improvements	40
Equipment	4 – 20
Outbuildings	25 – 40

USE OF ESTIMATES

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

LONG-TERM OBLIGATIONS

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

INTERFUND PAYABLES AND RECEIVABLES AND TRANSFERS

The receipt and payment of monies through one central checking account, as well as transfers between funds, result in interfund payables and receivables until cash is transferred from one fund to the other. These amounts represent current assets and liabilities and are reported as due to or due from other funds.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUPPLY INVENTORIES

Purchased inventory is valued at the lower of cost (first-in, first-out method) or market. Inventory is expensed when it is consumed in the government-wide financial statements. Management believes that there was no material inventory at June 30, 2019.

RETIREMENT PLANS

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the basic financial statements 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2019 there were deferred outflows of \$10,311,180 representing PERS pension related deferrals and \$101,526 representing OPEB related deferrals for Health Insurance are reported in the Statement of Net Position.

In addition to liabilities, the basic financial statements 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items which qualify for reporting in this category. The first is unavailable revenue of \$443,874 which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The second is pension related deferrals, at June 30, 2019 there were also deferred inflows of \$2,603,864 representing PERS pension related deferrals and \$49,856 representing OPEB related deferrals for Health Insurance, which are reported in the statement of net position.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, is followed. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents prepaid expenses.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The board has granted the Superintendent and the Director of Business Services with the authority to classify fund balances as assigned.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

There were no committed or assigned fund balances at year end.

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

To preserve a sound financial system and to provide a stable financial base, the governing body has adopted a minimum fund balance policy. The District wants to maintain a minimum ending fund balance of 4% of General Fund revenues.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET POSITION

Net position comprises the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

Net investment in capital assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – consists of all other assets that are not included in the other categories previously mentioned.

COMPENSATED ABSENCES

Sick Leave

Policy permits employees to accumulate unused sick leave at the rate of one day per month, except for teachers who earn ten days each school year. There is no compensation to employees for unused accumulations upon termination of employment.

Accumulated Unpaid Vacation

There is also a policy which allows full-time employees to earn vacation leave. The rate at which vacation is earned is determined by the employee's length of employment.

FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market–corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

2. DEPOSITS AND INVESTMENTS

The cash management policies are governed by state statutes. Statutes authorize investing in bankers acceptances, time certificates of deposit, commercial paper, repurchase agreements, obligations of the United States and its agencies and instrumentalities, Local Government Investment Pools and fixed or variable life insurance or annuity contracts for funding the deferred compensation plan.

A cash pool is maintained that is available for use by all funds. Each fund type's portion of this pool is reported on the combined balance sheet as Deposits and Investments or amounts in Due to Other Funds. In addition, cash is separately held by some of the funds. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Cash and Investments (recorded at cost) consisted of:

Deposits with Financial Institutions:	
Petty Cash	\$ 150
Demand Deposits	(22,202)
Local Government Investment Pool	<u>6,324,230</u>
 Total Cash and Investments	 <u>\$ 6,302,178</u>
 Cash Reported in:	
Governmental Funds	\$ 3,566,611
Agency Funds	<u>2,735,567</u>
 Total Cash and Investments	 <u>\$ 6,302,178</u>

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. The total bank balance per the bank statements as of June 30, 2019 was \$1,061,276, of which \$250,000 was covered by federal depository insurance and the remainder was collateralized by the Oregon Public Funds Collateralization Program (PFCP).

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure deposits will not be recovered. There is no formal deposit policy for custodial credit risk. As of June 30, 2019, all deposits were insured, or at qualified institutions.

INVESTMENTS

State statutes authorize investment in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Fitch Ratings and Standard & Poor's Corporation or P1 by Moody's Commercial Paper Record (A-2/P-2 if Oregon commercial paper) and the state treasurer's investment pool. The investments during the year were invested in the state treasurer's investment pool.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued.

The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments.

These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here:

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

If the link has expired please contact the Oregon Short Term Fund directly.

At year-end, the investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-18</u>	<u>18-59</u>
State Treasurer's Investment Pool	\$ 6,324,230	\$ 6,324,230	\$ -	\$ -
Total	\$ 6,324,230	\$ 6,324,230	\$ -	\$ -

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk – Investments

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date beyond 3 months.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the value of the deposits will not be recovered. There is no formal investment policy for custodial credit risk. All of the investments are with the LGIP. Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE.

Concentration Risk - Investments

Concentration risk is the risk of loss due to a large portion of investments with a single issuer. To avoid incurring unreasonable risks inherent to over-investing in specific instruments or in individual financial institutions, the LGIP is invested in, which is not required to have a risk rating. State statutes do not limit the percentage of investments in this instrument. As of June 30, 2019, 100% of the investments were in the State Treasurer's Investment Pool.

3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2019 are as follows:

	<u>July 1, 2018</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>
Capital Assets not being Depreciated					
Construction in Process	\$ 298,673	\$ (290,621)	\$ 3,050	\$ -	\$ 11,102
Land	1,260,650	-	-	-	1,260,650
Capital Assets being Depreciated					
Buildings	11,050,012	290,621	320,609	-	11,661,242
Equipment	7,837,412	-	326,700	(47,504)	8,116,608
Total Capital Assets being Depreciated	18,887,424	290,621	647,309	(47,504)	19,777,850
Accumulated Depreciation					
Buildings	(2,277,722)	-	(271,031)	-	(2,548,753)
Equipment	(5,180,584)	-	(282,093)	47,504	(5,415,173)
Total Accumulated Depreciation	(7,458,306)	-	(553,124)	47,504	(7,963,926)
Total Net Capital Assets	<u>\$ 12,988,441</u>				<u>\$ 13,085,676</u>

An adjustment of \$290,621 in Construction in Process represents a reclassification of assets placed in service from Construction in Process to Buildings in the Fiscal Year ending June 30, 2019.

