

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2017**



12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2017**

**This Page Intentionally Left Blank**

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

BOARD OF DIRECTORS 2016-17

BOARD OF DIRECTORS

TERM EXPIRES

Ron Cairns, Chair	June 30, 2017
Melissa LaCrosse, Vice Chair	June 30, 2019
Kaye Jones	June 30, 2019
Terry Kamlade	June 30, 2017
Tracy Roe	June 30, 2017

Board members will receive mail at the District address listed below.

ADMINISTRATION

Kent Klewitz  
Superintendent

Sarah Bishop  
Business Manager

1328 North Second Street  
Jefferson, Oregon 97352

**This Page Intentionally Left Blank**

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**TABLE OF CONTENTS**

\*\*\*\*\*

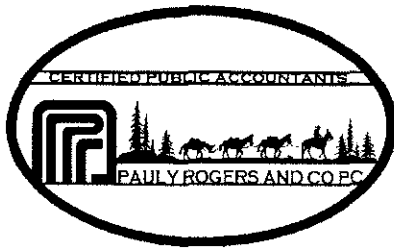
	<u>PAGE NUMBER</u>
Independent Auditors' Report	1
 <b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>	
Management's Discussion and Analysis	I
 <b><u>BASIC FINANCIAL STATEMENTS</u></b>	
Government- Wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet – Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – to the Statement of Activities	9
Notes to Basic Financial Statements	10
 <b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>	
Schedule of Funding Progress and Employer Contributions - OPEB	35
Schedule of the Proportionate Share of the Net Pension Liability - PERS	36
Schedule of Contributions – PERS	36
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
General Fund	37
Special Revenue Fund	38
ASB Fund	39
Debt Service	40
Capital Fund	41

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

TABLE OF CONTENTS (CONTINUED)

\*\*\*\*\*

	<u>PAGE NUMBER</u>
<b><u>SUPPLEMENTARY INFORMATION</u></b>	
Schedule of Bond and Interest Transactions and Balances	42
Schedule of Property Tax Transactions and Balances of Taxes Uncollected – General Fund	43
<b><u>OTHER INFORMATION</u></b>	
Supplemental Information – As required by the Oregon Department of Education	44
<b><u>REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS</u></b>	
Independent Auditors’ Report Required by Oregon State Regulations	45
<b>Grant Compliance Review:</b>	
Schedule of Expenditures of Federal Awards (Supplementary Information)	47
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 <i>Government Auditing Standards</i>	48
Independent Auditors’ Report on Compliance For Each Major Program And on Internal Control Over Compliance Required by the Uniform Guidance	50
Schedule of Findings and Questioned Costs	52



PAULY, ROGERS, AND CO., P.C.  
12700 SW 72<sup>nd</sup> Ave. Tigard, OR 97223  
(503) 620-2632 (503) 684-7523 FAX  
www.paulyrogersandcpcpas.com

September 6, 2017

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Jefferson School District 14J  
Marion County, Oregon

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Jefferson School District 14J (the District) as of and for the year ended June 30, 2017, 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 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. 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 and each major fund of Jefferson School District 14J as of June 30, 2017, 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. 77, *Tax Abatement Disclosures* for the year ended June 30, 2017. 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 supplemental 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 net pension liability and contributions for PERS or schedule of funding progress and contributions for post-employment health benefits 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.

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 expenditures 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 expenditures 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.

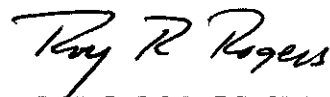
#### *Other Information*

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.

#### **Reports on Other Legal and Regulatory Requirements**

In accordance with Government Auditing Standards, we have also issued our reports dated September 6, 2017 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 these reports are 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 September 6, 2017, 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.

**This Page Intentionally Left Blank**

## **Jefferson School District 14J, Marion County Oregon Management's Discussion and Analysis**

As management of the School District No. 14J Marion County, Oregon (Jefferson School District), we offer readers a narrative overview and analysis of the financial activities of Jefferson School District for the fiscal year ended June 30, 2017. It should be read in conjunction with the District's financial statements, which follow this section.

### **Financial Highlights**

- As of June 30, 2017 the net position of Jefferson School District 14J amounted to \$(5,256,755). Of this amount \$971,067 was invested in capital assets, net of related debt. The remaining balance included \$196,475 restricted for debt service, \$154,632 restricted for student activities, and an unrestricted net deficit of \$6,578,929.
- At June 30, 2017 the District's governmental funds reported combined ending fund balances of \$647,308, a decrease of \$31,918.
- At June 30, 2017 the principal amount of Series 2003 PERS Pension Bond outstanding was \$4,724,683.
- At June 30, 2017 the principal amount of the Department of Energy Cool Schools Loan outstanding was \$567,291.
- At June 30, 2017 the principal amount of the 2012 Certificate of Participation outstanding was \$40,000.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Jefferson School District 14J's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-Wide Financial Statements**

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

The *statement of net position* presents information on all District assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Jefferson School District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, early retirement and earned but unused vacation leave).

**Jefferson School District 14J, Marion County Oregon  
Management's Discussion and Analysis**

**Fund Financial Statements**

The *fund Financial Statements* are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of the Jefferson School District No. 14J are governmental funds.

**Governmental funds**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Jefferson School District No. 14J maintains five major governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Special Revenue, ASB, Debt Service, and Capital funds, all of which are considered to be major funds.

Jefferson School District No. 14J adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 6 and 8 of this report.

**Notes to the Financial Statements**

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10 through 34 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes the OPEB Schedule of Funding Progress and Employer Contributions and budgetary comparison information for the major funds. This required supplementary information can be found on pages 35 through 41 of this report.

The Schedule of Bond and Interest Transactions and Balances is found on page 42. The Schedule of Property Tax Transactions and Balances is found on page 43.

**Jefferson School District 14J, Marion County Oregon**  
**Management's Discussion and Analysis**

**Government-Wide Financial Analysis**

**Net position** - As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of Jefferson School District, liabilities exceed assets by \$5,256,755 at June 30, 2017.

A large portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets for classrooms and supporting services for providing Kindergarten through Twelfth Grade education; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Condensed Statement of Net Position**

	<b>Governmental Activities</b>	
	<b>June 30, 2017</b>	<b>June 30, 2016</b>
<b>Assets</b>		
Current and other assets	\$ 1,192,853	\$ 1,197,204
Capital assets, net of accumulated depreciation	1,578,358	1,340,566
Total Assets	2,771,211	2,537,770
Pension Related Deferrals	3,597,262	844,752
Total Assets and Deferred Outflows	6,368,473	3,382,522
<b>Liabilities</b>		
Current liabilities	764,675	742,956
Noncurrent liabilities	10,646,757	7,193,300
Total Liabilities	11,411,432	7,936,256
Pension Related Deferrals	213,796	365,469
Total Liabilities and Deferred Inflows	11,625,228	8,301,725
<b>Net Position</b>		
• Net Investment in Capital Assets	971,067	642,052
Restricted for:		
Student Activities	154,632	140,538
Grant Fund	-	51,591
Debt Service	196,475	195,558
Unrestricted	(6,578,929)	(5,948,942)
Total Net Position	\$ (5,256,755)	\$ (4,919,203)

**Jefferson School District 14J, Marion County Oregon  
Management's Discussion and Analysis**

**District Changes in Net Position**

The statement of activities information shown on the following pages explains changes in net position for the fiscal year ended 2017.

