

JEFFERSON SCHOOL DISTRICT NO. 14J
MARION COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018



12700 SW 72nd Ave.
Tigard, OR 97223

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2018

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JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

BOARD OF DIRECTORS 2017-18

BOARD OF DIRECTORS

TERM EXPIRES

Melissa LaCrosse, Chair	June 30, 2019
Terry Kamlade, Vice Chair	June 30, 2021
Kaye Jones	June 30, 2019
Dewey Robbins	June 30, 2021
Tracy Roe	June 30, 2021

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

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

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JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

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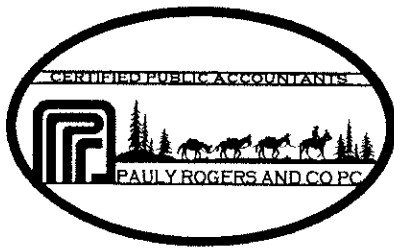
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December 4, 2018

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, 2018, 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.

Basis for Qualified Opinion

Management has not obtained an actuarial valuation of the post-employment benefit obligation related to the implicit healthcare subsidy and stipends in accordance with GASB 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require that actuarially determined annual required contributions related to postemployment benefits, other than retirement benefits, attributable to employee services already rendered be recorded as expenses as employees earn the benefits, which, if not funded, would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect net position, liabilities and expenses of the governmental activities is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of not providing an actuarially determined liability for other postemployment benefits as described in the preceding paragraph, 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 the Jefferson School District 14J as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 stipends or management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal 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 December 4, 2018 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 December 4, 2018, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



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

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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, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- As of June 30, 2018 the net position of Jefferson School District 14J amounted to \$(4,773,815). Of this amount \$(13,346,787) was invested in capital assets, net of related debt. The remaining balance included \$120,202 restricted for debt service, \$166,208 restricted for student activities, and an unrestricted net position of \$8,286,562.
- At June 30, 2018 the District's governmental funds reported combined ending fund balances of \$16,035,090, an increase of \$15,387,782.
- At June 30, 2018 the principal amount of the Series 2017 GO Bond 2017 outstanding amount was \$14,200,768
- At June 30, 2018 the principal amount of Series 2003 PERS Pension Bond outstanding was \$4,538,247.
- At June 30, 2018 the principal amount of the Department of Energy Cool Schools Loan outstanding was \$517,353.
- At June 30, 2018 the principal amount of the 2012 Certificate of Participation outstanding was \$32,000.

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 36 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 General Fund and Special Revenue Fund. This required supplementary information can be found on pages 37 through 40 of this report.

The Schedule of Bond and Interest Transactions and Balances is found on page 44. The Schedule of Property Tax Transactions and Balances is found on page 45.

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 \$4,773,815 at June 30, 2018.

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

	Governmental Activities	
	June 30, 2018	June 30, 2017
Assets		
Current and other assets	\$ 16,658,419	\$ 1,192,853
Capital assets, net of accumulated depreciation	3,195,884	1,578,358
Total Assets	19,854,303	2,771,211
Pension Related Deferrals	2,417,440	3,597,262
Total Assets and Deferred Outflows	22,271,743	6,368,473
Liabilities		
Current liabilities	1,021,813	764,675
Noncurrent liabilities	25,630,592	10,646,757
Total Liabilities	26,652,405	11,411,432
Pension Related Deferrals	393,153	213,796
Total Liabilities and Deferred Inflows	27,045,558	11,625,228
Net Position		
Net Investment in Capital Assets	(13,346,787)	971,067
Restricted for:		
Student Activities	166,208	154,632
Grant Fund	-	-
Debt Service	120,202	196,475
Unrestricted	8,286,562	(6,578,929)
Total Net Position	\$ (4,773,815)	\$ (5,256,755)

**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 2018.

Changes in Net Position

	Governmental Activities	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Program Revenues		
Charges for Services	\$ 329,629	\$ 317,397
Operating Grants and Contributions	<u>910,881</u>	<u>937,472</u>
Total program revenues	<u>1,240,510</u>	<u>1,254,869</u>
General Revenues		
Property taxes – General Fund	2,222,693	2,079,361
Property taxes – Debt Service Fund	645,139	
State school fund - general support	8,304,755	7,042,580
Unrestricted Intermediate and Local Sources	181,212	170,936
Earnings on Investments	<u>291,863</u>	<u>21,886</u>
Total general revenues	<u>11,645,662</u>	<u>9,314,763</u>
Total revenues	<u>12,886,172</u>	<u>10,569,632</u>
Program Expenses		
Instruction	6,741,738	6,235,721
Support Services	4,141,534	3,683,666
Community Services	576,194	534,793
Interest on long-term debt	<u>943,766</u>	<u>453,004</u>
Total program expenses	<u>12,403,232</u>	<u>10,907,184</u>
Change in net position	482,940	(337,552)
Net position - beginning of year, as restated	<u>(5,256,755)</u>	<u>(4,919,203)</u>
Net position - end of year	<u><u>\$ (4,773,815)</u></u>	<u><u>\$ (5,256,755)</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 90% of the funding required for governmental programs. Property taxes and State school fund combined for 95% 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	\$ 84,792
• Various Student Extra-curricular Activities	244,837
Total fees and charges for services	\$ 329,629

Operating grants and contributions represent 7% 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 54% of the total expenses of \$12,403,232. In addition, approximately 33% 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 \$16,035,090.

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 \$903,286.

General Fund Budgetary Highlights

There were no significant amendments to the 2017-2018 budget documents.

Capital Asset and Debt Administration

Capital assets - The District's investment in capital assets for its governmental activities as of June 30, 2018 amounts to \$7,232,549. This investment in capital assets includes land, buildings, building improvements, machinery, and equipment. The total depreciation related to the District's investment in capital assets for the current fiscal year was \$4,036,665.

Long-term debt - At the end of the current fiscal year, the District had total debt outstanding of \$19,288,368, not including bond premium. This amount is comprised of a limited tax pension obligation bond, a Certificate of Participation, an Oregon Department of Energy Small Energy Loan

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

Retirement liability and Other Post-Employment Benefits. The District's total debt increased by \$13,956,394 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 2018-2019.

The ending General Fund balance of \$903,286 will be available for program resources in fiscal year 2018-2019.

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 1328 N 2nd St, Jefferson, Oregon, 97352

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities
Assets	
Cash and Investments	\$ 16,145,097
Receivables	358,444
Property Taxes Receivable	154,878
Capital Assets - Nondepreciable	2,625,885
Capital Assets - Depreciable, Net of Accumulated Depreciation	<u>569,999</u>
Total Assets	19,854,303
Deferred Outflows of Resources	
Pension Related Deferrals - PERS	<u>2,417,440</u>
Total Assets and Deferred Outflows	<u>22,271,743</u>
Liabilities	
Accounts payable	525
Accrued Payroll Liabilities	498,566
Net Pension Liability - PERS	4,843,619
Accrued Interest Payable	21,574
Accrued Vacation Payable	25,775
OPEB Benefits - Health Care	46,990
OPEB Benefits - Stipends	134,438
Long-Term Debt Due Within One Year	343,898
Long-Term Liabilities:	
Long-Term Debt Due in More Than One Year	<u>20,737,020</u>
Total Liabilities	26,652,405
Deferred Inflows of Resources	
Pension Related Deferrals - PERS	<u>393,153</u>
Total Liabilities and Deferred Inflows	<u>27,045,558</u>
Net Position	
Net Investment in Capital Assets	(13,346,787)
Restricted for:	
Student Activities	166,208
Debt Service	120,202
Unrestricted	<u>8,286,562</u>
Total Net Position	<u><u>\$ (4,773,815)</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, 2018

<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	\$ 6,741,738	\$ 151,555	\$ 73,523	\$ (6,516,660)
Support Services	4,141,534	93,282	426,446	(3,621,806)
Community Services	576,194	84,792	410,912	(80,490)
Interest on Long-Term Debt	943,766	-	-	(943,766)
Total Governmental Activities	<u>\$ 12,403,232</u>	<u>\$ 329,629</u>	<u>\$ 910,881</u>	<u>\$ (11,162,722)</u>
General Revenues:				
				2,222,693
Property Taxes for General Fund				645,139
Property Taxes for Debt Service Fund				8,304,755
State Support				181,212
Unrestricted Intermediate and Local Sources				291,863
Earnings on Investments				<u>11,645,662</u>
Total General Revenues				<u>11,645,662</u>
Change in Net Position				482,940
Net Position – Beginning				<u>(5,256,755)</u>
Net Position – Ending				<u>\$ (4,773,815)</u>

See accompanying notes to basic financial statements.