During the year ended June 30, 2019 the District disposed of fully depreciated equipment, selling items resulting in a gain of \$6,150.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the District as follows:

<u>Governmental Activities</u>	
Instruction	\$ 252,637
Support Services	299,875
Enterprise and Community Services	<u>612</u>
 Total Governmental Activities	 \$ <u>553,124</u>

4. INTERFUND TRANSFERS AND TRANSIT TRANSFERS

Transfers

Transfers from the General Fund and Special Revenue Fund were made to repay debt and fund grant programs. The following schedule summarizes the District's interfund transfer activity:

	Transfers Out	Transfers In
General Fund	\$ 35,389,649	\$ -
Special Revenue Fund	519,556	10,465,664
Debt Service Fund	-	752,886
Internal Service	-	-
Agency Fund	<u>10,318,188</u>	<u>35,008,843</u>
 Total Transfers	 \$ <u>46,227,393</u>	 \$ <u>46,227,393</u>

5. INTERFUND PAYABLES/RECEIVABLES

Due-to/Due-from

Interfund payables/receivables are used to allocate cash between funds:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 3,000,000	\$ -
Special Revenue Fund	-	6,435,536
Agency	<u>3,435,536</u>	<u>-</u>
 Total Due to/Due froms	 \$ <u>6,435,536</u>	 \$ <u>6,435,536</u>

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS

Changes in General Obligation Bonds were as follows for the year ended June 30, 2019:

	<u>Interest Rates</u>	<u>Balances July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances June 30, 2019</u>	<u>Balances Due within One Year</u>
<i>General Obligation Bonds</i>						
Series 2007 Refunding Bonds						
Original issue \$2,150,000, 12 years; Principal	4.5-5%	\$ 225,000	\$ -	\$ (225,000)	\$ -	\$ -
<i>Direct Borrowing</i>						
Series 2016 FFC						
Original issue \$6,700,000 15 years; Principal	1.89%	5,909,144	-	(405,252)	5,503,892	412,913
		<u>\$ 6,134,144</u>	<u>\$ -</u>	<u>\$ (630,252)</u>	<u>\$ 5,503,892</u>	<u>\$ 412,913</u>

In prior years, the District defeased general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old obligations. As a result, the early refunding bonds are considered to be defeased. Accordingly, the trust account assets and the liabilities for the defeased obligations are not included in the basic financial statements.

Changes in PERS UAL Bonds and the total for long-term obligations for the year ended June 30, 2019 were as follows:

	<u>Interest Rates</u>	<u>Balances July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances June 30, 2019</u>	<u>Balances Due within One Year</u>
<i>PERS UAL Bonds</i>						
Series 2003						
Original issue \$15,260,920, 26 years; Principal	1.5-6.27%	\$ 9,978,600	\$ -	\$ (404,444)	\$ 9,574,156	\$ 402,385
Series 2003 (Yamhill ESD)						
Original issue \$3,441,101, 26 years; Principal	2.76-6.27%	2,307,362	-	(93,041)	2,214,321	93,537
Series 2005						
Original issue \$3,765,000, 24 years; Principal	4.113-4.759%	2,795,000	-	(185,000)	2,610,000	205,000
Total PERS UAL Bonds		15,080,962	-	(682,485)	14,398,477	700,922
Total Long-Term Obligations		<u>\$ 21,215,106</u>	<u>\$ -</u>	<u>\$ (1,312,737)</u>	<u>\$ 19,902,369</u>	<u>\$ 1,113,835</u>

In the event of default, the lender of the Series 2016 FFC bond reserves the right to increase the interest rate by 1.50%. No other clauses for that bond or any of the above mentioned bonds were found in the debt agreements provided by the lenders.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS (CONTINUED)

Future maturities of bonds outstanding as of June 30, 2019 are as follows:

Fiscal Year Ending	General Obligation Bonds	
	Series 2016	
	Principal	Interest
2020	412,913	104,024
2021	420,717	96,219
2022	428,668	88,268
2023	436,770	80,166
2024	445,025	71,911
2025-2029	2,354,514	230,166
2030-2031	1,005,284	28,589
 Total	 \$ 5,503,891	 \$ 699,343

Fiscal Year Ending	PERS UAL Bonds					
	Series 2003		Series 2003 (Yamhill ESD)		Series 2005	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	402,385	1,189,560	93,537	276,026	205,000	124,023
2021	400,343	1,271,603	91,882	292,681	230,000	114,454
2022	398,268	1,353,678	91,908	312,655	255,000	103,508
2023	398,160	1,438,786	91,994	332,569	280,000	91,373
2024	1,475,000	451,946	340,000	104,563	310,000	78,048
2025-2028	6,500,000	870,744	1,505,000	201,924	1,330,000	150,147
 Total	 \$ 9,574,156	 \$ 6,576,317	 \$ 2,214,321	 \$ 1,520,418	 \$ 2,610,000	 \$ 661,553

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. PENSION PLAN

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

If the link is expired please contact Oregon PERS for this information.

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
 - i. **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, and 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 benefits results. A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.
 - ii. **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 on or more of the following contributions are met:
 - member was employed by 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.
 - iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
 - iv. **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 equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. PENSION PLAN (CONTINUED)

- b. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
- Police and fire:* 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
- General service:* 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.
- A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.
- ii. **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.
- iii. **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.
- iv. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA 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. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2019 were \$3,238,768, excluding amounts to fund employer specific liabilities. In addition, approximately \$1,043,075 in employee contributions were paid or picked up by the District in 2018-2019.

Pension Asset or Liability

At June 30, 2019, the District reported a net pension liability of \$18,058,387 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. 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. As of the measurement dates of June 30, 2018 and 2017, the District's proportion was .119 and .107 percent, respectively. Pension expense for the year ended June 30, 2019 was \$2,527,496.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. PENSION PLAN (CONTINUED)

The rates in effect for the year ended June 30, 2019 were:

- (1) Tier 1/Tier 2 – 7.94%
- (2) OPSRP general services – 2.61%
- (3) PERS UAL – 13.50%

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 614,292	\$ -
Changes in assumptions	4,198,541	-
Net difference between projected and actual earnings on pension plan investments	-	(801,894)
Net changes in proportionate share	2,105,078	(189,084)
Differences between District contributions and proportionate share of contributions	154,501	(1,612,886)
Subtotal - Amortized Deferrals (below)	7,072,412	(2,603,864)
District contributions subsequent to measurement date	3,238,768	-
Deferred outflow (inflow) of resources	\$ 10,311,180	\$ (2,603,864)

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Subtotal amounts related to pension as deferred outflows of resources, \$7,072,412, and deferred inflows of resources, (\$2,603,864), net to \$4,468,548 and will be recognized in pension expense as follows:

Year ending June 30,	Amount
2020	\$ 2,404,112
2021	1,730,864
2022	(77,553)
2023	292,079
2024	119,046
Thereafter	-
Total	\$ 4,468,548

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated March 4, 2019. Oregon PERS produces an independently audited CAFR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. PENSION PLAN (CONTINUED)

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

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer 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 accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2016 rolled forward to June 30, 2018
Experience Study Report	2016, Published July 26, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.50 percent
Investment rate of return	7.20 percent (changed from 7.50 percent)
Projected salary increase	3.50 percent overall payroll growth
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/1.5%) in accordance with Moro decision, blend based on service
Mortality	Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Date Scale.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. PENSION PLAN (CONTINUED)

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2016 Experience Study which is reviewed for the four-year period ending December 31, 2016.