**Changes in Net Position**

	<b>Governmental Activities</b>	
	<b>June 30, 2017</b>	<b>June 30, 2016</b>
<b>Program Revenues</b>		
Charges for Services	\$ 317,397	\$ 331,525
Operating Grants and Contributions	937,472	794,406
Total program revenues	<u>1,254,869</u>	<u>1,125,931</u>
<b>General Revenues</b>		
Property taxes	2,079,361	2,003,657
State school fund - general support	7,042,580	6,788,944
Unrestricted Intermediate and Local Sources	170,936	235,069
Earnings on Investments	21,886	12,019
Total general revenues	<u>9,314,763</u>	<u>9,039,689</u>
Total revenues	<u>10,569,632</u>	<u>10,165,620</u>
<b>Program Expenses</b>		
Instruction	6,235,721	6,130,341
Support Services	3,683,666	3,752,637
Community Services	534,793	511,949
Interest on long-term debt	453,004	403,278
Total program expenses	<u>10,907,184</u>	<u>10,798,205</u>
<b>Change in net position</b>	(337,552)	(632,585)
<b>Net position - beginning of year, as restated</b>	<u>(4,919,203)</u>	<u>(4,286,618)</u>
<b>Net position - end of year</b>	<u><u>\$ (5,256,755)</u></u>	<u><u>\$ (4,919,203)</u></u>

**Revenues**

The District's mission is to provide a free and appropriate public education for Kindergarten through Twelfth Grade students within its boundaries, the District may not charge for its core services. As expected, therefore, general revenues provide 88% of the funding required for governmental programs. Property taxes and State school fund combined for 98% of general revenues and 86% of total revenues.

**Jefferson School District 14J, Marion County Oregon  
Management's Discussion and Analysis**

Charges for services are only 3% of total revenues and are composed of the following items for which it is appropriate that the District charge tuition or fees:

• Food services charges for lunch and breakfast	\$ 72,560
• Various Student Extra-curricular Activities	244,837
Total fees and charges for services	317,397

Operating grants and contributions represent 8% of total revenues. Included in this category are amounts for grants and contributions to support various educational activities.

**Expenses**

Expenses related to governmental activities are presented in several broad functional categories. Costs of direct classroom instruction activities account for 57% of the total expenses of \$10,907,184. In addition, approximately 34% of the total costs are for supporting services related to students, instructional staff and school administration.

**Financial Analysis of the District's Funds**

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

**Government Funds**

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$647,308.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned ending fund balance of the General Fund was \$384,580.

**General Fund Budgetary Highlights**

There were no significant amendments to the 2016-2017 budget documents.

**Capital Asset and Debt Administration**

**Capital assets** - The District's investment in capital assets for its governmental activities as of June 30, 2017 amounts to \$5,450,651. This investment in capital assets includes land, buildings, building improvements, machinery, and equipment. The total accumulated depreciation related to the District's investment in capital assets for the current fiscal year was \$3,872,293.



**Jefferson School District 14J, Marion County Oregon**  
**Management's Discussion and Analysis**

**Long-term debt** - At the end of the current fiscal year, the District had total debt outstanding of \$5,513,402. This amount is comprised of a limited tax pension obligation bond, a Certificate of Participation, an Oregon Department of Energy Small Energy Loan Program (SELP) loan, Early Retirement liability and Other Post Employment Benefits. The District's total debt decreased by \$345,764 during the current fiscal year.

**Economic Factors and Next Year's Budgets**

- It is anticipated that the costs of providing medical insurance coverage to employees will continue to rise.
- Local enrollment is expected to stay level over the next several years.
- PERS costs for the next year will increase 4-5% and are expected to continue to increase for the following two or three biennium.

All of these factors were considered in preparing the District's budget for fiscal year 2017-2018.

The ending General Fund balance of \$384,580 will be available for program resources in fiscal year 2017-2018.

**Request for Information**

This financial report is designed to provide a general overview of the Jefferson School District's finances for all those with an interest in the school district's finances. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the Superintendent, Kent Klewitz 1328 N 2<sup>nd</sup> St, Jefferson, Oregon, 97352

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**This Page Intentionally Left Blank**

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**STATEMENT OF NET POSITION**  
**June 30, 2017**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Investments	\$ 764,130
Receivables	330,860
Property Taxes Receivable	97,863
Capital Assets - Nondepreciable	843,987
Capital Assets - Depreciable, Net of Accumulated Depreciation	<u>734,371</u>
Total Assets	2,771,211
<b>Deferred Outflows of Resources</b>	
Pension Related Deferrals	<u>3,597,262</u>
Total Assets and Deferred Outflows	<u>6,368,473</u>
<b>Liabilities</b>	
Accrued Payroll Liabilities	460,330
Net Pension Liability	5,377,729
Accrued Vacation Payable	59,971
Long-Term Debt Due Within One Year	244,374
Long-Term Liabilities:	
Long-Term Debt Due in More Than One Year	<u>5,269,028</u>
Total Liabilities	11,411,432
<b>Deferred Inflows of Resources</b>	
Pension Related Deferrals	<u>213,796</u>
Total Liabilities and Deferred Inflows	<u>11,625,228</u>
<b>Net Position</b>	
Net Investment in Capital Assets	971,067
Restricted for:	
Student Activities	154,632
Debt Service	196,475
Unrestricted	<u>(6,578,929)</u>
Total Net Position	<u><u>\$ (5,256,755)</u></u>

See accompanying notes to basic financial statements.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Instruction	\$ 6,235,721	\$ 153,429	\$ 281,456	\$ (5,800,836)
Support Services	3,683,666	91,408	250,851	(3,341,407)
Community Services	534,793	72,560	405,165	(57,068)
Interest on Long-Term Debt	453,004	-	-	(453,004)
Total Governmental Activities	<u>\$ 10,907,184</u>	<u>\$ 317,397</u>	<u>\$ 937,472</u>	<u>\$ (9,652,315)</u>
General Revenues:				
				2,079,361
Property Taxes				7,042,580
State Support				170,936
Unrestricted Intermediate and Local Sources				21,886
Earnings on Investments				<u>9,314,763</u>
Total General Revenues				<u>9,314,763</u>
Change in Net Position				(337,552)
Net Position – Beginning				<u>(4,919,203)</u>
Net Position – Ending				<u>\$ (5,256,755)</u>

See accompanying notes to basic financial statements.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**FUND FINANCIAL STATEMENTS**

**This Page Intentionally Left Blank**

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	GENERAL FUND	SPECIAL REVENUE FUND	ASB FUND	DEBT SERVICE FUND	CAPITAL FUND	TOTALS
<b>ASSETS:</b>						
Cash and Investments	\$ 413,023	\$ -	\$ 154,632	\$ 196,475	\$ -	\$ 764,130
Receivables:						
Taxes	97,863	-	-	-	-	97,863
Accounts	43,955	286,905	-	-	-	330,860
Due From Other Funds	375,284	-	-	-	-	375,284
<b>Total Assets</b>	<b>\$ 930,125</b>	<b>\$ 286,905</b>	<b>\$ 154,632</b>	<b>\$ 196,475</b>	<b>\$ -</b>	<b>\$ 1,568,137</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:</b>						
<b>Liabilities:</b>						
Due to Other Funds	\$ -	\$ 289,573	\$ -	\$ -	\$ 85,711	\$ 375,284
Accrued Payroll Liabilities	460,330	-	-	-	-	460,330
<b>Total Liabilities</b>	<b>460,330</b>	<b>289,573</b>	<b>-</b>	<b>-</b>	<b>85,711</b>	<b>835,614</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable Revenue-Property Taxes	85,215	-	-	-	-	85,215
<b>Fund Balance:</b>						
Restricted for:						
Student Activities	-	-	154,632	-	-	154,632
Debt Service	-	-	-	196,475	-	196,475
Assigned	-	-	-	-	(85,711)	(85,711)
Unassigned	384,580	(2,668)	-	-	-	381,912
<b>Total Fund Balance</b>	<b>384,580</b>	<b>(2,668)</b>	<b>154,632</b>	<b>196,475</b>	<b>(85,711)</b>	<b>647,308</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 930,125</b>	<b>\$ 286,905</b>	<b>\$ 154,632</b>	<b>\$ 196,475</b>	<b>\$ -</b>	<b>\$ 1,568,137</b>

See accompanying notes to basic financial statements.