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

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	GENERAL FUND	SPECIAL REVENUE FUND	ASB FUND	DEBT SERVICE FUND	CAPITAL FUND	TOTALS
ASSETS:						
Cash and Investments	\$ 943,992	\$ -	\$ 165,658	\$ 113,091	\$ 14,922,356	\$ 16,145,097
Receivables:						
Taxes	139,991	-	-	14,887	-	154,878
Accounts	93,405	264,489	550	-	-	358,444
Due From Other Funds	341,451	-	-	-	-	341,451
Total Assets	\$ 1,518,839	\$ 264,489	\$ 166,208	\$ 127,978	\$ 14,922,356	\$ 16,999,870
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:						
Liabilities:						
Due to Other Funds	\$ -	\$ 341,451	\$ -	\$ -	\$ -	\$ 341,451
Accounts Payable	525	-	-	-	-	525
Accrued Payroll Liabilities	498,566	-	-	-	-	498,566
Total Liabilities	499,091	341,451	-	-	-	840,542
Deferred Inflows of Resources:						
Unavailable Revenue-Property Taxes	116,462	-	-	7,776	-	124,238
Fund Balance:						
Restricted for:						
Student Activities	-	-	166,208	-	-	166,208
Debt Service	-	-	-	120,202	-	120,202
Committed	-	-	-	-	14,922,356	14,922,356
Unassigned	903,286	(76,962)	-	-	-	826,324
Total Fund Balance	903,286	(76,962)	166,208	120,202	14,922,356	16,035,090
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,518,839	\$ 264,489	\$ 166,208	\$ 127,978	\$ 14,922,356	\$ 16,999,870

See accompanying notes to basic financial statements.

MARION COUNTY, OREGON

**RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
June 30, 2018**

Total Fund Balances \$ 16,035,090

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

The Net PERS 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. (4,843,619)

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

Deferred Outflows - PERS 2,417,440
Deferred Inflows - PERS (393,153)

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

Capital Assets, net 3,195,884

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. 124,238

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	\$ (25,775)	
Accrued Interest Payable	(21,574)	
Other Post Employment Obligation	(46,990)	
Early Retirement Obligation	(134,438)	
Loans Payable	(517,353)	
Bond Premium Payable	(1,792,550)	
Bonds Payable	<u>(18,771,015)</u>	<u>(21,309,695)</u>

Total Net Position \$ (4,773,815)

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, 2018**

	GENERAL	SPECIAL REVENUE FUND	ASB FUND	DEBT SERVICE	CAPITAL FUND	TOTALS
REVENUES:						
Local Sources	\$ 2,369,965	\$ 106,474	\$ 208,317	\$ 1,241,161	\$ 258,047	\$ 4,183,964
Intermediate Sources	8,064	5,612	-	-	-	13,676
State Sources	7,140,767	156,902	-	-	1,007,086	8,304,755
Federal Sources	827	910,054	-	-	-	910,881
Total Revenues	9,519,623	1,179,042	208,317	1,241,161	1,265,133	13,413,276
EXPENDITURES:						
Instruction	5,269,923	623,128	187,741	-	-	6,080,792
Support Services	3,533,650	209,079	-	-	1	3,742,730
Enterprise and Community Services	-	571,529	-	-	-	571,529
Facilities Acquisition and Construction	-	-	-	-	2,317,592	2,317,592
Capital Outlay	-	-	-	-	-	-
Debt Service	8,944	-	-	1,364,434	-	1,373,378
Total Expenditures	8,812,517	1,403,736	187,741	1,364,434	2,317,593	14,086,021
Excess of Revenues Over, (Under) Expenditures	707,106	(224,694)	20,576	(123,273)	(1,052,460)	(672,745)
OTHER FINANCING SOURCES, (USES):						
Bond Proceeds	-	-	-	-	14,345,768	14,345,768
Bond Premium Proceeds	-	-	-	-	1,714,759	1,714,759
Transfers In	-	150,400	-	47,000	-	197,400
Transfers Out	(188,400)	-	(9,000)	-	-	(197,400)
Total Other Financing Sources, (Uses)	(188,400)	150,400	(9,000)	47,000	16,060,527	16,060,527
Net Change in Fund Balance	518,706	(74,294)	11,576	(76,273)	15,008,067	15,387,782
Beginning Fund Balance	384,580	(2,668)	154,632	196,475	(85,711)	647,308
Ending Fund Balance	\$ 903,286	\$ (76,962)	\$ 166,208	\$ 120,202	\$ 14,922,356	\$ 16,035,090

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, 2018**

Net Change in Fund Balance	\$ 15,387,782
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Amounts reported for governmental activities in the Statement of Activities are different because:

The PERS Pension Expense represents the changes in Net Pension Asset (Liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits.	(825,069)
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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	\$ 1,781,898	
Depreciation Expense	<u>(164,372)</u>	1,617,526

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	389,374	
Bond Premium Amortized	61,812	
Bond Premium (net of fees)	(1,714,759)	
Bond Proceeds	<u>(14,345,768)</u>	(15,748,944)

In the Statement of Activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as an interest expense when due.	(21,574)
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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	34,196
Early Retirement, Net	-

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.	<u>39,023</u>
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Change in Net Position	<u><u>\$ 482,940</u></u>
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See accompanying notes to basic financial statements.

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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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, which is 60 days. 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.

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

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 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.

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

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.

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, 2018 there were deferred outflows of \$2,417,440 representing PERS 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 \$124,238, 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, 2018, there were also deferred inflows of \$393,153 reported in the Statement of Net Position representing PERS pension related deferrals.

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)

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.

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.

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 (CONTINUED)

- 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 assigned fund balances as of June 30, 2018.

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.

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)

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY (CONTINUED)

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.

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.

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

BUDGETS (CONTINUED)

Excess of Expenditures over Appropriations

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2018, except for General Fund – Instruction of \$7,688 and Special Revenue Fund – Enterprise and Community Service of \$2,629.

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.

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, 2018 (recorded at fair value) consisted of:

Deposits With Financial Institutions:	
Demand Deposits	\$ 232,961
Investments	<u>15,912,136</u>
Total	<u>\$ 16,145,097</u>

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS (CONTINUED)

DEPOSITS

Deposits with financial institutions include bank demand deposits. The total bank balance per the bank statements as of June 30, 2018 was \$1,301,399, of which \$500,000 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.

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, 2018. 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.