Assumed Asset Allocation:

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

Source: June 30, 2018 PERS CAFR, p. 98

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015, revised as of June 7, 2017, the PERS Board reviewed its long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. PENSION PLAN (CONTINUED)

Asset Class	Target	Annual Return (Geometric)
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Market Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equity	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
<i>Assumed Inflation - Mean</i>		2.50%

Source: June 30, 2018 PERS CAFR; p. 72

Discount Rate – The discount rate used to measure the total pension liability, as of the measurement dates June 30, 2018 and 2017 was 7.20 and 7.50, respectively, for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.20 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	\$ 30,178,977	\$ 18,058,387	\$ 8,053,833

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. PENSION PLAN (CONTINUED)

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

There are no changes subsequent to the June 30, 2018 Measurement Date that meet this requirement and would require a brief description under the GASB standard.

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:

Employees of the District are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS, and is administered by the OPERS Board.

Pension Benefits:

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account is established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits:

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

Contributions:

Employees of the District pay six (6) percent of their covered payroll. The City did not make any optional contributions to member IAP accounts for the year ended June 30, 2019.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online, or by contacting PERS at the following address: PO BOX 23700 Tigard, OR 97281-3700.

<https://www.oregon.gov/pers/emp/pages/GASB.aspx>

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT BENEFITS (RHIA)

Plan Description:

As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy:

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

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.53% of annual covered OPERF payroll and 0.45% of OPSRP payroll under a contractual requirement in effect until June 30, 2019. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the year ended June 30, 2018 were considered by management to be immaterial to the basic financial statements.

At June 30, 2019 the District's net OPEB liability/(asset) and deferred inflows and outflows for RHIA were not considered material to the basic financial statements by management and were not accrued on the government-wide statements.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. OTHER POST EMPLOYMENT BENEFITS (OPEB) – HEALTH BENEFITS

Post-Employment Health Insurance Subsidy

Plan Description - A single-employer retiree benefit plan is maintained that provides postemployment health, dental vision and life insurance benefits to eligible employees and their spouses. There are active and retired members in the plan. Benefits and eligibility for members are established through the collective bargaining agreements.

The post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims cost, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the implicit employer contribution.

No irrevocable trust (or equivalent arrangement) has been established to account for the plan.

Funding Policy – The benefits from this program are paid by individual retirees and the required contribution is based on projected pay-as-you go financing requirements. Employees may choose from multiple insurance plans and have the option to add a spouse at additional cost.

As of July 1, 2017, the following employees were covered by the benefit terms:

Program Participates:	
Active	325
Inactive	15
Spouses of Ineligible Retirees	<u>5</u>
Total	<u>345</u>

Total OPEB Liability

The District's total OPEB liability of \$934,861 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions and Other Inputs

The District's total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. OTHER POST EMPLOYMENT BENEFITS (OPEB) – HEALTH BENEFITS (CONTINUED)

Actuarial Assumptions

Valuation Date	July 1, 2017
Actuarial Cost Method	Entry Age Normal
Discount Rate	3.87%
Election and Lapse Rates	30% of eligible employees. 60% of male members and 35% of females members will elect spouse coverage. 5% annual lapse rate
Mortality	RP-2014 Employee and Healthy Annuitant tables, White collar, sex distinct for members and dependents. For members only, a one year setback is applied. Future mortality improvement is not projected as it would be immaterial to the valuation.
Inflation Rate	2.5% per year
Annual Salary Rate Increases	3.5% per year

Changes in Total OPEB Liability:

	<u>Total OPEB Liability</u>	
Total OPEB Liability Balance 6/30/18	\$	<u>947,633</u>
Changes for the year:		
Service cost		78,961
Interest on total OPEB Liability		34,837
Changes to benefit terms		-
Economic/demographic gain or losses		-
Assumptions changes or inputs		(18,652)
Benefit payments		<u>(107,918)</u>
Total OPEB Liability Balance 6/30/19		<u><u>934,861</u></u>
	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or inputs	(49,856)	-
Benefits Payments	<u>-</u>	<u>101,526</u>
Net deferred outflow (inflow) of resources	<u>\$ (49,856)</u>	<u>\$ 101,526</u>

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. OTHER POST EMPLOYMENT BENEFITS (OPEB) – HEALTH BENEFITS (CONTINUED)

Discount Rate Sensitivity:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability, as of June 30, 2019	\$ 998,189	\$ 934,861	\$ 876,152

Trend Rate Sensitivity:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability, as of June 30, 2019	\$ 853,788	\$ 934,861	\$ 1,030,049

Actuarial calculations of the OPEB plan reflect a long-term perspective and actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

10. COMMITMENTS AND CONTINGENCIES

Federal Programs

A number of federally assisted grant programs are participated in. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, compliance with grant requirements will be established at some future date. The amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time, although management expects such amounts to be immaterial.

A substantial portion of the operating funding is received from the State of Oregon. State funding is determined through statewide revenue projections that are paid to individual school districts based on pupil counts and other factors in the state school fund revenue formula. Since these projections and pupil counts fluctuate, they can cause increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on the operations cannot be determined.

11. PROPERTY TAX LIMITATIONS

The voters of the State of Oregon imposed a constitutional limit on property taxes for schools and nonschool government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for school operations are limited to \$5.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this requirement has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue.

The State voters further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

12. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which commercial insurance is purchased. There were no significant reductions in insurance coverage from coverage in prior years in any of the major categories of risk. The amounts of any settlements have not exceeded insurance coverage for the past three fiscal years.

13. FUND BALANCE AND NET POSITION

The Statement of Net Position has a deficit net position of \$10,519,634 as of June 30, 2019 caused mainly by the requirements of GASB 68 and GASB 75.