MARION COUNTY, OREGON

**RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
June 30, 2017**

---

Total Fund Balances

Amounts reported for governmental activities in the Statement of Net  
Position are different because:

\$ 647,308

The Net Pension Asset (Liability) is the difference between the total pension liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries.

(5,377,729)

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

3,597,262

Deferred Inflows

(213,796)

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

Capital Assets, net

1,578,358

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unearned in the funds.

85,215

Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.

These liabilities consist of:

Compensated Absences Payable

(59,971)

Other Post Employment Obligation

(46,990)

Early Retirement Obligation

(134,438)

Loans Payable

(567,291)

Bonds Payable

(4,764,683)

(5,573,373)

Total Net Position

\$ (5,256,755)

See accompanying notes to basic financial statements.

**MARION COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017**

	GENERAL	SPECIAL REVENUE FUND	ASB FUND	DEBT SERVICE	CAPITAL FUND	TOTALS
REVENUES:						
Local Sources	\$ 2,127,349	\$ 105,832	\$ 193,337	\$ 658,346	\$ -	\$ 3,084,864
Intermediate Sources	57,374	94,324	-	-	-	151,698
State Sources	6,762,246	147,976	-	-	132,358	7,042,580
Federal Sources	774	936,698	-	-	-	937,472
Total Revenues	<u>8,947,743</u>	<u>1,284,830</u>	<u>193,337</u>	<u>658,346</u>	<u>132,358</u>	<u>11,216,614</u>
EXPENDITURES:						
Instruction	5,175,323	653,245	170,243	-	-	5,998,811
Support Services	3,370,279	203,630	-	-	-	3,573,909
Enterprise and Community Services	-	565,935	-	-	-	565,935
Facilities Acquisition and Construction	-	-	-	-	259,995	259,995
Capital Outlay	104,962	-	-	-	-	104,962
Debt Service	45,490	-	-	699,430	-	744,920
Total Expenditures	<u>8,696,054</u>	<u>1,422,810</u>	<u>170,243</u>	<u>699,430</u>	<u>259,995</u>	<u>11,248,532</u>
Excess of Revenues Over, (Under) Expenditures	251,689	(137,980)	23,094	(41,084)	(127,637)	(31,918)
OTHER FINANCING SOURCES, (USES):						
Transfers In	-	204,500	-	42,001	-	246,501
Transfers Out	(237,501)	-	(9,000)	-	-	(246,501)
Total Other Financing Sources, (Uses)	<u>(237,501)</u>	<u>204,500</u>	<u>(9,000)</u>	<u>42,001</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	14,188	66,520	14,094	917	(127,637)	(31,918)
Beginning Fund Balance	<u>370,392</u>	<u>(69,188)</u>	<u>140,538</u>	<u>195,558</u>	<u>41,926</u>	<u>679,226</u>
Ending Fund Balance	<u>\$ 384,580</u>	<u>\$ (2,668)</u>	<u>\$ 154,632</u>	<u>\$ 196,475</u>	<u>\$ (85,711)</u>	<u>\$ 647,308</u>

See accompanying notes to basic financial statements.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2017**

---

Net Change in Fund Balance \$ (31,918)

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

The 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. (860,173)

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Asset Additions	\$ 364,957	
Depreciation Expense	<u>(127,165)</u>	237,792

Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position. This is the amount by which proceeds exceeded repayments:

Debt Principal Repaid		279,239
OPEB Adjustment		12,677

Compensated absences and early retirement obligations are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences and early retirement obligations are recognized as an expenditure when earned.

Compensated Absences		(16,100)
Early Retirement, Net		53,848

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds, and are instead recorded as unearned revenue. They are, however, recorded as revenues in the Statement of Activities. (12,917)

Change in Net Position \$ (337,552)

See accompanying notes to basic financial statements.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**This Page Intentionally Left Blank**

**JEFFERSON SCHOOL DISTRICT 14J**  
**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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

**A. THE FINANCIAL REPORTING ENTITY**

Jefferson School District 14J (the District) is a municipal corporation governed by an elected Board of Directors. It was organized under provisions of Oregon Statutes Chapter 332 for the purpose of operating elementary and secondary schools. As required by generally accepted accounting principles, all activities have been included in these basic financial statements.

The District qualifies as a primary government since it has a separately elected governing board, is a legally separate entity, and is fiscally independent. There are various governmental agencies and special service districts which provide services. However, the District is not financially accountable for any of these entities and therefore, none of them are considered component units or included in these basic financial statements, in accordance with GASB 61.

Component Units, as established by the Governmental Accounting Standards Board (GASB) Statement 61, are separate organizations that are included in the District's reporting because of the significance of their operational or financial relationships. There are no component units.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and Statements of Activities display information about the District as a whole.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions." For this purpose property taxes are recognized in the year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the 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 on 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 funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (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.

**GOVERNMENTAL FUND TYPES**

Governmental funds are used to account for the 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. Property tax revenue and proceeds from sale of property are not considered available and, therefore, are not recognized until received. For this purpose, revenues are considered available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, interfund transactions, pension costs, certain compensated absences, OPEB obligations and claims and judgments which are not recognized as expenditures because they will be liquidated with future expendable financial resources.

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.

Financial operations are accounted for in the following major funds:

**GENERAL FUND**

The General Fund accounts for all financial resources and expenditures, except those required to be accounted for in another fund. The principal revenue sources are property taxes and an apportionment from the State of Oregon School Support Fund.

**SPECIAL REVENUE FUND**

This Special Revenue Fund accounts for specific revenue sources that are legally restricted to expenditures for specific purposes.

**ASB FUND**

The ASB Fund accounts for all student body activities.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

**DEBT SERVICE FUND**

The Debt Service Fund accounts for the payment of principal and interest of the general obligation bonds. The principal source of revenue is property taxes.

**CAPITAL FUND**

The Capital Fund receives money from debt proceeds. The funds are used for capital improvement projects.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

Property taxes and interest are considered to be susceptible to accrual. Principal and interest on general long-term debt and claims and judgments are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources. Post employment benefits are expensed when paid rather than when incurred.

**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**

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; therefore, no allowance for uncollectible taxes 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.