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

At year-end, investment balances were as follows:

Investment Type	Fair Value	Investment Maturities (in Months)		
		Less than 3	3 - 18	18 - 59
State Treasurer's Investment Pool	<u>\$ 15,912,136</u>	<u>\$ 15,912,136</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u><u>\$ 15,912,136</u></u>	<u><u>\$ 15,912,136</u></u>	<u><u>\$ -</u></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 – Investments

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

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, 2018, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS

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

	Governmental Capital Assets 7/1/2017	Additions	Deletions	Governmental Capital Assets 6/30/2018
Capital Assets Not Being Depreciated:				
Land	\$ 552,331	\$ 207,920	\$ -	\$ 760,251
Construction in Progress	291,656	1,573,978	-	1,865,634
Total Capital Assets Not Being Depreciated	<u>843,987</u>	<u>1,781,898</u>	<u>-</u>	<u>2,625,885</u>
Capital Assets Being Depreciated:				
Buildings & Improvements	4,391,209	-	-	4,391,209
Equipment	215,455	-	-	215,455
Total Capital Assets Being Depreciated	<u>4,606,664</u>	<u>-</u>	<u>-</u>	<u>4,606,664</u>
Accumulated Depreciation				
Buildings & Improvements	3,732,856	122,887	-	3,855,743
Equipment	139,437	41,485	-	180,922
Total Accumulated Depreciation	<u>3,872,293</u>	<u>\$ 164,372</u>	<u>\$ -</u>	<u>4,036,665</u>
Capital Assets, Net	<u>\$ 1,578,358</u>			<u>\$ 3,195,884</u>

Depreciation was allocated to the functions as follows:

Instruction	\$ 123,279
Support Services	32,874
Community Services	<u>8,219</u>
Total	<u>\$ 164,372</u>

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS

General Obligation Bond

The District passed a General Obligation Bond in August of 2017 for construction and improvement of various school buildings, in the amount of \$14,345,768. The bond is being amortized over 30 years. Interest rates are variable between 2% and 4.20%, interest on the final 6 years will be payable only at maturity. Interest is due semi-annually on June 15 and December 15. Debt service on bond principal and interest is paid from the Debt Service Fund.

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.

Certificate of Participation

On October 30, 2012 a 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 1 and December 1.

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 was \$803,659 at 3.5% interest and is received on a reimbursement only basis. At June 30, 2018, \$517,353 was outstanding.

The Debt Service Fund has traditionally been used to liquidate long-term debt.

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS (CONTINUED)

The following is a summary of long-term liabilities transactions for the year ended June 30, 2018:

	Interest Rate	Original Amount	Outstanding June 30, 2017	Additions	Reductions	Outstanding June 30, 2018	Balances Due Within One Year
Governmental Activities							
PERS Bond 2003	2.03-6.27%	\$ 6,818,701	\$ 4,724,683	\$ -	\$ 186,436	\$ 4,538,247	\$ 184,184
GO Bond 2017	2.00-4.20%	14,345,768	-	14,345,768	145,000	\$ 14,200,768	100,000
2012C Flex Fund Certificate of Participation	0.50-3.00%	77,000	40,000	-	8,000	32,000	8,000
DOE Cool Schools Loan	3.50%	803,659	567,291	-	49,938	517,353	51,714
Total of Long-Term Debt		22,045,128	5,331,974	14,345,768	389,374	19,288,368	343,898
Premium on Bond		-	-	1,854,362	61,812	1,792,550	
Total of All Long-Term Debt		<u>\$22,045,128</u>	<u>\$ 5,331,974</u>	<u>\$16,200,130</u>	<u>\$ 451,186</u>	<u>\$21,080,918</u>	<u>\$ 343,898</u>

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

Year ending June 30	Pension Bond		GO Bond		Certificate of Participation 2012		OR Dept of Energy	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	184,184	506,246	100,000	558,888	8,000	800	51,714	17,286
2020	183,544	541,886	130,000	555,888	8,000	640	53,511	15,489
2021	182,123	578,307	160,000	550,688	8,000	450	55,456	13,544
2022	182,284	618,146	180,000	544,288	8,000	240	57,429	11,571
2023	181,112	654,318	220,000	537,088	-	-	59,471	9,529
2024-2028	3,625,000	601,326	1,555,000	2,540,700	-	-	239,772	16,292
2029-2033	-	-	2,540,000	2,155,100	-	-	-	-
2034-2038	-	-	3,945,000	1,441,250	-	-	-	-
2039-2043	-	-	3,994,164	1,665,836	-	-	-	-
2044-2047	-	-	1,376,604	3,083,395	-	-	-	-
Total	<u>\$ 4,538,247</u>	<u>\$ 3,500,229</u>	<u>\$ 14,200,768</u>	<u>\$ 13,633,121</u>	<u>\$ 32,000</u>	<u>\$ 2,130</u>	<u>\$ 517,353</u>	<u>\$ 83,711</u>

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. 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/Documents/Financials/CAFR/2017-CAFR.pdf>

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

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
- i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results. A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.
- ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:
- member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.
- iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description (Continued)

- 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.
- a. **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
 - i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.
A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.
 - ii. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
 - iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
 - iv. **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

Contributions - PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2018 were \$902,292, excluding amounts to fund employer specific liabilities.

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Asset or Liability

At June 30, 2018, the District reported a net pension liability of \$4,843,619 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement dates of June 30, 2017 and 2016, the District's proportion was .036 and .036 percent respectively. Pension expense for the year ended June 30, 2018 was \$825,069.

The rates in effect for the year ended June 30, 2018 were:

- (1) Tier 1/Tier 2 – 9.36%
- (2) OPSRP General Services – 4.03%
- (3) PERS UAL – 7.91%

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 234,239	\$ -
Changes in assumptions	882,905	-
Net difference between projected and actual earnings on pension plan investments	49,901	-
Net changes in proportionate share	330,311	
Differences between District contributions and proportionate share of contributions	<u>17,792</u>	<u>(393,153)</u>
Subtotal - Amortized deferrals (below)	1,515,148	(393,153)
District contributions subsequent to measurement date	<u>902,292</u>	<u>-</u>
Deferred outflow (inflow) of resources	<u>\$ 2,417,440</u>	<u>\$ (393,153)</u>

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2019.

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Asset or Liability (Continued)

Subtotal amounts related to pension as deferred outflows of resources, \$1,515,148 and deferred inflows of resources, (\$393,153) net to \$1,121,995 and will be recognized in pension expense as follows:

<u>Year ending June 30, 2018</u>	<u>Amount</u>
2019	\$ 236,552
2020	625,006
2021	419,349
2022	(150,512)
2023	(8,400)
Thereafter	<u>-</u>
Total	<u><u>\$ 1,121,995</u></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 20, 2018. Oregon PERS produces an independently audited CAFR which can be found at:

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

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Valuations

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

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

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2015 rolled forward to June 30, 2017
Experience Study Report	2014, Published September 23, 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
Investment rate of return	7.50 percent
Projected salary increase	3.50 percent overall payroll growth
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/1.15%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members: 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) of the RP-2000 sex-distinct, generational per scale BB, disabled mortality table.

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. 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 2015 Experience Study which is reviewed for the four-year period ending December 31, 2015.

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100%

Source: June 30, 2017 PERS CAFR; p. 92)

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. 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.

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Long-Term Expected Rate of Return (Continued)

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Market Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
<i>Assumed Inflation - Mean</i>		<i>2.50%</i>

Source: June 30, 2017 PERS CAFR; p. 69

Discount Rate – The discount rate used to measure the total pension liability, as of the measurement dates June 30, 2017 and 2016 was 7.50 and 7.50 percent respectively, for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. 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	\$ 8,254,411	\$ 4,843,619	\$ 1,991,565

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.

OPSRP Individual Account Program (OPSRPIAP)

Plan Description:

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

Pension Benefits:

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

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

OPSRP Individual Account Program Continued)

Death Benefits:

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

Contributions:

Employees of the District pay six (6) percent of their covered payroll. The District did not make any optional contributions to member IAP accounts for the year ended June 30, 2018.