14. OPERATING LEASES

There are operating leases for equipment and buildings. Total lease expenditures for the year ending June 30, 2019 amounted to \$436,094.

Remaining minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2019-20	440,871
2020-21	367,556
2021-22	256,410
2022-23	245,700
2023-24	41,100
	<u>\$ 1,351,638</u>

15. TAX ABATEMENTS

As of June 30, 2019, the District potentially had tax abatements through various state allowed programs that impacted levied taxes and would require disclosure under GASB 77. Based on the information available from the county as of the date of issuance of these basic financial statements, the amount of abatements for the year ended June 30, 2019 is deemed immaterial by management.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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**WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON**

**OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
June 30, 2019**

**MEDICAL BENEFIT (OPEB):
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS**

Year Ended June 30,	Total OPEB Liability - Beginning	Service Cost	Interest	Changes of Benefit Terms	Changes of Assumptions	Benefit Payments	Total OPEB Liability - End of Year	Estimated Covered Payroll	Total OPEB Liability as a % of Covered Payroll
2019	\$ 947,633	\$ 78,961	\$ 34,837	\$ -	\$ (18,652)	\$ (107,918)	\$ 934,861	\$ N/A	0.00%
2018	1,009,962	82,322	29,326	-	(46,497)	(127,480)	947,633	N/A	N/A

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	(a) Actuarially Determined Contribution	(b) Contributions During Year	(b)-(a) Difference	(c) Covered Payroll	(b/c) Contributions as a Percentage of Payroll
2019	\$ N/A	\$ N/A	\$ N/A	\$ N/A	N/A
2018	34,335	N/A	N/A	N/A	N/A

The above table presents the most recent actuarial valuations for the District's post-retirement pension stipend and it provides information that approximates the funding progress of the plan.

In implementing GASB Statement No. 75, the following changes since the prior valuation were implemented; (i) the actuarial cost method was changed from Projected Unit Credit to Entry Age Normal, (ii) the interest rate for discounting future liabilities was lowered to match municipal bond rates, (iii) premium increase rates were modified to reflect anticipated experience, (iv) the percentage of future retirees covering a spouse on the plan was decreased to reflect the anticipated experience, (v) demographic assumptions were revised to match (as closely as possible) those developed in the most recent experience study for Oregon PERS, and (vi) an implicit rate subsidy is now being valued for participants in the health plans. In prior valuations, the District's participating in the health plans determined to be a community rated arrangement.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION
 At June 30, 2019

PERS

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.12 %	\$ 18,058,387	\$ 16,085,649	112.3 %	82.1 %
2018	0.11	14,368,814	15,830,479	90.8	83.1
2017	0.09	14,129,940	14,752,388	95.8	80.5
2016	0.08	4,577,809	14,542,311	31.5	91.9
2015	0.11	(2,591,864)	13,935,602	(18.6)	103.6
2014	0.11	5,835,169	15,637,984	37.3	92.0

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2019	\$ 3,238,768	\$ 3,238,768	\$ -	\$ 17,696,125	18.3 %
2018	2,801,048	2,801,048	-	16,085,649	17.4
2017	2,258,580	2,258,580	-	15,830,479	14.3
2016	2,075,084	2,075,084	-	14,752,388	14.1
2015	3,184,010	3,184,010	-	14,542,311	21.9
2014	3,019,726	3,019,726	-	13,935,602	21.7

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date of 6/30 for each year presented.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	GENERAL FUND			VARIANCE TO FINAL BUDGET
	BUDGET		ACTUAL	
	ORIGINAL	FINAL		
REVENUES				
Local Sources	\$ 12,982,241	\$ 13,819,056	\$ 13,866,605	\$ 47,549
State Sources	27,144,663	26,689,607	26,687,390	(2,217)
Total Revenues	<u>40,126,904</u>	<u>40,508,663</u>	<u>40,553,995</u>	<u>45,332</u>
EXPENDITURES				
Support Services	4,728,704	5,075,045 (1)	4,634,457	440,588
Contingencies	3,483,167	3,330,545 (1)	-	3,330,545
Total Expenditures	<u>8,211,871</u>	<u>8,405,590</u>	<u>4,634,457</u>	<u>3,771,133</u>
Excess (Deficiency) of Revenues over Expenditures	31,915,033	32,103,073	35,919,538	3,816,465
OTHER FINANCING SOURCES (USES)				
5200 Transfers Out	(772,886)	(772,886) (1)	(772,886)	-
5201 Apportionment Transfer	(34,542,147)	(34,656,337) (1)	(34,616,763)	39,574
5300 Sale of Capital Assets	-	6,150	6,150	-
Total Other Financing Sources (Uses)	<u>(35,315,033)</u>	<u>(35,423,073)</u>	<u>(35,383,499)</u>	<u>39,574</u>
Net Change in Fund Balance	(3,400,000)	(3,320,000)	536,039	3,856,039
Beginning Fund Balance	<u>3,400,000</u>	<u>3,320,000</u>	<u>3,318,530</u>	<u>(1,470)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,854,569</u>	<u>\$ 3,854,569</u>

(1) Appropriation Level

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WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

SUPPLEMENTARY INFORMATION

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**WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2019**

	<u>SPECIAL REVENUE FUND</u>			VARIANCE TO FINAL BUDGET
	BUDGET		ACTUAL	
	ORIGINAL	FINAL		
REVENUES				
Local Sources	\$ 3,611,940	\$ 5,312,199	\$ 5,693,632	\$ 381,433
Intermediate Sources	25,000	25,000	24,510	(490)
State Sources	18,955,581	18,522,327	18,315,584	(206,743)
Federal Sources	6,584,846	7,909,579	7,744,512	(165,067)
Total Revenues	29,177,367	31,769,105	31,778,238	9,133
EXPENDITURES				
Instruction	20,690,160	21,415,488 (1)	20,826,831	588,657
Support Services	19,831,032	21,456,785 (1)	20,086,610	1,370,175
Community Services	160,856	160,060 (1)	50,458	109,602
Total Expenditures	40,682,048	43,032,333	40,963,899	2,068,434
Excess (Deficiency) of Revenues over Expend	(11,504,681)	(11,263,228)	(9,185,661)	2,077,567
OTHER FINANCING SOURCES (USES)				
R5200 Interfund Transfers In	105,250	197,642	156,260	(41,382)
R5202 Resolution Transfers In	10,758,214	10,400,000	10,309,404	(90,596)
5200 Transfers Out	(283,561)	(563,539) (1)*	(519,556)	43,983
5301 Transit Dollars Out	-	(150,000) (1)*	(144,689)	5,311
Total Other Financing Sources (Uses)	10,579,903	9,884,103	9,801,419	82,684
Net Change in Fund Balance	(924,778)	(1,379,125)	615,758	1,994,883
Beginning Fund Balance	924,778	1,379,125	1,816,751	437,626
Ending Fund Balance	\$ -	\$ -	\$ 2,432,509	\$ 2,432,509