**SUPPLY INVENTORIES AND PREPAID ITEMS**

School food and other cafeteria supplies are stated at average invoice cost. Commodities purchased from the United States Department of Agriculture in the Food Service Fund are included in inventories at USDA wholesale value. Inventory is accounted for based on the purchase method for the budgetary statements, and on the consumption method, charged to expense when used, for the government-wide financial statements. Donated commodities consumed during the year are reported as revenues and expenditures. The amount of unused donated commodities and supply inventories at the balance sheet date are considered immaterial by



**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

management for reporting purposes. Prepaid assets are recognized as expenditures when their benefits are realized. There were no prepaid items at year end.

**D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY**

**ACCOUNTS AND OTHER RECEIVABLES**

Accounts and other receivables are comprised primarily of claims for reimbursement of costs under various federal, state and local grants.

**GRANT ACCOUNTING**

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 are recorded as unearned revenue on the statement of net position and the balance sheet.

**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. Interest incurred during construction is not capitalized. 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:

Machinery and equipment	5 years
Vehicles	10 years
Buildings and improvements	40 years

**COMPENSATED ABSENCES**

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as a long-term liability on the statement of net position. In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**LONG-TERM OBLIGATIONS**

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

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)**

**LONG-TERM OBLIGATIONS (CONTINUED)**

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 issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

**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 (expenditure) until then. At June 30, 2017 there were deferred outflows of \$3,597,262 representing pension related deferrals 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 two types of items which qualify for reporting in this category. The first item, unavailable revenue of \$85,215, 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. At June 30, 2017, there were also deferred inflows of \$213,796 in the Statement of Net Position representing pension related deferrals.

**NET POSITION**

Net position is comprised of 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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (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.
- 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 authority to classify portions of ending fund balance as Assigned is granted to the Superintendent and the Business Manager.
- 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.

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.

There were no nonspendable or committed fund balances as of June 30, 2017.

**USE OF ESTIMATES**

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

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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)

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. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**BUDGETS**

A budget is prepared and legally adopted for all funds on the modified accrual basis of accounting in the main program categories required by Oregon Local Budget Law.

The budget process begins early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are generally published in spring with a public hearing being held approximately three weeks later. 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.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

Expenditure budgets are appropriated at the following levels for each fund:

**Level of Control**

Instruction  
Support Services  
Enterprise & Community Services  
Facilities Acquisition and Construction  
Operating Contingency  
Other Uses of Funds:   Debt Service  
                                  Interfund Transfers

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 budgetary financial statements reflect the original and final budget.

**Excess of Expenditures over Appropriations**

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2017.

**3. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis of accounting differs from generally accepted accounting principles. The budgetary basis statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The budgetary basis of accounting is substantially the same as generally accepted accounting principles in the United States of America, with the exceptions that capital outlay expenditures are expensed when purchased, depreciation is not calculated, inventories of supplies are budgeted as expenditures when purchased, property taxes are recorded as revenue when received instead of when levied, compensated absences and post-employment benefits are expensed when paid rather than when incurred, pension costs are not recorded until paid, and principle payments and proceeds on long-term debt are recorded as revenues when received and expenditures when paid.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**4. CASH AND INVESTMENTS**

Cash management policies are governed by state statutes. Statutes authorize investing in banker's acceptances, time certificates of deposit, commercial paper, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

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 Cash and Investments or amounts Due to Other Funds.

In addition, cash is separately held by some of the funds.

Cash and Investments at June 30, 2017 (recorded at fair value) consisted of:

Deposits With Financial Institutions:	<u>2017</u>
Demand Deposits	\$118,006
Investments	<u>646,124</u>
Total	<u><u>\$764,130</u></u>

**DEPOSITS**

Deposits with financial institutions include bank demand deposits. The total bank balance per the bank statements as of June 30, 2017 was \$313,058, of which \$250,000 was covered by federal depository insurance and remainder was collateralized by the Oregon Public Funds Collateralization Program (PFCP). Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

**Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. All deposits were either FDIC insured or collateralized.

**INVESTMENTS**

Policy is to follow state statutes governing cash management. Statutes authorize investing in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**4. CASH AND INVESTMENTS (CONTINUED)**

**INVESTMENTS (CONTINUED)**

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 fund appears to be in compliance with all portfolio guidelines at June 30, 2017. 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, 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	\$ 646,124	\$ 646,124	\$ -	\$ -
Total	<u>\$ 646,124</u>	<u>\$ 646,124</u>	<u>\$ -</u>	<u>\$ -</u>

Investments in the State Treasurer's Local Government Investment Pool cannot be classified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

**Interest Rate Risk**

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 three months.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**4. CASH AND INVESTMENTS (CONTINUED)**

**INVESTMENTS (Continued)**

Credit Risk - Investments

Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Concentration of Credit Risk

At June 30, 2017, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

**5. CAPITAL ASSETS**

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

	Governmental Capital Assets <u>7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	Governmental Capital Assets <u>6/30/2017</u>
Capital Assets Not Being Depreciated:				
Land	\$ 552,331	\$	\$	\$ 552,331
Construction in Progress	<u>-</u>	<u>291,656</u>	<u>-</u>	<u>291,656</u>
Total Capital Assets Not Being Depreciated	<u>552,331</u>	<u>291,656</u>	<u>-</u>	<u>843,987</u>
Capital Assets Being Depreciated:				
Buildings & Improvements	4,347,009	44,200	-	4,391,209
Equipment	<u>186,354</u>	<u>29,101</u>	<u>-</u>	<u>215,455</u>
Total Capital Assets Being Depreciated	<u>4,533,363</u>	<u>73,301</u>	<u>-</u>	<u>4,606,664</u>
Accumulated Depreciation				
Buildings & Improvements	3,609,969	122,887	-	3,732,856
Equipment	<u>135,159</u>	<u>4,278</u>	<u>-</u>	<u>139,437</u>
Total Accumulated Depreciation	<u>3,745,128</u>	<u>\$ 127,165</u>	<u>\$ -</u>	<u>3,872,293</u>
Capital Assets, Net	<u>\$ 1,340,566</u>			<u>\$ 1,578,358</u>



**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. CAPITAL ASSETS (CONTINUED)**

Depreciation was allocated to the functions as follows:

Instruction	\$ 95,374
Support Services	25,433
Community Services	<u>6,358</u>
 Total	 <u><u>\$ 127,165</u></u>

**6. LONG-TERM OBLIGATIONS**

The following is a summary of long-term liabilities transactions for the year ended June 30, 2017:

	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2017</u>	<u>Balances Due Within One Year</u>
Governmental Activities							
PERS Bond 2003	2.03-6.27%	\$6,818,701	\$4,912,699	\$ -	\$188,016	\$4,724,683	\$ 186,436
2007A Flex Fund Certificate of Participation	3.70-4.05%	295,000	35,000	-	35,000	-	-
2012C Flex Fund Certificate of Participation	0.50-3.00%	77,000	48,000	-	8,000	40,000	8,000
DOE Cool Schools Loan	3.50%	803,659	615,514	-	48,223	567,291	49,938
OPEB - Health Benefits	n/a	-	59,667	-	12,677	46,990	-
Early Retirement	n/a	-	188,286	-	53,848	134,438	-
 Total governmental activities		<u><u>\$7,994,360</u></u>	<u><u>\$5,859,166</u></u>	<u><u>\$ -</u></u>	<u><u>\$345,764</u></u>	<u><u>\$5,513,402</u></u>	<u><u>\$ 244,374</u></u>

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**6. LONG-TERM OBLIGATIONS (CONTINUED)**