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

<http://www.oregon.gov/pers/EMP/Pages/GASB.aspx>

8. OTHER POST EMPLOYMENT BENEFIT PLANS – (RHIA)

Plan Description:

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

Funding Policy:

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

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. OTHER POST EMPLOYMENT BENEFIT PLANS – (RHIA) (CONTINUED)

Funding Policy (Continued)

Participating districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.50% of annual covered OPERF payroll and 0.45% of OPSRP payroll under a contractual requirement in effect until June 30, 2019. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the year ended June 30, 2018 were considered by management to be immaterial to the basic financial statements.

At June 30, 2018 the District's net OPEB liability (asset) and deferred inflows and outflows were not considered to be material to the basic financial statements by management and were not accrued on the government wide statements.

9. 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.

Net OPEB Liability - 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. As of June 30, 2018, the District did not have updated actuarial valuations of the OPEB Liability in accordance with GASB 75. The District plans to obtain this actuarial valuation in the next fiscal year and has kept the OPEB liability as calculated in the June 30, 2017 financial report of \$46,990 in the Statement of Net Position for the current year.

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Early Retirement Plan (Stipends)

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

Net Stipend Liability - 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. As of June 30, 2018, the District did not have updated actuarial valuations of the Stipend Liability in accordance with GASB 73. The District plans to obtain this actuarial valuation in the next fiscal year and has kept the Stipend Liability as calculated in the June 30, 2017 financial report of \$134,438 in the Statement of Net Position for the current year.

10. 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

11. 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, 2018 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.

12. 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:

	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 188,400	\$ -	\$ 341,451	\$ -
Special Revenue Fund	-	150,400	-	341,451
ASB Fund	9,000	-	-	-
Debt Service Fund	-	47,000	-	-
Total	<u>\$ 197,400</u>	<u>\$ 197,400</u>	<u>\$ 341,451</u>	<u>\$ 341,451</u>

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

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

13. 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 fiscal years.

14. TAX ABATEMENTS

As of June 30, 2018, the District potentially had tax abatements through various state allowed programs that impacted levied taxes. Based on the information available from the counties as of the date of issuance of these basic financial statements, there were no material abatements disclosed by the District for the year ended June 30, 2018 for any program covered under GASB 77.

15. DEFICIT FUND BALANCE

At fiscal year end, the Special Revenue Fund had a deficit fund balance of \$76,962. The District expects the fund balances to become positive in the next fiscal year through general fund transfers and the sale of bonds.

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JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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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
(1) 06/30/2018	N/A	N/A	N/A

Annual OPEB Costs are not available for fiscal years prior to the fiscal year ending June 30, 2008.

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 (Stipends)

<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
(1) 06/30/2018	N/A	N/A	N/A

Annual OPEB Costs are not available for fiscal years prior to the fiscal years ending June 30, 2008.

Schedule of Funding Progress for Early Retirement Plan (Stipends)

<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

(1) 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*, have not been implemented for fiscal year 2017-18.

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

At June 30, 2018

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
2018	0.036 %	\$ 4,843,619	\$ 4,980,241	97.3 %	83.1 %
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
2018	\$ 902,292	\$ 902,292	\$ -	\$ 5,089,112	17.7 %
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, 2018

	<u>GENERAL FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources	\$ 2,079,455	\$ 2,079,455	\$ 2,369,965	\$ 290,510
Intermediate Sources	14,000	14,000	8,064	(5,936)
State Sources	6,890,752	6,890,752	7,140,767	250,015
Federal Sources	7,000	7,000	827	(6,173)
Total Revenues	<u>8,991,207</u>	<u>8,991,207</u>	<u>9,519,623</u>	<u>528,416</u>
EXPENDITURES:				
Instruction	5,202,235	5,262,235 (1)	5,269,923	(7,688)
Support Services	3,596,293	3,616,293 (1)	3,533,650	82,643
Debt Service	9,279	9,279 (1)	8,944	335
Operating Contingency	100,000	20,000 (1)	-	20,000
Total Expenditures	<u>8,907,807</u>	<u>8,907,807</u>	<u>8,812,517</u>	<u>95,290</u>
Excess of Revenues Over, (Under)				
Expenditures	83,400	83,400	707,106	623,706
OTHER FINANCING SOURCES, (USES):				
Transfers In	5,000	5,000		(5,000)
Transfers Out	(188,400)	(188,400) (1)	(188,400)	-
Total Other Financing Sources, (Uses)	<u>(183,400)</u>	<u>(183,400)</u>	<u>(188,400)</u>	<u>(5,000)</u>
Net Change in Fund Balance	(100,000)	(100,000)	518,706	618,706
Beginning Fund Balance	<u>350,000</u>	<u>350,000</u>	<u>384,580</u>	<u>34,580</u>
Ending Fund Balance	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 903,286</u>	<u>\$ 653,286</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, 2018

	<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	\$ 184,030	\$ 184,030	\$ 106,474	\$ (77,556)
Intermediate Sources	102,285	102,285	5,612	(96,673)
State Sources	269,748	269,748	156,902	(112,846)
Federal Sources	<u>1,421,756</u>	<u>1,421,756</u>	<u>910,054</u>	<u>(511,702)</u>
Total Revenues	<u>1,977,819</u>	<u>1,977,819</u>	<u>1,179,042</u>	<u>(798,777)</u>
EXPENDITURES:				
Instruction	1,202,698	1,202,698 (1)	623,128	579,570
Support Services	419,486	419,486 (1)	209,079	210,407
Enterprise and Community Service	<u>568,900</u>	<u>568,900 (1)</u>	<u>571,529</u>	<u>(2,629)</u>
Total Expenditures	<u>2,191,084</u>	<u>2,191,084</u>	<u>1,403,736</u>	<u>787,348</u>
Excess of Revenues Over, (Under) Expenditures	(213,265)	(213,265)	(224,694)	(11,429)
OTHER FINANCING SOURCES, (USES):				
Transfers In	<u>150,900</u>	<u>150,900</u>	<u>150,400 (2)</u>	<u>(500)</u>
Total Other Financing Sources, (Uses)	<u>150,900</u>	<u>150,900</u>	<u>150,400</u>	<u>(500)</u>
Net Change in Fund Balance	(62,365)	(62,365)	(74,294)	(11,929)
Beginning Fund Balance	<u>62,365</u>	<u>62,365</u>	<u>(2,668)</u>	<u>(65,033)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (76,962)</u>	<u>\$ (76,962)</u>

(1) Appropriation Level

(2) Included in this Transfer In is the required match of \$3,719 for National School Lunch Support.

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

SUPPLEMENTARY INFORMATION

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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, 2018

	<u>ASB FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Local Sources	<u>\$ 330,850</u>	<u>\$ 330,850</u>	<u>\$ 208,317</u>	<u>\$ (122,533)</u>
EXPENDITURES:				
Instruction	<u>346,850</u>	<u>346,850 (1)</u>	<u>187,741</u>	<u>159,109</u>
Excess of Revenues Over, (Under)				
Expenditures	<u>(16,000)</u>	<u>(16,000)</u>	<u>20,576</u>	<u>36,576</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>(25,000)</u>	<u>(25,000)</u>	<u>11,576</u>	<u>36,576</u>
Beginning Fund Balance	<u>25,000</u>	<u>25,000</u>	<u>154,632</u>	<u>129,632</u>
Ending Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 166,208</u></u>	<u><u>\$ 166,208</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, 2018