(1) Appropriation Level

* Appropriated together as Transfers Out

**WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2019**

<u>DEBT SERVICE FUND</u>				
	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Local Sources	\$ 2,184,468	\$ 2,173,965	\$ 2,196,267	\$ 22,302
EXPENDITURES				
Long-Term Debt Service	2,937,354	2,937,354 (1)	2,937,222	132
Excess (Deficiency) of Revenues over Expenditures	(752,886)	(763,389)	(740,955)	22,434
OTHER FINANCING SOURCES (USES)				
R5200 Interfund Transfers In	752,886	763,389	752,886	(10,503)
TOTAL OTHER FINANCING SOURCES (USES)	<u>752,886</u>	<u>763,389</u>	<u>752,886</u>	<u>10,503</u>
Net Change in Fund Balance	-	-	11,931	11,931
Beginning Fund Balance	-	-	10,503	10,503
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,434</u>	<u>\$ 22,434</u>

(1) Appropriation Level

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2019

CAPITAL PROJECTS FUND

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Local Sources	\$ 2,000	\$ 2,000	\$ 1,100	\$ (900)
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>1,100</u>	<u>(900)</u>
EXPENDITURES				
Building Improvement	452,000	452,000 (1)	189,404	262,596
Total Expenditures	<u>452,000</u>	<u>452,000</u>	<u>189,404</u>	<u>262,596</u>
Net Change in Fund Balance	(450,000)	(450,000)	(188,304)	261,696
Beginning Fund Balance	<u>450,000</u>	<u>450,000</u>	<u>188,304</u>	<u>(261,696)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation Level

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2019

INTERNAL SERVICE FUND

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Local Sources	\$ 1,763,864	\$ 1,863,864	\$ 1,780,518	\$ (83,346)
Total Revenues	1,763,864	1,863,864	1,780,518	(83,346)
EXPENDITURES				
Support Services	1,783,864	2,503,519 (1)	1,532,790	970,729
Total Expenditures	1,783,864	2,503,519	1,532,790	970,729
Net Change in Fund Balance	(20,000)	(639,655)	247,728	887,383
Beginning Fund Balance	20,000	639,655	636,244	(3,411)
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 883,972</u>	<u>\$ 883,972</u>

(1) Appropriation Level

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
For the Year Ended June 30, 2019

	<u>BALANCE</u> <u>JULY 1, 2018</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2019</u>
ASSETS				
Cash and Investments	\$ 875,128	\$ 1,860,439	\$ -	\$ 2,735,567
Due from Other Funds	-	3,435,536	-	3,435,536
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 875,128</u>	<u>\$ 5,295,975</u>	<u>\$ -</u>	<u>\$ 6,171,103</u>
LIABILITIES				
Accounts Payable	\$ 85,425	5,373,434	-	\$ 5,458,859
Due to Other Agencies	789,703	\$ 35,008,843	\$ 35,086,302	712,244
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 875,128</u>	<u>\$ 40,382,277</u>	<u>\$ 35,086,302</u>	<u>\$ 6,171,103</u>

**WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2019**

	<u>AGENCY FUND</u>			VARIANCE TO FINAL BUDGET
	BUDGET		ACTUAL	
	ORIGINAL	FINAL		
OTHER FINANCING SOURCES (USES)				
R5200 Transfers In	\$ -	\$ 385,897	\$ 392,079	\$ 6,182
R5201 Apportionment Transfers In	34,542,147	34,656,337	34,616,764	(39,573)
5300 Transits Out	(24,284,021)	(10,400,000) (1)	(24,768,114)	(14,368,114)
5202 Resolution Transfers Out	(11,538,773)	(25,422,794) (1)	(10,318,188)	15,104,606
	<u>(1,280,647)</u>	<u>(780,560)</u>	<u>(77,459)</u>	<u>703,101</u>
Total Other Financing Sources (Uses)				
Net Change in Due to Other Agencies	(1,280,647)	(780,560)	(77,459)	703,101
Beginning Balance	<u>1,280,647</u>	<u>780,559</u>	<u>789,703</u>	<u>9,144</u>
Ending Balance Due to Agencies	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 712,244</u>	<u>\$ 712,245</u>

(1) Appropriation Level

**WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED - GENERAL FUND
For the Year Ended June 30, 2019**

TAX YEAR	IMPOSED LEVY OR UNCOLLECTED AT 7-1-18	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEG- REGATED AT 6-30-19
CURRENT:						
2018-19	\$ 11,830,950	\$ 312,882	\$ (25,486)	\$ 4,301	\$ 11,243,587	\$ 253,296
PRIOR YEARS:						
2017-18	271,855	(8)	(38,906)	9,399	134,097	108,259
2016-17	144,429	302	(30,643)	8,536	56,350	65,670
2015-16	85,999	463	(20,962)	10,200	50,206	24,568
2014-15	62,305	961	(10,490)	6,137	49,712	7,279
2013-14 & Prior	296,848	6,820	(17,583)	9,192	231,499	50,138
Total Prior	861,436	8,538	(118,584)	43,464	521,864	255,914
Total	\$ 12,692,386	\$ 321,420	\$ (144,070)	\$ 47,765	\$ 11,765,451	\$ 509,210

RECONCILIATION OF REVENUE	GENERAL FUND
Cash Collections by County Treasurer Above	\$ 11,765,451
Accrual of Receivables:	
June 30, 2018	(69,714)
June 30, 2019	65,336
Payments in Lieu of Taxes	(5,513)
Change from Prior Year in Unavailable Revenue (see p. 6)	(347,848)
Total Revenue	\$ 11,407,712