Future Maturities of Long-Term Liabilities for the PERS Bond and Flex Fund Certificates are:

Year ending June 30	Bond		OR Dept of Energy		Certificate of Participation 2012	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 186,436	\$ 473,994	\$ 49,938	\$ 19,062	\$ 8,000	\$ 944
2019	184,184	506,246	51,714	17,286	8,000	800
2020	183,544	541,886	53,511	15,489	8,000	640
2021	182,123	578,307	55,456	13,544	8,000	450
2022	182,284	618,146	57,429	11,571	8,000	240
2023-27	3,366,112	1,230,652	299,243	25,822	-	-
2028	440,000	24,992	-	-	-	-
Total	<u>\$ 4,724,683</u>	<u>\$ 3,974,223</u>	<u>\$ 567,291</u>	<u>\$102,774</u>	<u>\$ 40,000</u>	<u>\$ 3,074</u>

**Limited Tax Pension Obligation Bond**

The OSBA Pension Bond Pool was participated in for the purpose of funding the District's allocated portion of the PERS Unfunded Actuarial Liability (UAL). A bond in the amount of \$6,818,701 was issued on April 21, 2003. The bond is being amortized over 26 years. Interest rates are fixed and range between 2.03% and 6.27%. Interest is due semi-annually on June 30 and December 31. Debt service on bond principal and interest is paid from the Debt Service Fund.

**Certificates of Participation**

The certificate of participation was issued to purchase capital assets. Interest rates are fixed and range between 3.7% and 4.05%. Interest is due semi-annually on June 30 and December 31. The Debt Service Fund has traditionally been used to liquidate long-term debt. On October 30, 2012 another certificate of participation was issued to purchase capital assets. Interest rates are fixed and range between .5% and 3%. Interest is due semi-annually on June 30 and December 31.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**6. LONG-TERM OBLIGATIONS (CONTINUED)**

**Oregon Department of Energy Cool Schools Loan**

The cool schools loan was issued to provide funds for the acquisition, construction and equipping of "small scale local energy projects." The original amount of the loan is \$803,659 at 3.5% interest and is received on a reimbursement only basis. At June 30, 2017, \$567,291 was outstanding.

**7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Health Insurance**

A single employer 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.

**Funding Policy** - The benefits from this program are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is no obligation to fund these benefits in advance.

**Annual OPEB Cost and Net OPEB Obligation** - The annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance within 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) over a period not to exceed thirty years.

The following table shows the components of the projected OPEB obligation:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 19,934	\$ 25,824	\$ 142,339
Interest on net pension obligation	997	1,291	-
Adjustment to annual required contribution	<u>33,799</u>	<u>(1,102)</u>	<u>-</u>
 Annual pension cost (APC)	 54,730	 26,013	 142,339
Contributions made	<u>(67,407)</u>	<u>(59,058)</u>	<u>(72,695)</u>
 Increase in net pension obligation	 (12,677)	 (33,045)	 69,644
Net Pension Obligation (Asset) at beginning of year	<u>59,667</u>	<u>92,712</u>	<u>23,068</u>
Net Pension Obligation (Asset) at end of year	<u>\$ 46,990</u>	<u>\$ 59,667</u>	<u>\$ 92,712</u>

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

As of June 30, 2017, the District elected to perform its own actuarial valuation of future OPEB obligations under GASB 45's Alternative Measurement Method. The liability reported was determined using simplified actuarial calculations as of that date.

**Early Retirement Plan**

The district also provides an early retirement stipend. Payments are charged to the financial records on a pay-as-you-go basis.

**Actuarial Methods and Assumptions** – The annual required contribution (ARC) for the current year was determined as part of the district's June 30, 2017 actuarial valuation using the Alternative Measurement Method described in GASB 45, due to the limited number of participants in the plan. The objective of this method is to allocate on a level dollar basis the actual economic pattern of benefit accrual over an employee's working lifetime. The actuarial assumptions included an interest rate for discounting future liabilities of 5% compounded annually. The report assumed that health costs will increase according to paragraph 35b of GASB Statement No. 45.

**Funding Status and Funding Progress** – As of June 30, 2017, the plan was 6% funded. The actuarial accrued liability for benefits was \$427,592, and the actuarial value of assets was \$26,982, resulting in an unfunded actuarial accrued liability (UAAL) of \$400,610. The covered payroll is unavailable.

The projected Early Retirement Obligation for the District is \$134,438 for the year ending June 30, 2017.

**8. DEFINED BENEFIT 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:

<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

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.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**8. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

- 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.
- 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.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**8. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Plan Description (Continued)**

- 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, 2013 actuarial valuation, which became effective July 1, 2015. 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, 2017 were \$759,913, excluding amounts to fund employer specific liabilities. In addition, approximately \$299,809 in employee contributions were paid by the District during 2016-17.

**Pension Asset or Liability**

At June 30, 2017, the District reported a net pension liability of \$5,377,729 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the District's proportion was .036 percent.

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 177,919	\$ -
Changes in assumptions	1,146,940	-
Net difference between projected and actual earnings on pension plan investments	1,062,414	-
Net changes in proportionate share and differences between District contributions and proportionate share of contributions	<u>450,076</u>	<u>(213,796)</u>
Subtotal - Amortized deferrals (below)	2,837,349	(213,796)
District contributions subsequent to measurement date	<u>759,913</u>	<u>-</u>
Net deferred outflow (inflow) of resources	<u>\$ 3,597,262</u>	<u>\$ (213,796)</u>

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**8. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Funding Policy**

Subtotal amounts related to pension as deferred outflows of resources, \$2,837,349, and deferred inflows of resources, (\$213,796), net to \$2,623,553 and will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 488,020
2019	488,020
2020	875,274
2021	670,233
2022	102,006
Thereafter	<u>-</u>
Total	<u>\$ 2,623,553</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated February 8, 2017. Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

**Actuarial Valuations**

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

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**8. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Actuarial Valuations (Continued)**

Actuarial Methods and Assumptions:

Valuation date	December 31, 2014 rolled forward to June 30, 2016
Experience Study Report	2014, Published September 2015
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 (reduced from 2.75%)
Investment rate of return	7.50 percent (reduced from 7.75%)
Projected salary increase	3.50 percent overall payroll growth; salaries for individuals are assumed to grow at 3.50 percent plus assumed rates of merit/longevity increases based on service (reduced from 3.75%). For COLA, a blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB (changed from Scale AA), with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males and 95% for females; changed from 65% for males and 90% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table (changed from static combined disabled mortality sex-distinct table).



**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**8. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Actuarial Valuations (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 2014 Experience Study which is reviewed for the four-year period ending December 31, 2014.

**Discount Rate**

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

**Assumed Asset Allocation:**

<b>Asset Class/Strategy</b>	<b>Low Range</b>	<b>High Range</b>	<b>OIC Target</b>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100%

*Source: June 30, 2014 PERS CAFR; p. 54 – 55)*

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**8. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Actuarial Valuations (Continued)**

**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 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. 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.

<b>Asset Class</b>	<b>Target</b>	<b>Compound Annual Return (Geometric)</b>
Core Fixed Income	7.20%	4.50%
Short-term Bonds	8.00%	3.70%
Intermediate-Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equity	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	7.71%	6.07%
<i>Assumed Inflation</i>		2.75%

*Source: June 30, 2014 PERS CAFR; p. 54 – 55)*

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**8. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

	<u>(6.50%)</u>	<u>(7.50%)</u>	<u>(8.50%)</u>
District's proportionate share of the net pension liability (asset)	\$ 8,683,239	\$ 5,377,729	\$ 2,614,901

**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.

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016. The actuarial effect of this change on the net pension liability has not yet been determined.