	<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>\$ 1,505,401</u>	<u>\$ 1,505,401</u>	<u>\$ 1,241,161</u>	<u>\$ (264,240)</u>
EXPENDITURES:				
Debt Service	1,730,441	1,730,441 (1)	1,364,434	366,007
Operating Contingency	<u>15,094</u>	<u>15,094 (1)</u>	<u>-</u>	<u>15,094</u>
Total Expenditures	<u>1,745,535</u>	<u>1,745,535</u>	<u>1,364,434</u>	<u>381,101</u>
Excess of Revenues Over, (Under)				
Expenditures	(240,134)	(240,134)	(123,273)	(645,341)
OTHER FINANCING SOURCES, (USES):				
Bond Proceeds	15,000,000	15,000,000	-	15,000,000
Transfers In	47,000	47,000	47,000	-
Transfers Out	<u>(15,000,000)</u>	<u>(15,000,000) (1)</u>	<u>-</u>	<u>15,000,000</u>
Total Other Financing Sources, (Uses)	<u>47,000</u>	<u>47,000</u>	<u>47,000</u>	<u>30,000,000</u>
Net Change in Fund Balance	(193,134)	(193,134)	(76,273)	116,861
Beginning Fund Balance	<u>193,134</u>	<u>193,134</u>	<u>196,475</u>	<u>3,341</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,202</u>	<u>\$ 120,202</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, 2018

CAPITAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
Local Sources	\$ -	\$ -	\$ 258,047	\$ 258,047
State Sources	\$ 7,925,000	\$ 7,925,000	\$ 1,007,086	\$ (6,917,914)
Total Revenues	7,925,000	7,925,000	1,265,133	(6,659,867)
EXPENDITURES:				
Support Services	41,926	41,926 (1)	1	41,925
Facilities Acquisition	\$ 22,915,000	\$ 22,915,000 (1)	\$ 2,317,592	\$ 20,597,408
Total Expenditures	22,956,926	22,956,926	2,317,593	20,639,333
Excess of Revenues Over, (Under)				
Expenditures	(15,031,926)	(15,031,926)	(1,052,460)	13,979,466
Other Financing Sources, (Uses):				
Bond Proceeds	-	14,345,768	14,345,768	-
Bond Premium Proceeds	-	654,232	1,714,759	1,060,527
Transfers In	15,000,000	-	-	-
Transfers Out	(10,000)	(10,000) (1)	-	10,000
Total Other Financing Sources, (Uses)	14,990,000	14,990,000	16,060,527	1,070,527
Net Change in Fund Balance	(41,926)	(41,926)	15,008,067	15,049,993
Beginning Fund Balance	41,926	41,926	(85,711)	(127,637)
Ending Fund Balance	\$ -	\$ -	\$ 14,922,356	\$ 14,922,356

(1) Appropriation Level

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JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

SCHEDULE OF BOND AND INTEREST TRANSACTIONS AND BALANCES
For the Year Ended June 30, 2018

<u>DATE OF ISSUE</u>	<u>MATURED BONDS & COUPONS OUTSTANDING July 1, 2017</u>	<u>BONDS & COUPONS MATURING DURING THE YEAR</u>	<u>BONDS REDEEMED AND COUPONS PAID DURING THE YEAR</u>	<u>MATURED BONDS & COUPONS OUTSTANDING June 30, 2018</u>
6/30/2003	\$ -	\$ 1,364,434	\$ 1,364,434	\$ -
	<u>\$ -</u>	<u>\$ 1,364,434</u>	<u>\$ 1,364,434</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, 2018

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/2017</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 6/30/2018</u>
<u>GENERAL FUND</u>						
CURRENT:						
2017-18	\$ 2,233,532	59,808	(486)	634	2,124,657	\$ 49,215
PRIOR YEARS:						
2016-17	47,534	7	(259)	1,623	25,825	23,066
2015-16	21,626	(3)	1,808	1,531	8,798	16,170
2014-15	13,829	(4)	4,532	2,187	7,682	12,870
2013-14	5,385	(4)	4,560	998	2,804	8,143
2012-13 & Prior	9,489	(7)	21,019	593	581	30,527
Total Prior	97,863	(11)	31,660	6,932	45,690	90,776
Total Marion County	2,331,395	59,797	31,174	7,566	2,170,347	139,991

RECONCILIATION OF REVENUE:

	<u>GENERAL FUND</u>
Cash Collections by County Treasurer Above	\$ 2,170,347
Accrual of Receivables:	
June 30, 2017	(12,648)
June 30, 2018	23,529
Taxes in lieu	41,465
Total Revenue	\$ 2,222,693

JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2018

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/2017</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 6/30/2018</u>
<u>DEBT SERVICE FUND</u>						
CURRENT:						
2017-18	\$ 625,440	18,089	49,935	192	642,591	\$ 14,887
PRIOR YEARS:						
2016-17	-	-	-	-	-	-
2015-16	-	-	-	-	-	-
2014-15	-	-	-	-	-	-
2013-14	-	-	-	-	-	-
2012-13 & Prior	-	-	-	-	-	-
Total Prior	-	-	-	-	-	-
Total Marion County	625,440	18,089	49,935	192	642,591	14,887

RECONCILIATION OF REVENUE:

	<u>GENERAL FUND</u>
Cash Collections by County Treasurer Above	\$ 642,591
Accrual of Receivables:	
June 30, 2017	-
June 30, 2018	7,111
Taxes in lieu	(4,563)
Total Revenue	\$ 645,139

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JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

OTHER INFORMATION

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JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

SUPPLEMENTAL INFORMATION
As Required by The Oregon Department of Education
For The Year Ended June 30, 2018

A. Energy bills for heating - all funds:		<u>Objects 325 and 326 and *327</u>
	Function 2542	\$ 236,611
B. Replacement of equipment - General Fund:		
Include all General Fund expenditures in Object 542, except for the following exclusi		<u>Amount</u>
Exclude these functions:		
1113, 1122 & 1132 Co-curricular activities	Construction	\$ -
1140 Pre-kindergarten	Pupil transportation	
1300 Continuing education	Food service	
1400 Summer school	Community services	

* **Object code 327** (water and sewage) has been added to Part A to be included in the Function 2540 and 2550 totals.

2017-18 DISTRICT AUDIT REVENUE SUMMARY

Jefferson School District 14J

Revenue from Local Sources

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
1110 Ad Valorem Taxes Levied by District	2,261,655		648,225	-	-	-	-
1120 Local Option Ad Valorem Taxes Levied by District				-	-	-	-
1130 Contruction Excise Tax				-	-	-	-
1190 Penalties and Interest on Taxes				-	-	-	-
1200 Rev from Local Gov't Units Other Than Districts				-	-	-	-
1310 Regular Day School Tuition				-	-	-	-
1320 Adult/Continuing Education Tuition				-	-	-	-
1330 Summer School Tuition				-	-	-	-
1400 Local & Federal Sources				-	-	-	-
1500 Earnings on Investments	36,647		3,676	252,246	-	-	-
1600 Food Service		84,792		-	-	-	-
1700 Extracurricular Activities		233,099		-	-	-	-
1800 Community Services Activities				-	-	-	-
1910 Rentals	2,050			-	-	-	-
1920 Contributions and Donations From Private Sources		3,919	23,133	5,000	-	-	-
1930 Rental or Lease Payments From Private Contractors				-	-	-	-
1940 Services Provided Other Local Education Agencies				-	-	-	-
1950 Textbook Sales and Rentals				-	-	-	-
1960 Recovery of Prior Years' Expenditure		1,538		-	-	-	-
1970 Services Provided Other Funds			566,127	-	-	-	-
1980 Fees Charged to Grants				-	-	-	-
1990 Miscellaneous	69,614	(8,557)		801	-	-	-
Total Revenue from Local Sources	\$ 2,369,965	\$ 314,791	\$ 1,241,161	\$ 258,047	\$ -	\$ -	\$ -