**WILAMETTE EDUCATION SERVICE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019**

<u>Program Title</u>	<u>Pass Through Organization</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Number</u>	<u>Expenditures</u>
U.S. Department of Education				
Mathematics and Science Partnerships		84.366		442
Mathematics and Science Partnerships		84.366		0
Total Mathematics and Science Partnerships				442
Title I - Neglected and Delinquent Childrent	Oregon Department of Education	84.013	10988	240,069
Total Title I _ Neglected and Delinquent Childrent				240,069
Speical Education - Vocational Rehabilitation Grant to State	Oregon Department of Education	84.126		151,508
Total Speical Education - Vocational Rehabilitation Grant to State				151,508
Title IC - Migrant Education - Basic State Grant Program	Oregon Department of Education	84.011	49240	\$ 33,791
	Oregon Department of Education	84.011	49221	881,868
	Oregon Department of Education	84.011	48638	291,629
	Oregon Department of Education	84.011	44911	69,565
	Oregon Department of Education	84.011	44994	85,162
	Oregon Department of Education	84.011	44994	36,557
Total Title I_Migrant Education				1,398,572
Special Education - Grants to State	Oregon Department of Education	84.027	10984	13,045
	Oregon Department of Education	84.027	49745	1,045
	Oregon Department of Education	84.027	49198	2,388
	Oregon Department of Education	84.027	46570	2,652
	Oregon Department of Education	84.027	49647	1,373
	Oregon Department of Education	84.027	11305	26,004
	Oregon Department of Education	84.027	10988	145,389
	Oregon Department of Education	84.027	10901	2,148
	Oregon Department of Education	84.027	11045	2,917,282
	Oregon Department of Education	84.027	11381	421,717
	Oregon Department of Education	84.027	11114	1,015,547
	Oregon Department of Education	84.027	49746	7,486
	Oregon Department of Education	84.027	49747	1,860
	Oregon Department of Education	84.027	49748	2,260
	Oregon Department of Education	84.027	11067	494,180
Total Speical Education - Grants to State				5,054,376
Speical Education - Preschool Grants	Oregon Department of Education	84.173	52555	630
		84.173	11190	120,000
		84.173		170,239
Total Speical Education - Preschool Grants				290,869
Total Special Education Cluster				5,345,244
Special Education For Infants and Families		84.181	11114	537,169
		84.181	52555	270
Total Special Education For Infants and Families				537,439
SPIG Personnel Development	Oregon Department of Education	84.323	11479	71,678
Total SPIG Personnel Development				71,678
Total U.S. Department of Education				7,744,953
Total Grants Expended or Passed Through to Subrecipients				7,744,953
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$ 7,744,953
				<u>Reconciliation to Federal Revenue</u>
				Total federal financial assistance \$ 7,744,953
				Accruals/Deferrals (441)
				Total Federal Revenue Recognized \$ 7,744,512

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

OTHER INFORMATION

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WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON
For the Year Ended June 30, 2019
2018-2019 DISTRICT AUDIT REVENUE SUMMARY

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 600	Fund 700
Revenue from Local Sources						
1110 Ad Valorem Taxes Levied by District	\$ 11,767,565					
1500 Interest on Investments	\$ 312,178		\$ 23,579	\$ 1,100		
1740 Student Fees		\$ 77,531				
1910 Rentals	\$ 46,934	\$ 117,320				
1920 Contributions/Donations from Private Sources	\$ 13	\$ 2,968,349				
1940 Services Provided Other LEA's	\$ 10,740	\$ 17,023			\$ 1,487,024	
1960 Recovery of Prior Year's Expenditure	\$ 12					\$ 1
1970 Services Provided Other Funds			\$ 2,172,688			
1980 Fees Charged to Grants	\$ 1,595,848					
1990 Miscellaneous	\$ 133,315	\$ 2,513,409			\$ 293,495	
Total Revenue from Local Sources	\$ 13,866,605	\$ 5,693,632	\$ 2,196,267	\$ 1,100	\$ 1,780,518	\$ 1
Revenue from Intermediate Sources						
2200 Restricted Revenue	\$ -	\$ 24,510	\$ -	\$ -	\$ -	\$ -
Total Revenue from Intermediate Sources	\$ -	\$ 24,510	\$ -	\$ -	\$ -	\$ -
Revenue from State Sources						
3101 State School Fund - General Support	\$ 26,531,740		\$ -	\$ -		\$ -
3104 State Managed Timber	\$ 155,651		\$ -	\$ -		\$ -
3299 Other Restricted Grants-in-aid		\$ 18,315,584	\$ -	\$ -		\$ -
Total Revenue from State Sources	\$ 26,687,391	\$ 18,315,584	\$ -	\$ -	\$ -	\$ -
Revenue from Federal Sources						
4500 Restricted Revenue from the Fed Govt thru the State	\$ -	\$ 7,744,512	\$ -			\$ -
Total Revenue from Federal Sources	\$ -	\$ 7,744,512	\$ -	\$ -	\$ -	\$ -
Revenue from Other Sources						
5100 Bond Proceeds						
5200 Interfund Transfers		\$ 10,465,664	\$ 752,886			\$ 35,008,842
5300 Sale of or Compensation for Loss of Fixed Assets	\$ 6,150		\$ -			
5400 Resources - Beginning Fund Balance	\$ 3,318,529	\$ 1,816,752	\$ 10,503	\$ 188,304	\$ 636,244	\$ 789,703
Total Revenue from Other Sources	\$ 3,324,679	\$ 12,282,416	\$ 763,389	\$ 188,304	\$ 636,244	\$ 35,798,545
Grand Totals	\$ 43,878,674	\$ 44,060,654	\$ 2,959,656	\$ 189,404	\$ 2,416,762	\$ 35,798,546

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON
For the Year Ended June 30, 2019
2018-2019 DISTRICT AUDIT EXPENDITURE SUMMARY