As reflected in the December 31, 2014 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions passed by the 2013 Oregon Legislature, which increased the benefits projected to be paid by Employers compared to those previously developed and consequently increased plan liabilities. The employers' projected long-term contribution effort reflects the estimated impact of the Moro Decision. Following the completion of the December 31, 2014 actuarial valuation, the PERS Board adopted several assumption changes, including lowering the investment return assumption from 7.75% to 7.50%.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**8. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Individual Account Program**

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive OPERS members who return to employment following a six month or greater break in service. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS' members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account. Those employees who had established an OPERS membership prior to the creation of OPSRP will be members of both the OPERS and OPSRP system as long as they remain in covered employment. Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan which is invested in the IAP.

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

<http://www.oregon.gov/pers/EMP/Documents/GASB/2014/GASB-Disclosure-Information.pdf>

**9. 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.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**10. COMMITMENTS AND CONTINGENCIES**

A substantial portion of operating funding is received from the State of Oregon. State funding is determined through state wide 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 operations cannot be determined.

There is participation in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The federal audits for these programs for the year ended June 30, 2017 have not been conducted. 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, if any, to be immaterial.

**11. TRANSFERS AND INTERFUND RECEIVABLE/PAYABLE**

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

	Transfers Out	Transfers In	Due From Other Funds	Due To Other Funds
General Fund	\$ 237,501	\$ -	\$ 375,284	\$ -
Special Revenue Fund	-	204,500	-	289,573
ASB Fund	9,000	-	-	-
Debt Service Fund	-	42,001	-	-
Capital Fund	-	-	-	85,711
Total	<u>\$ 246,501</u>	<u>\$ 246,501</u>	<u>\$ 375,284</u>	<u>\$ 375,284</u>

Transfers are made to finance operations between funds. Interfund balances represent cash advanced by the General Fund for operations.

**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. Commercial insurance is purchased to minimize exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

**13. SUBSEQUENT EVENT**

The District issued General Obligation Bonds for construction projects in the amount of \$14,345,768 on August 1, 2017. The interest rate varies between 2% and 4.20% and payments on principal will commence in the 2017-18 fiscal year and continue through June 15, 2047.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**14. TAX ABATEMENTS**

As of June 30, 2017, the District potentially had tax abatements through various state allowed programs that impacted levied taxes. Based on the information available from the county as of the date of issuance of these basic financial statements, there were no material abatements disclosed by the county for the year ended June 30, 2017 for any program covered under GASB 77.

**15. DEFICIT FUND BALANCES**

At fiscal year end, the Special Revenue Fund had a deficit fund balance of \$2,668 and the Capital Fund had a deficit fund balance of \$85,711. The District expects the fund balances to become positive in the next fiscal year through general fund transfers and the sale of bonds.

**This Page Intentionally Left Blank**

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION**



**This Page Intentionally Left Blank**

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

**Schedule of Employer Contributions for Healthcare Plan**

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2008	n/a*	n/a*	n/a*
06/30/2009	\$125,782	82%	\$23,068
06/30/2010	\$142,339	35%	\$92,712
06/30/2016	\$26,013	45%	\$59,667
06/30/2017	\$54,730	45%	\$46,990

\* Annual OPEB Costs are not available for fiscal years prior to the fiscal year ending June 30, 2009.

**Schedule of Funding Progress for Healthcare Plan**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>AAL</u>	<u>UAAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
10/01/2008	\$0	\$997,481	\$997,481	0%	n/a	n/a
6/30/2016	\$0	\$527,380	\$527,380	0%	n/a	n/a
6/30/2017	\$0	\$427,592	\$427,592	0%	n/a	n/a

**Schedule of Employer Contributions for Early Retirement Plan**

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2008	n/a*	n/a*	n/a*
06/30/2009	\$78,412	29%	\$272,243
06/30/2010	\$49,969	28%	\$177,606
06/30/2016	\$67,541	36%	\$188,286
06/30/2017	\$58,715	44%	\$134,438

\* Annual OPEB Costs are not available for fiscal years prior to the fiscal year ending June 30, 2009.

**Schedule of Funding Progress for Early Retirement Plan**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>AAL</u>	<u>UAAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
10/01/2008	\$0	n/a	n/a	0%	n/a	n/a
6/30/2016	\$0	\$188,286	\$188,286	0%	n/a	n/a
6/30/2017	\$0	\$134,438	\$134,438	0%	n/a	n/a

*GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, will be implemented for fiscal year 2017-18.*

JEFFERSON SCHOOL DISTRICT NO. 14J  
MARION COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

At June 30, 2017

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
2017	0.036 %	\$ 5,377,729	\$ 4,807,906	111.9 %	80.5 %
2016	0.028	1,613,373	4,592,070	35.1	91.9
2015	0.028	(627,605)	4,496,461	(14.0)	103.6
2014	0.028	1,412,953	4,167,312	33.9	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

	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
2017	\$ 759,913	\$ 759,913	\$ -	\$ 4,980,241	15.3 %
2016	710,639	710,639	-	4,807,906	14.8
2015	612,059	612,059	-	4,592,070	13.3
2014	573,272	573,272	-	4,496,461	12.7

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.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

	<u>GENERAL FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources	\$ 2,013,955	\$ 2,013,955	\$ 2,127,349	\$ 113,394
Intermediate Sources	69,000	69,000	57,374	(11,626)
State Sources	6,852,184	6,852,184	6,762,246	(89,938)
Federal Sources	7,000	7,000	774	(6,226)
Total Revenues	<u>8,942,139</u>	<u>8,942,139</u>	<u>8,947,743</u>	<u>5,604</u>
EXPENDITURES:				
Instruction	5,285,163	5,235,163 (1)	5,175,323	59,840
Support Services	3,378,669	3,528,669 (1)	3,475,241	53,428
Debt Service	45,806	45,806 (1)	45,490	316
Operating Contingency	100,000	- (1)	-	-
Total Expenditures	<u>8,809,638</u>	<u>8,809,638</u>	<u>8,696,054</u>	<u>113,584</u>
Excess of Revenues Over, (Under)				
Expenditures	132,501	132,501	251,689	119,188
OTHER FINANCING SOURCES, (USES):				
Transfers In	5,000	5,000		(5,000)
Transfers Out	<u>(237,501)</u>	<u>(237,501) (1)</u>	<u>(237,501)</u>	<u>-</u>
Total Other Financing Sources, (Uses)	<u>(232,501)</u>	<u>(232,501)</u>	<u>(237,501)</u>	<u>(5,000)</u>
Net Change in Fund Balance	(100,000)	(100,000)	14,188	114,188
Beginning Fund Balance	<u>200,000</u>	<u>200,000</u>	<u>370,392</u>	<u>170,392</u>
Ending Fund Balance	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 384,580</u>	<u>\$ 284,580</u>