Revenue from Intermediate Sources

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
2101 County School Funds	8,064			-	-	-	-
2102 Education Service District Apportionment				-	-	-	-
2105 Natural Gas, Oil, and Mineral Receipts				-	-	-	-
2199 Other Intermediate Sources				-	-	-	-
2200 Restricted Revenue		2,462		-	-	-	-
2800 Revenue in Lieu of Taxes				-	-	-	-
2900 Revenue for/on Behalf of the District		3,150		-	-	-	-
Total Revenue from Intermediate Sources	\$ 8,064	\$ 5,612	\$ -	\$ -	\$ -	\$ -	\$ -

Revenue from State Sources

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
3101 State School Fund - General Support	6,955,240					-	-
3102 State School Fund - School Lunch Match						-	-
3103 Common School Fund	86,530					-	-
3104 State Managed County Timber						-	-
3150 Small High School Grant	48,766					-	-
3190 High Cost Disability Grant	50,155					-	-
3199 Other Unrestricted Grants-in-Aid	75					-	-
3204 Driver Education						-	-
3222 State School Fund (SSF) Transportation Equipment						-	-
3299 Other Restricted Grants-in-Aid		151,412		1,007,086		-	-
3800 Revenue in Lieu of Taxes						-	-
3900 Revenue for/on Behalf of the District		5,490				-	-
Total Revenue from State Sources	\$ 7,140,767	\$ 156,902	\$ -	\$ 1,007,086	\$ -	\$ -	\$ -

Revenue from Federal Sources

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
Unrestricted Revenue Direct From the Federal Government							-
4100 Government							-
Unrestricted Revenue From the Federal Government Through the State							-
4200 Through the State							-
4300 Restricted Revenue From the Federal Government							-
Restricted Revenue From the Federal Government Through the State							-
4500 Through the State		880,773					-
Grants-In-Aid From the Federal Government Through Other Intermediate Agencies							-
4700 Other Intermediate Agencies							-
4801 Federal Forest Fees	827						-
4802 Impact Aid to School Districts for Operation (PL 874)							-
4803 Coos Bay Wagon Road Funds							-
4899 Other Revenue in Lieu of Taxes							-
4900 Revenue for/on Behalf of the District		29,281					-
Total Revenue from Federal Sources	\$ 827	\$ 910,054	\$ -	\$ -	\$ -	\$ -	\$ -

Revenue from Other Sources

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
5100 Long Term Debt Financing Sources				16,060,527			-
5200 Interfund Transfers		150,400	47,000				-
5300 Sale of or Compensation for Loss of Fixed Assets							-
5400 Resources - Beginning Fund Balance	384,580	151,964	196,475	(85,711)			-
Total Revenue from Other Sources	\$ 384,580	\$ 302,364	\$ 243,475	\$ 15,974,816	\$ -	\$ -	\$ -

Grand Totals

\$ 9,904,203	\$ 1,689,724	\$ 1,484,636	\$ 17,239,949	\$ -	\$ -	\$ -
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2017-18 DISTRICT AUDIT EXPENDITURE SUMMARY
Jefferson School District 14j

Fund: 100 - General Fund

Instruction Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Elementary, K-5 or K-6	1,415,133	906,546	450,736	45,715	12,136		-	-
1113 Elementary Extracurricular	3,478	2,706	772	-	-		-	-
1121 Middle/Junior High Programs	903,801	585,032	297,393	16,809	4,567		-	-
1122 Middle/Junior High School Extracurricular	40,195	6,485	1,710	32,000			-	-
1131 High School Programs	1,314,447	845,438	431,712	28,169	9,128		-	-
1132 High School Extracurricular	84,603	60,607	23,997				-	-
1140 Pre-Kindergarten Programs	-	-	-				-	-
1210 Programs for the Talented and Gifted	3,234	2,200	546		488		-	-
1220 Restrictive Programs for Students with Disabilities	379,132	233,250	143,950		1,933		-	-
1250 Less Restrictive Programs for Students with Disabilities	745,648	369,049	260,499	89,648	25,858		595	-
1260 Early Intervention	-	-	-				-	-
1271 Remediation	-	-	-				-	-
1272 Title I	-	-	-				-	-
1280 Alternative Education	97,350	69,690	25,958	1,605	97		-	-
1291 English Second Language Programs	282,901	161,350	120,574	970	7		-	-
1292 Teen Parent Program	-	-	-				-	-
1293 Migrant Education	-	-	-				-	-
1294 Youth Corrections Education	-	-	-				-	-
1299 Other Programs	-	-	-	-	-	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction Expenditures	\$ 5,269,923	\$ 3,242,352	\$ 1,757,847	\$ 214,915	\$ 54,214	\$ -	\$ 595	\$ -

Support Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	12,282	9,266	1,787		1,228			-
2120 Guidance Services	181,222	126,433	64,546	(9,836)	79			-
2130 Health Services	23,426			23,426				-
2140 Psychological Services	-							-
2150 Speech Pathology and Audiology Services	-							-
2160 Other Student Treatment Services	-							-
2190 Service Direction, Student Support Services	119,966	88,215	31,751					-
2210 Improvement of Instruction Services	2,023	1,650	373					-
2220 Educational Media Services	35,804	17,609	15,759		2,435			-
2230 Assessment & Testing	-							-
2240 Instructional Staff Development	16,826			1,667			15,159	-
2310 Board of Education Services	359,675	206,119	85,403	51,177	5,301		11,676	-
2320 Executive Administration Services	-							-
2410 Office of the Principal Services	780,702	495,528	279,785	76	1,264		4,050	-
2490 Other Support Services - School Administration	-							-
2510 Direction of Business Support Services	136,332	91,353	35,201	8,858			920	-
2520 Fiscal Services	113,551	58,609	30,671	5,889	18,567		(186)	-
2540 Operation and Maintenance of Plant Services	891,320	315,299	179,408	292,297	28,543	2,111	73,662	-
2550 Student Transportation Services	589,500			587,330	2,171			-
2570 Internal Services	73,817			62,780	11,038			-
2610 Direction of Central Support Services	-							-
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	-							-
2630 Information Services	-							-
2640 Staff Services	-							-
2660 Technology Services	197,205	66,925	29,801	6,308	94,120		50	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services - Central	-							-
2700 Supplemental Retirement Program	-							-
Total Support Services Expenditures	\$ 3,533,650	\$ 1,477,006	\$ 754,484	\$ 1,029,971	\$ 164,747	\$ 2,111	\$ 105,331	\$ -

Enterprise and Community Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	-	-	-	-	-	-	-	-
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	-	-	-	-	-	-	-	-
3500 Custody and Care of Children Services	-	-	-	-	-	-	-	-

Total Enterprise and Community Services Expenditures

Facilities Acquisition and Construction

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition and Development Services	-	-	-	-	-	-	-	-
4150 Building Acquisition, Construction, and	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-

Total Facilities Acquisition and Construction Expenditures

Other Uses Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	8,944.00						8,944	
5200 Transfers of Funds	188,400.00							188,400
5300 Apportionment of Funds by ESD	-							
5400 PERS UAL Bond Lump Sum	-							
Total Other Uses Expenditures	\$ 197,344	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,944	\$ 188,400

Grand Total

\$ 9,000,918	\$ 4,719,358	\$ 2,512,332	\$ 1,244,887	\$ 218,961	\$ 2,111	\$ 114,870	\$ 188,400
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2017-18 DISTRICT AUDIT EXPENDITURE SUMMARY
Jefferson School District 14J