FUND	100	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Support Services Expenditures									
2110 Attendance & Social Work		\$ 11,484	\$ 8,448	\$ 1,766	\$ 1,271				
2130 Health Service		\$ 3,704	\$ 2,841	\$ 863	\$ -				
2240 Instructional Staff Development		\$ 10,114			\$ 9,555	\$ 559			
2310 Board of Education Services		\$ 233,282	\$ 15,005	\$ 8,544	\$ 49,617	\$ 4,801		\$ 155,315	
2320 Executive Admin Services		\$ 421,860	\$ 262,075	\$ 142,754	\$ 7,833	\$ 8,007		\$ 1,190	
2520 Fiscal Services		\$ 763,830	\$ 446,343	\$ 254,873	\$ 13,461	\$ 27,256		\$ 21,896	
2540 Operation and Maintenance of Plant		\$ 1,100,018	\$ 299,286	\$ 185,499	\$ 288,879	\$ 57,921	\$ 215,515	\$ 52,919	
2610 Direction of Central Support		\$ 262,420	\$ 118,321	\$ 80,739	\$ 44,532	\$ 18,581		\$ 248	
2620 Plan/Research/Development/Eval		\$ 189,939	\$ 131,647	\$ 56,054	\$ 2,225	\$ 14			
2630 Communication		\$ 198,422	\$ 125,268	\$ 60,421	\$ 313	\$ 12,421		\$ -	
2640 Human Resources		\$ 651,857	\$ 382,028	\$ 207,806	\$ 26,922	\$ 19,487		\$ 15,614	
2660 Technology		\$ 785,222	\$ 318,577	\$ 159,819	\$ 162,629	\$ 108,082	\$ 33,881	\$ 2,232	
2700 Supplemental Early Retirement		\$ 2,303		\$ 2,303					
Total Support Services Expenditures		\$ 4,634,457	\$ 2,109,839	\$ 1,161,441	\$ 607,237	\$ 257,130	\$ 249,396	\$ 249,414	\$ -
Other Uses Expenditures									
5200 Transfer of Funds		\$ 35,389,649	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,389,649
Total Other used Expenditures		\$ 35,389,649	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,389,649
Grand Total		\$ 40,024,106	\$ 2,109,839	\$ 1,161,441	\$ 607,237	\$ 257,130	\$ 249,396	\$ 249,414	\$ 35,389,649

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON
For the Year Ended June 30, 2019
2018-2019 DISTRICT AUDIT EXPENDITURE SUMMARY

FUND	200	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures									
1220 Restrictive Program for Students with Disabilities		\$ 373,109	\$ 185,957	\$ 102,023	\$ 17,079	\$ 46,666		\$ 21,384	\$ -
1260 Treatment and Habilitation		\$ 13,554,141	\$ 5,369,517	\$ 3,165,146	\$ 3,645,609	\$ 511,451	\$ 38,948	\$ 823,470	\$ -
1280 Alternative Education		\$ 1,220,880	\$ 609,715	\$ 379,717	\$ 147,343	\$ 75,541	\$ 8,564	\$ -	\$ -
1293 Migrant Education		\$ 1,050,303	\$ 113,043	\$ 49,660	\$ 798,354	\$ 29,727		\$ 59,520	\$ -
1294 Youth Corrections Education		\$ 4,628,398	\$ 1,960,469	\$ 1,096,464	\$ 656,536	\$ 504,356	\$ 136,851	\$ 273,722	\$ -
Total Instruction Expenditures		\$ 20,826,831	\$ 8,238,702	\$ 4,793,010	\$ 5,264,921	\$ 1,167,740	\$ 184,363	\$ 1,178,096	\$ -
Support Services Expenditures									
2110 Attendance and Social Work Services		\$ 1,068,789	\$ 557,686	\$ 271,035	\$ 175,414	\$ 26,415		\$ 38,239	\$ -
2120 Guidance Services		\$ 487,986	\$ 209,627	\$ 126,383	\$ 100,507	\$ 28,165	\$ -	\$ 23,304	\$ -
2130 Health Services		\$ 420,320	\$ 205,394	\$ 112,058	\$ 88,862	\$ 6,813	\$ 7,150	\$ 43	\$ -
2140 Behavior/Sch Psych Services		\$ 169,273	\$ 104,447	\$ 51,152	\$ 9,249	\$ 4,424	\$ -	\$ -	\$ -
2150 Speech, Pathology and Audiology Services		\$ 1,695,005	\$ 659,801	\$ 325,451	\$ 576,616	\$ 126,591	\$ -	\$ 6,546	\$ -
2160 Other Student Treatment Services		\$ 7,109,852	\$ 3,307,549	\$ 1,820,051	\$ 733,727	\$ 852,169	\$ 60,569	\$ 335,787	\$ -
2190 Service Direction, Student Support Services		\$ 3,508	\$ 3,240	\$ 268					
2210 Improvement of Instruction Services		\$ 1,874,402	\$ 819,552	\$ 420,124	\$ 506,132	\$ 69,449	\$ -	\$ 59,145	\$ -
2220 Educational Media Services		\$ 554,779	\$ 212,455	\$ 128,087	\$ 81,981	\$ 89,961	\$ 13,945	\$ 28,350	\$ -
2230 Assessment and Testing		\$ 65,901	\$ 24,936	\$ 10,655	\$ 17,062	\$ 12,897	\$ -	\$ 352	\$ -
2240 Instructional Staff Development		\$ 279,964	\$ 135,551	\$ 67,012	\$ 60,811	\$ 3,362	\$ -	\$ 13,228	\$ -
2310 Board of Education Services		\$ 193,681	\$ 126,381	\$ 47,591	\$ 8,227	\$ 10,635	\$ -	\$ 847	\$ -
2320 Executive Administration Services		\$ 9,890			\$ 8,580	\$ 744	\$ -	\$ 566	\$ -
2520 Fiscal Services		\$ 3,147,809			\$ 3,147,809				
2540 Operation and Maintenance of Plant Services		\$ 102,793	\$ 54,205	\$ 31,601	\$ 7,151	\$ 8,478	\$ -	\$ 1,358	\$ -
2570 Internal Services		\$ 341				\$ 341			
2610 Direction of Central Support Services		\$ 376,430	\$ 186,986	\$ 104,380	\$ 45,500	\$ 17,501	\$ -	\$ 22,062	\$ -
2620 Planning, Research, Development, Evaluation		\$ 846,381	\$ 425,495	\$ 213,170	\$ 147,130	\$ 35,315	\$ -	\$ 25,271	\$ -
2640 Staff Services		\$ 7,780	\$ 2,363	\$ 1,247	\$ 189		\$ -	\$ 3,982	\$ -
2660 Technology Services		\$ 1,516,677	\$ 515,561	\$ 278,182	\$ 488,723	\$ 232,155	\$ -	\$ 2,055	\$ -
2670 Record Management Services		\$ 155,051	\$ 87,307	\$ 52,291	\$ 5,935	\$ 694	\$ -	\$ 8,823	\$ -
Total Support Services Expenditures		\$ 20,086,610	\$ 7,638,537	\$ 4,060,736	\$ 6,209,605	\$ 1,526,109	\$ 81,664	\$ 569,959	\$ -
Enterprise and Community Services Expenditures									
3300 Community Services		\$ 50,458	\$ 24,971	\$ 13,566	\$ 3,666	\$ 5,381	\$ -	\$ 2,874	\$ -
Total Enterprise and Community Services Expenditures		\$ 50,458	\$ 24,971	\$ 13,566	\$ 3,666	\$ 5,381	\$ -	\$ 2,874	\$ -
Other Uses Expenditures									
5200 Transfers of Funds		\$ 519,556	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 519,556
5300 Apportionment of Funds		\$ 144,689	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,689
Total Other Uses Expenditures		\$ 664,245	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 664,245
Grand Total		\$ 41,628,144.42	\$ 15,902,211	\$ 8,867,311	\$ 11,478,192	\$ 2,699,230	\$ 266,027	\$ 1,750,929	\$ 664,245