(1) Appropriation Level

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

<u>SPECIAL REVENUE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources	\$ 115,750	\$ 115,750	\$ 105,832	\$ (9,918)
Intermediate Sources	160,951	160,951	94,324	(66,627)
State Sources	36,777	36,777	147,976	111,199
Federal Sources	1,280,400	1,280,400	936,698	(343,702)
Total Revenues	<u>1,593,878</u>	<u>1,593,878</u>	<u>1,284,830</u>	<u>(309,048)</u>
EXPENDITURES:				
Instruction	816,607	716,607 (1)	653,245	63,362
Support Services	501,421	501,421 (1)	203,630	297,791
Enterprise and Community Service	513,850	613,850 (1)	565,935	47,915
Total Expenditures	<u>1,831,878</u>	<u>1,831,878</u>	<u>1,422,810</u>	<u>409,068</u>
Excess of Revenues Over, (Under) Expenditures	(238,000)	(238,000)	(137,980)	100,020
OTHER FINANCING SOURCES, (USES):				
Transfers In	204,500	204,500	204,500 (2)	-
Total Other Financing Sources, (Uses)	<u>204,500</u>	<u>204,500</u>	<u>204,500</u>	<u>-</u>
Net Change in Fund Balance	(33,500)	(33,500)	66,520	100,020
Beginning Fund Balance	<u>33,500</u>	<u>33,500</u>	<u>(69,188)</u>	<u>(102,688)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,668)</u>	<u>\$ (2,668)</u>

(1) Appropriation Level

(2) Included in this Transfer In is the required match of \$3,786 for National School Lunch Support.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

	<u>ASB FUND</u>			VARIANCE TO FINAL BUDGET
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Local Sources	<u>\$ 253,850</u>	<u>\$ 253,850</u>	<u>\$ 193,337</u>	<u>\$ (60,513)</u>
EXPENDITURES:				
Instruction	<u>282,500</u>	<u>282,500 (1)</u>	<u>170,243</u>	<u>112,257</u>
Excess of Revenues Over, (Under)				
Expenditures	<u>(28,650)</u>	<u>(28,650)</u>	<u>23,094</u>	<u>51,744</u>
OTHER FINANCING SOURCES, (USES):				
Transfers Out	<u>(9,000)</u>	<u>(9,000) (1)</u>	<u>(9,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>(37,650)</u>	<u>(37,650)</u>	<u>14,094</u>	<u>51,744</u>
Beginning Fund Balance	<u>37,650</u>	<u>37,650</u>	<u>140,538</u>	<u>102,888</u>
Ending Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 154,632</u></u>	<u><u>\$ 154,632</u></u>
(1) Appropriation Level				

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

<u>DEBT SERVICE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources	<u>\$ 1,722,030</u>	<u>\$ 1,722,030</u>	<u>\$ 658,346</u>	<u>\$ (1,063,684)</u>
EXPENDITURES:				
Debt Service	<u>1,699,431</u>	<u>1,699,431 (1)</u>	<u>699,430</u>	<u>1,000,001</u>
Excess of Revenues Over, (Under)				
Expenditures	22,599	22,599	(41,084)	(2,063,685)
OTHER FINANCING SOURCES, (USES):				
Loan Proceeds	28,500,000	28,500,000	-	28,500,000
Transfers In	42,001	42,001	42,001	-
Transfers Out	<u>(28,500,000)</u>	<u>(28,500,000) (1)</u>	<u>-</u>	<u>28,500,000</u>
Total Other Financing Sources, (Uses)	<u>42,001</u>	<u>42,001</u>	<u>42,001</u>	<u>57,000,000</u>
Net Change in Fund Balance	64,600	64,600	917	(63,683)
Beginning Fund Balance	<u>180,000</u>	<u>180,000</u>	<u>195,558</u>	<u>15,558</u>
Ending Fund Balance	<u><u>\$ 244,600</u></u>	<u><u>\$ 244,600</u></u>	<u><u>\$ 196,475</u></u>	<u><u>\$ (48,125)</u></u>

(1) Appropriation Level

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**

CAPITAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
State Sources	\$ 1,000,400	\$ 1,000,400	\$ 132,358	\$ (868,042)
Total Revenues	1,000,400	1,000,400	132,358	(868,042)
EXPENDITURES:				
Facilities Acquisition	\$ 29,495,400	\$ 29,495,400 (1)	\$ 259,995	\$ 29,235,405
Total Expenditures	29,495,400	29,495,400	259,995	29,235,405
Excess of Revenues Over, (Under)				
Expenditures	(28,495,000)	(28,495,000)	(127,637)	28,367,363
Other Financing Sources, (Uses):				
Transfers In	28,500,000	28,500,000	-	(28,500,000)
Transfers Out	(5,000)	(5,000) (1)	-	5,000
Total Other Financing Sources, (Uses)	28,495,000	28,495,000	-	(28,495,000)
Net Change in Fund Balance	-	-	(127,637)	(127,637)
Beginning Fund Balance	-	-	41,926	41,926
Ending Fund Balance	\$ -	\$ -	\$ (85,711)	\$ (85,711)

(1) Appropriation Level



**This Page Intentionally Left Blank**

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**SUPPLEMENTARY INFORMATION**

**This Page Intentionally Left Blank**

JEFFERSON SCHOOL DISTRICT 14J  
MARION COUNTY, OREGON

SCHEDULE OF BOND AND INTEREST TRANSACTIONS AND BALANCES  
For the Year Ended June 30, 2017

---

DATE OF ISSUE	MATURED BONDS & COUPONS OUTSTANDING July 1, 2016	BONDS & COUPONS MATURING DURING THE YEAR	BONDS REDEEMED AND COUPONS PAID DURING THE YEAR	MATURED BONDS & COUPONS OUTSTANDING June 30, 2017
6/30/2003	\$ -	\$ 699,430	\$ 699,430	\$ -
	<u>\$ -</u>	<u>\$ 699,430</u>	<u>\$ 699,430</u>	<u>\$ -</u>

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES**  
**OF TAXES UNCOLLECTED**  
**For the Year Ended June 30, 2017**

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/2016</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED 6/30/2017</u>
<u>MARION COUNTY</u>						
CURRENT:						
2016-17	\$ 1,983,683	52,472	(8,140)	658	1,881,458	\$ 42,271
PRIOR YEARS:						
2015-16	46,416	(27)	(4,157)	1,772	25,624	18,434
2014-15	21,027	(15)	(2,804)	1,705	8,456	11,487
2013-14	12,184	(3)	(2,710)	2,368	8,037	3,808
2012-13	4,646	-	(1,320)	1,143	3,227	1,242
2011-12 & Prior	6,683	-	(1,579)	854	1,165	4,793
Total Prior	90,956	(45)	(12,570)	7,842	46,509	39,764
Total Marion County	2,074,639	52,427	(20,710)	8,500	1,927,967	82,035
<u>LINN COUNTY</u>						
CURRENT:						
2016-17	158,997	4,107	(364)	79	149,342	5,263
PRIOR YEARS:						
2015-16	5,476	-	(191)	168	2,261	3,192
2014-15	3,258	-	(180)	164	900	2,342
2013-14	2,316	-	(224)	211	726	1,577
2012-13	1,425	-	(131)	119	339	1,074
2011-12 & Prior	1,033	-	1,366	43	62	2,380
Total Prior	13,508	-	640	705	4,288	10,565
Total Linn County	172,505	4,107	276	784	153,630	15,828
Total	\$ 2,247,144	\$ 56,534	\$ (20,434)	\$ 9,284	\$ 2,081,597	\$ 97,863
RECONCILIATION OF REVENUE:						GENERAL FUND
Cash Collections by County Treasurer Above						\$ 2,081,597
Accrual of Receivables:						
June 30, 2016						(6,332)
June 30, 2017						12,648
Taxes in lieu						(8,552)
Total Revenue						\$ 2,079,361