Fund: 200 - Special Revenue

Instruction Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Elementary, K-5 or K-6	2,019	744	179	956	140			-
1113 Elementary Extracurricular	26,513				26,513			-
1121 Middle/Junior High Programs	5,357				5,357			-
1122 Middle/Junior High School Extracurricular	30,967	1,173	299	9,607	19,888			-
1131 High School Programs	139,004	71,581	29,915	3,107	32,582	1,819		-
1132 High School Extracurricular	258,099	66,339	16,220	27,761	142,999		4,780	-
1140 Pre-Kindergarten Programs	-							-
1210 Programs for the Talented and Gifted	-							-
1220 Restrictive Programs for Students with Disabilities	549			549				-
1250 Less Restrictive Programs for Students with Disabilities	110,869	64,735	41,662	3,173	1,299			-
1260 Early Intervention	-							-
1271 Remediation	-							-
1272 Title I	227,353	120,468	95,294	3,752	7,839			-
1280 Alternative Education	-							-
1291 English Second Language Programs	10,139	3,227	801	5,159	951			-
1292 Teen Parent Program	-							-
1293 Migrant Education	-							-
1294 Youth Corrections Education	-							-
1299 Other Programs	-							-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction Expenditures	\$ 810,869	\$ 328,265	\$ 184,371	\$ 54,065	\$ 237,569	\$ 1,819	\$ 4,780	\$ -

Support Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	281	-	-	-	281	-	-	-
2120 Guidance Services	98,390	67,229	31,161					-
2130 Health Services	-							-
2140 Psychological Services	-							-
2150 Speech Pathology and Audiology Services	-							-
2160 Other Student Treatment Services	-							-
2190 Service Direction, Student Support Services	-							-
2210 Improvement of Instruction Services	2,983	821	84		2,078			-
2220 Educational Media Services	-							-
2230 Assessment & Testing	-							-
2240 Instructional Staff Development	32,181			31,394			787	-
2310 Board of Education Services	-							-
2320 Executive Administration Services	-							-
2410 Office of the Principal Services	-							-
2490 Other Support Services - School Administration	3,531	2,500	1,031					-
2510 Direction of Business Support Services	-							-
2520 Fiscal Services	-							-
2540 Operation and Maintenance of Plant Services	-							-
2550 Student Transportation Services	14,087			14,087				-
2570 Internal Services	-							-
2610 Direction of Central Support Services	-							-
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	-							-
2630 Information Services	-							-
2640 Staff Services	900				900			-
2660 Technology Services	-							-
2670 Records Management Services	-							-
2690 Other Support Services - Central	-							-
2700 Supplemental Retirement Program	56,725		56,725	-	-	-	-	-
Total Support Services Expenditures	\$ 209,079	\$ 70,550	\$ 89,001	\$ 45,481	\$ 3,259	\$ -	\$ 787	\$ -

Enterprise and Community Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	571,529	176,236	141,580	25,572	220,354	4,615	3,172	-
3200 Other Enterprise Services	-							-
3300 Community Services	-	-	-	-	-	-	-	-
3500 Custody and Care of Children Services	-	-	-	-	-	-	-	-

Total Enterprise and Community Services Expenditures

\$ 571,529	\$ 176,236	\$ 141,580	\$ 25,572	\$ 220,354	\$ 4,615	\$ 3,172	\$ -
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Facilities Acquisition and Construction Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition and Development Services	-	-	-	-	-	-	-	-
4150 Building Acquisition, Construction, and Improvement Services	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-

Total Facilities Acquisition and Construction Expenditures

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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Other Uses Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	-	-	-	-	-	-	-	-
5200 Transfers of Funds	9,000	-	-	-	-	-	-	9,000
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
5400 PERS UAL Bond Lump Sum	-	-	-	-	-	-	-	-

Total Other Uses Expenditures

\$ 9,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,000
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Grand Total

\$ 1,600,477	\$ 575,052	\$ 414,951	\$ 125,118	\$ 461,182	\$ 6,434	\$ 8,740	\$ 9,000
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2017-18 DISTRICT AUDIT EXPENDITURE SUMMARY
Jefferson School District 14J

Fund: 300 - Debt Service

Instruction Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Elementary, K-5 or K-6	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	-	-	-	-	-	-	-	-
1121 Middle/Junior High Programs	-	-	-	-	-	-	-	-
1122 Middle/Junior High School Extracurricular	-	-	-	-	-	-	-	-
1131 High School Programs	-	-	-	-	-	-	-	-
1132 High School Extracurricular	-	-	-	-	-	-	-	-
1140 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1210 Programs for the Talented and Gifted	-	-	-	-	-	-	-	-
1220 Restrictive Programs for Students with Disabilities	-	-	-	-	-	-	-	-
1250 Less Restrictive Programs for Students with Disabilities	-	-	-	-	-	-	-	-
1260 Early Intervention	-	-	-	-	-	-	-	-
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title I	-	-	-	-	-	-	-	-
1280 Alternative Education	-	-	-	-	-	-	-	-
1291 English Second Language Programs	-	-	-	-	-	-	-	-
1292 Teen Parent Program	-	-	-	-	-	-	-	-
1293 Migrant Education	-	-	-	-	-	-	-	-
1294 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	-	-	-	-	-	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Support Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	-	-	-	-	-	-	-	-
2120 Guidance Services	-	-	-	-	-	-	-	-
2130 Health Services	-	-	-	-	-	-	-	-
2140 Psychological Services	-	-	-	-	-	-	-	-
2150 Speech Pathology and Audiology Services	-	-	-	-	-	-	-	-
2160 Other Student Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support Services	-	-	-	-	-	-	-	-
2210 Improvement of Instruction Services	-	-	-	-	-	-	-	-
2220 Educational Media Services	-	-	-	-	-	-	-	-
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	-	-	-	-	-	-	-	-
2310 Board of Education Services	-	-	-	-	-	-	-	-
2320 Executive Administration Services	-	-	-	-	-	-	-	-
2410 Office of the Principal Services	-	-	-	-	-	-	-	-
2490 Other Support Services - School Administration	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	-	-	-	-	-	-	-	-
2540 Operation and Maintenance of Plant Services	-	-	-	-	-	-	-	-
2550 Student Transportation Services	-	-	-	-	-	-	-	-
2570 Internal Services	-	-	-	-	-	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	-	-	-	-	-	-	-	-
2660 Technology Services	-	-	-	-	-	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services - Central	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	-	-	-	-	-	-	-	-
Total Support Services Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Enterprise and Community Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	-	-	-	-	-	-	-	-
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	-	-	-	-	-	-	-	-
3500 Custody and Care of Children Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Facilities Acquisition and Construction Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition and Development Services	-	-	-	-	-	-	-	-
4150 Building Acquisition, Construction, and Improvement Services	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Other Uses Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$1,364,434	-	-	-	-	-	\$1,364,434	-
5200 Transfers of Funds	-	-	-	-	-	-	-	-
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
5400 Bond Lump Sum	-	-	-	-	-	-	-	-
Total Other Uses Expenditures	\$ 1,364,434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,364,434	\$ -
Grand Total	\$ 1,364,434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,364,434	\$ -