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON
 For the Year Ended June 30, 2019
 2018-2019 DISTRICT AUDIT EXPENDITURE SUMMARY

FUND	300	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
	Other Uses Expenditures								
5100	Debt Service	\$ 2,937,222	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,937,222	\$ -
	Total Other Uses Expenditures	\$ 2,937,222	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,937,222	\$ -
	Grand Total	\$ 2,937,222	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,937,222	\$ -

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON
 For the Year Ended June 30, 2019
 2018-2019 DISTRICT AUDIT EXPENDITURE SUMMARY

FUND	400	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4150 Building Acquisition, Construction, and Improvement		\$ 189,404	\$ -	\$ -	\$ 46,416		\$ 142,988	\$ 0	\$ -
Total Facilities Acquisition and Construction		\$ 189,404	\$ -	\$ -	\$ 46,416		\$ 142,988	\$ 0	\$ -
Grand Total		\$ 189,404	\$ -	\$ -	\$ 46,416		\$ 142,988	\$ 0	\$ -

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON
For the Year Ended June 30, 2019
2018-2019 DISTRICT AUDIT EXPENDITURE SUMMARY

FUND	600	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2240 Technology Services		\$ 28,082		\$ 28,082					\$ -
2524 Payroll Services		\$ 3,059	\$ 1,811	\$ 1,247					
2620		\$ 87,512	\$ 53,322	\$ 27,111	\$ 3,625	\$ 3,355		\$ 100	
2623		\$ 5,673			\$ 5,673				
2660		\$ 1,194,982	\$ 461,320	\$ 239,400	\$ 388,676	\$ 105,586			
2661 Technology Services		\$ 213,482	\$ 111,206	\$ 56,377	\$ 21,185	\$ 23,214	\$ -	\$ 1,500	\$ -
	Total Support Services Expenditures	\$ 1,532,790	\$ 627,660	\$ 352,217	\$ 419,159	\$ 132,155	\$ -	\$ 1,600	\$ -
	Other Uses Expenditures								
5200 Transfers of Funds		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Total Other Uses Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Grand Total	\$ 1,532,790	\$ 627,660	\$ 352,217	\$ 419,159	\$ 132,155	\$ -	\$ 1,600	\$ -

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON
For the Year Ended June 30, 2019
2018-2019 DISTRICT AUDIT EXPENDITURE SUMMARY

FUND	700	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Other Uses Expenditures									
5200 Transfers		\$ 8,784							8783.7
5202 Resolution Transfer Out		\$ 10,309,404	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	- \$ 10,309,404
5300 Apportionment Transit		\$ 24,409,002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	- \$ 24,409,002
5302 Ending Fund Balance Transit		\$ 359,113							\$ 359,113
Total Other Uses Expenditures		\$ 35,086,302	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	- \$ 35,086,302

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON
SUPPLEMENTAL INFORMATION
As Required by The Oregon Department of Education
For the Year Ended June 30, 2019

A. Energy bills for heating - all funds:		<u>Objects 325 and 326 and 327</u>
	Function 2540	\$ 105,690
	Function 2550	-

B. Replacement of equipment - General Fund:		<u>Amount</u>
Include all General Fund expenditures in Object 542, except for the following exclusions:		
Exclude these functions:		
1113, 1122 & 1132	Co-Curricular Activities	4150
		Construction
		\$ -
1140	Pre-Kindergarten	2550
		Pupil Transportation
1300	Continuing Education	3100
		Food Service
1400	Summer School	3300
		Community Services

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

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PAULY, ROGERS AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcocpas.com

December 19, 2019

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of Willamette Education Service District as of and for the year ended June 30, 2019, and have issued our report thereon dated December 19, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of basic financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures, 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 Willamette Education Service District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

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

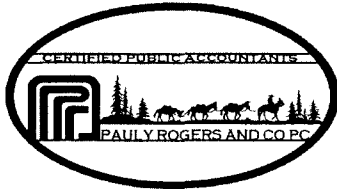
A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive style with a large, stylized 'R'.

Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

GRANT COMPLIANCE REVIEW

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December 19, 2019

To the Board of Directors
Willamette Education Service District
Marion County, Oregon

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund, and the remaining fund information of Willamette Education Service District as of and for the year ended June 30, 2019 and the related notes to the basic financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 19, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the basic financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.



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December 19, 2019

To the Board of Directors
Willamette Education Service District
Marion County, Oregon

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Report on Compliance for Each Major Federal Program

We have audited Willamette Education Service District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2019. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of compliance.

Opinion on Each Major Federal Program

In our opinion, Willamette Education Service District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

SECTION I – SUMMARY OF AUDITORS’ RESULTS
FINANCIAL STATEMENTS

Type of auditors’ report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Any GAGAS findings disclosed that are required to be reported in accordance with the Uniform Guidance? yes no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? yes no

IDENTIFICATION OF MAJOR PROGRAM

CFDA NUMBER **NAME OF FEDERAL PROGRAM CLUSTER**
84.027, 84.173 Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? yes no

WILLAMETTE EDUCATION SERVICE DISTRICT
MARION COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activity and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditure of federal awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the ten percent de minimus indirect cost rate as allowed under Uniform Guidance, due to the fact that they already have a negotiated indirect cost rate with Oregon Department of Education, and thus is not allowed to use the de minimus rate.