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**OTHER INFORMATION**

**This Page Intentionally Left Blank**

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**SUPPLEMENTAL INFORMATION**  
**As Required by The Oregon Department of Education**  
**For The Year Ended June 30, 2017**

---

<b>A.</b> Energy bills for heating - all funds:		<u>Objects 325 and 326</u>
	Function 2542	\$ 217,861
<b>B.</b> Replacement of equipment - General Fund:		
Include all General Fund expenditures in Object 542, except for the following exclusions:		<u>Amount</u>
Exclude these functions:		
1113, 1122 & 1132	Co-curricular activities	
1140	Pre-kindergarten	
1300	Continuing education	
1400	Summer school	
	Construction	\$ 44,200
	Pupil transportation	
	Food service	
	Community services	

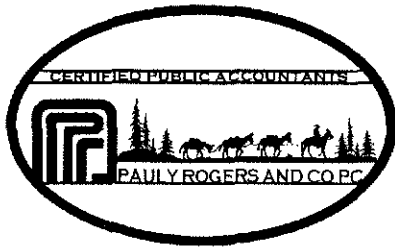


**This Page Intentionally Left Blank**

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS**

**This Page Intentionally Left Blank**



PAULY, ROGERS, AND CO., P.C.  
12700 SW 72<sup>nd</sup> Ave. Tigard, OR 97223  
(503) 620-2632 (503) 684-7523 FAX  
www.paulyrogersandcpcpas.com

September 6, 2017

### **Independent Auditors' Report Required by Oregon State Regulations**

We have audited the basic financial statements of the Jefferson School District 14J as of and for the year ended June 30, 2017, and have issued our report thereon dated September 6, 2017. 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 the 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 which included, but were not limited to the following:

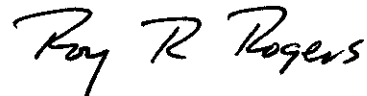
- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized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

In connection with our testing nothing came to our attention that caused us to believe the Jefferson School District 14J 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 control 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 control 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, flowing style.

ROY R. ROGERS, CPA  
PAULY, ROGERS AND CO., P.C.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**GRANT COMPLIANCE REVIEW**

**This Page Intentionally Left Blank**

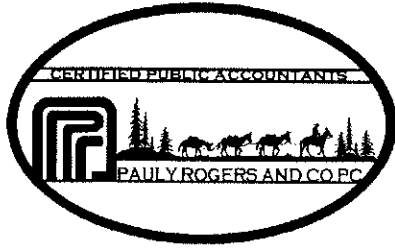
**JEFFERSON SCHOOL DISTRICT 14J  
MARION COUNTY, OREGON**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
As Required by The Oregon Department of Education  
For The Year Ended June 30, 2017**

<u>PROGRAM TITLE</u>	<u>PASS THROUGH ORGANIZATION</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH ENTITY NUMBER</u>	<u>EXPENDITURES</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Title I Grants to Local Educational Agencies	Oregon Department of Education	84.010	35996	\$ 310,036
Total Title I Grants to Local Education Agencies				<u>310,036</u>
Title III - Language Instruction	Oregon Department of Education	84.365	36333	9,841
Total Title III - Language Instruction				<u>9,841</u>
Title IIA - Teacher Quality	Oregon Department of Education	84.367	36193	-
Total Title IIA - Teacher Quality				<u>-</u>
Special Education Cluster	Oregon Department of Education	84.027	36882	122,395
SPR&I	Oregon Department of Education	84.027	37900	1,756
Enhancement	Oregon Department of Education	84.027	42670	4,244
Total Special Education Cluster				<u>128,395</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>448,272</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Child Nutrition Cluster:				
Donated Commodities (Non-Cash Assistance)	Oregon Department of Education	10.553/555		26,099
School Breakfast Program	Oregon Department of Education	10.553		129,455
National School Lunch Program	Oregon Department of Education	10.555		344,742
Summer Food	Oregon Department of Education	10.559		7,215
CACFP	Oregon Department of Education	10.558		27,729
NSLP Equipment	Oregon Department of Education	10.579		22,145
NSLP Equipment	Oregon Department of Education	10.579		31,661
Total Child Nutrition Cluster				<u>589,046</u>
NSLP Child Care Food				<u>-</u>
Federal Forest Fees		10.665		<u>774.00</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>589,820</u>
TOTAL GRANTS EXPENDED OR PASSED THROUGH TO SUBRECIPIENTS				<u>\$ 1,038,092</u>
Reconciliation to Federal Revenue Recognized:				
Federal Awards Expended			\$	1,038,092
Accruals / Deferrals				(100,620)
Federal Revenue Recognized			<u>\$</u>	<u>937,472</u>



**This Page Intentionally Left Blank**



PAULY, ROGERS, AND CO., P.C.  
12700 SW 72<sup>nd</sup> Ave. Tigard, OR 97223  
(503) 620-2632 (503) 684-7523 FAX  
www.paulyrogersandcpcpas.com

September 6, 2017

To the Board of Directors  
Jefferson School District 14J  
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, and each major fund of Jefferson School District 14J (the District) as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated September 6, 2017.

**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.

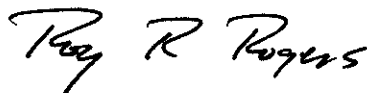
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

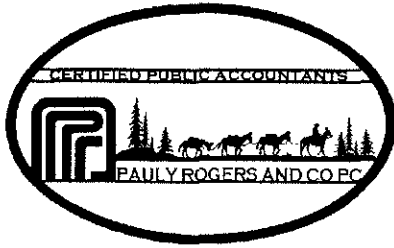
As part of obtaining reasonable assurance about whether the basic financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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.

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

ROY R. ROGERS, CPA  
PAULY, ROGERS AND CO., P.C.



PAULY, ROGERS, AND CO., P.C.  
12700 SW 72<sup>nd</sup> Ave. Tigard, OR 97223  
(503) 620-2632 (503) 684-7523 FAX  
www.paulyrogersandcpcpas.com

September 6, 2017

To the Board of Directors  
Jefferson School District 14J  
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 Jefferson School District 14J'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, 2017. 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, Jefferson School District 14J 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, 2017.

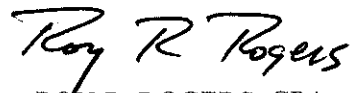
## Report on Internal Control Over Compliance

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.

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

---

**SECTION I – SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of Auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified that are not  
considered to be material weaknesses

\_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

Any GAGAS audit findings disclosed that are required to be reported in  
accordance with the Uniform Guidance?

\_\_\_\_\_ Yes      X   No

**FEDERAL AWARDS**

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified that are not  
considered to be material weaknesses

\_\_\_\_\_ Yes      X   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      X   No

**IDENTIFICATION OF MAJOR PROGRAMS**

**CFDA NUMBER**

**NAME OF FEDERAL PROGRAM CLUSTER**

84.010

Title 1A

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

  X   Yes    \_\_\_\_\_ No

**JEFFERSON SCHOOL DISTRICT 14J**  
**MARION COUNTY, OREGON**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

---

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**

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.