2017-18 DISTRICT AUDIT EXPENDITURE SUMMARY
Jefferson School District 14J

Fund: 400 - Capital Projects

Instruction Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Elementary, K-5 or K-6	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	-	-	-	-	-	-	-	-
1121 Middle/Junior High Programs	-	-	-	-	-	-	-	-
1122 Middle/Junior High School Extracurricular	-	-	-	-	-	-	-	-
1131 High School Programs	-	-	-	-	-	-	-	-
1132 High School Extracurricular	-	-	-	-	-	-	-	-
1140 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1210 Programs for the Talented and Gifted	-	-	-	-	-	-	-	-
1220 Restrictive Programs for Students with Disabilities	-	-	-	-	-	-	-	-
1250 Less Restrictive Programs for Students with Disabilities	-	-	-	-	-	-	-	-
1260 Early Intervention	-	-	-	-	-	-	-	-
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title I	-	-	-	-	-	-	-	-
1280 Alternative Education	-	-	-	-	-	-	-	-
1291 English Second Language Programs	-	-	-	-	-	-	-	-
1292 Teen Parent Program	-	-	-	-	-	-	-	-
1293 Migrant Education	-	-	-	-	-	-	-	-
1294 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	-	-	-	-	-	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Support Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	-	-	-	-	-	-	-	-
2120 Guidance Services	-	-	-	-	-	-	-	-
2130 Health Services	-	-	-	-	-	-	-	-
2140 Psychological Services	-	-	-	-	-	-	-	-
2150 Speech Pathology and Audiology Services	-	-	-	-	-	-	-	-
2160 Other Student Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support Services	-	-	-	-	-	-	-	-
2210 Improvement of Instruction Services	-	-	-	-	-	-	-	-
2220 Educational Media Services	-	-	-	-	-	-	-	-
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	-	-	-	-	-	-	-	-
2310 Board of Education Services	-	-	-	-	-	-	-	-
2320 Executive Administration Services	-	-	-	-	-	-	-	-
2410 Office of the Principal Services	-	-	-	-	-	-	-	-
2490 Other Support Services - School Administration	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	0.85	-	-	-	-	-	0.85	-
2540 Operation and Maintenance of Plant Services	-	-	-	-	-	-	-	-
2550 Student Transportation Services	-	-	-	-	-	-	-	-
2570 Internal Services	-	-	-	-	-	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	-	-	-	-	-	-	-	-
2660 Technology Services	-	-	-	-	-	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services - Central	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	-	-	-	-	-	-	-	-
Total Support Services Expenditures	\$ 0.85	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.85	\$ -

Enterprise and Community Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	-	-	-	-	-	-	-	-
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	-	-	-	-	-	-	-	-
3500 Custody and Care of Children Services	-	-	-	-	-	-	-	-

Total Enterprise and Community Services Expenditures

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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Facilities Acquisition and Construction Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition and Development Services	205,919.65	-	-	-	-	205,919.65	-	-
4150 Building Acquisition, Construction, and Improvement Services	2,111,672	-	-	-	3,675	2,107,997	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-

Total Facilities Acquisition and Construction Expenditures

\$ 2,317,592	\$ -	\$ -	\$ -	\$ 3,675	\$ 2,313,917	\$ -	\$ -	\$ -
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Other Uses Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	-	-	-	-	-	-	-	-
5200 Transfers of Funds	-	-	-	-	-	-	-	-
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
5400 Bond Lump Sum	-	-	-	-	-	-	-	-

Total Other Uses Expenditures

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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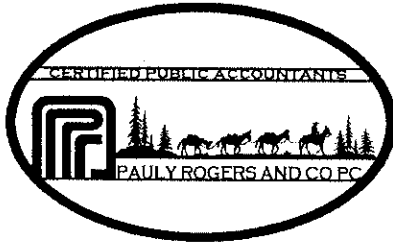
Grand Total

\$ 2,317,593	\$ -	\$ -	\$ -	\$ 3,675	\$ 2,313,917	\$ 1	\$ -	\$ -
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JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

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December 4, 2018

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, 2018, and have issued our report thereon dated December 4, 2018. 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.**

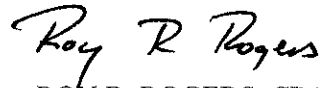
In connection with our testing nothing came to our attention that caused us to believe the Jefferson School District 14J was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

1. Expenditures of various funds were within authorized appropriations, except as noted on page 18 of the report.

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

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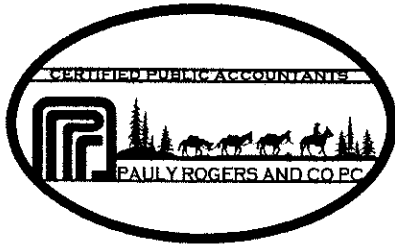
JEFFERSON SCHOOL DISTRICT 14J
MARION COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
As Required by The Oregon Department of Education
For The Year Ended June 30, 2018

<u>PROGRAM TITLE</u>	<u>PASS THROUGH ORGANIZATION</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH ENTITY NUMBER</u>	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	Oregon Department of Education	84.010	35996	\$ 269,197
Total Title I Grants to Local Education Agencies				<u>269,197</u>
Title III - Language Instruction	Oregon Department of Education	84.365	44224	2,802
Total Title III - Language Instruction				<u>2,802</u>
Title IIA - Teacher Quality	Oregon Department of Education	84.367	45831	13,926
Total Title IIA - Teacher Quality				<u>13,926</u>
Special Education Cluster				
SPR&I	Oregon Department of Education	84.027	41536	21,877
Enhancement	Oregon Department of Education	84.027	45194	86,317
Total Special Education Cluster				<u>108,194</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>394,119</u>
U.S. DEPARTMENT OF AGRICULTURE				
Child Nutrition Cluster:				
Donated Commodities (Non-Cash Assistance)	Oregon Department of Education	10.553/555		29,281
School Breakfast Program	Oregon Department of Education	10.553		73,133
National School Lunch Program	Oregon Department of Education	10.555		198,942
Summer Food	Oregon Department of Education	10.559		18,275
Total Child Nutrition Cluster				<u>319,631</u>
CACFP	Oregon Department of Education	10.558		127,005
NSLP Equipment	Oregon Department of Education	10.579		5,740
CNP SAE-Natl Sch Lunch SAE Admin	Oregon Department of Education	10.560		830
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>453,206</u>
TOTAL GRANTS EXPENDED OR PASSED THROUGH TO SUBRECIPIENTS				<u>\$ 847,325</u>

Reconciliation to Federal Revenue Recognized:	
Federal Awards Expended	\$ 847,325
Accruals / Deferrals	<u>63,556</u>
Federal Revenue Recognized	<u>\$ 910,881</u>

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December 4, 2018

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, 2018, and the related notes to the basic financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 4, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify a deficiency in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

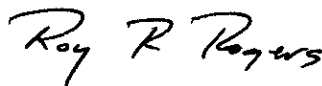
As part of obtaining reasonable assurance about whether the basic financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

The District's Response to Findings

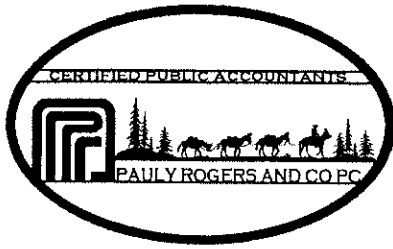
The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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.



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December 4, 2018

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, 2018. 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, 2018.

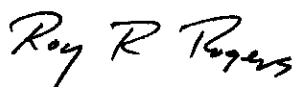
Report on Internal Control Over Compliance

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:

Modified

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

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

 Yes X None reported

Noncompliance material to financial statements noted?

 X Yes 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

10.553, 10.555, 10.559

Child Nutrition Cluster

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

FINDING 2018-001 – Material Weakness in Internal Controls over Financial Reporting

Criteria: Financial Statements should be presented in conformance with GAAP to allow the auditor to render an unmodified opinion.

Condition: With the implementation of GASB 73 & 75 in the fiscal year ending June 30, 2018, actuarial valuations of other post-employment benefits (OPEB) need to conform to GASB 73 & 75.

Context: The effect of these potential OPEB liabilities on the Statement of Net Position is unknown.

Effect: The District's Net Position may be understated or overstated.

Cause: Management has not obtained an actuarial valuation of the post-employment benefit obligation related to the implicit healthcare subsidy in accordance with GASB 73 & 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Recommendation: We recommend the District contact a 3rd party actuary to obtain an actuarial valuation of the District's OPEB Liabilities in accordance with GASB 73 & 75.

Views of responsible officials and planned corrective actions:

The District plans on obtaining an actuarial valuation from an actuarial firm in accordance with GASB 73 & 75 for the fiscal year ending June 30, 2019.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The schedule of expenditures of federal awards included in this report includes 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 presents in, or used in the preparation of the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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