

JACKSON COUNTY SCHOOL DISTRICT NO. 4
Phoenix, Oregon

**FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2017

WITH

INDEPENDENT AUDITOR'S REPORTS



JACKSON COUNTY SCHOOL DISTRICT NO. 4
Phoenix, Oregon
June 30, 2017

BOARD OF DIRECTORS AS OF JUNE 30, 2017

Craig Prewitt	Chairperson
Marina Piacentini	Vice-Chair
Sara Crawford	Director
Richard Nagel	Director
Nate Shinn	Director
Shana Vos	Director
Dawn Watson	Director

ADMINISTRATIVE OFFICE:

401 West Fourth Street
P.O. Box 698
Phoenix, Oregon 97535

Teresa Sayre	Superintendent-Clerk
Cally McKenzie	Assistant Superintendent of Human and Business Resources
Yazmin Karabinas	Director of Accounting

JACKSON COUNTY SCHOOL DISTRICT NO. 4
Phoenix, Oregon
June 30, 2017

Table of Contents

	<u>Page</u>
Independent Auditor's Report	A-1 – A-3
Management's Discussion and Analysis	B-1 – B-8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Notes to the Basic Financial Statements	7 – 32
Required Supplementary Information:	
Schedule of District's Proportionate Share of the Net Pension Asset / (Liability) and Schedule of the District's Contributions	33
Schedule of Changes in the District's Net Pension Liability and Related Ratios	34
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	35
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	36
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	37
Other Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund	38
School District Financial Accounting Summaries	39 – 43
Independent Auditor's Report Required by State Regulations	44 – 45
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	46 – 47
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	48 – 49
Schedule of Expenditures of Federal Awards	50 – 51
Schedule of Findings and Questioned Costs	52



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Jackson County School District No. 4
Phoenix-Talent, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Jackson County School District No. 4, Oregon, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Jackson County School District No. 4, as of June 30, 2017, 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.

Emphasis of Matter

As discussed in *Note 2* to the financial statements, in 2017 the District adopted new accounting guidance, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68*, and *Amendments to Certain Provisions of GASB Statement 67 and 68*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other postemployment benefits schedule, certain pension schedules, and budgetary comparison schedules 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 inquires 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The general fund and special revenue major governmental funds budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general fund and special revenue major governmental funds budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not a required as part of the basic financial statements. The schedule of expenditures of federal awards is presented for additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and was 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 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 other 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Other Reporting Required by the State of Oregon

In accordance with Oregon State Regulations, we have also issued our report dated December 7, 2017 on our consideration of the District's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-0000 through 162-10-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.



Stewart C. Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 7, 2017

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

As management of Jackson County School District No. 4 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here.

Financial Highlights

- In the government-wide statements, the liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at June 30, 2017 by \$7.27 million (net position).
- The District's net investment in capital assets is \$15.14 million. The District has a net position restricted for scholarships and debt service of \$899 thousand.
- The District's total net position decreased by \$172 thousand. In the prior year, the District's total net position decreased by \$3.11 million. Due to the implementation of GASB Statements 73 and 75, which affected the District's Early Retirement Stipend Pension and Other Post Employment Medical Benefit Liabilities reporting, the beginning net position was restated as an additional decrease of \$3.7 million.
- The District's total expenditures decreased from the prior year, \$33.79 million to \$30.43 million. The \$3.36 million expenditure decrease, is due primarily to a \$3.94 million decrease in PERS pension expense adjustment. In addition, District revenues decreased from the prior year, \$30.68 to \$30.26 million.
- The District's governmental funds report combined ending fund balance of \$3.82 million, a decrease of \$264 thousand in comparison with the prior year. Approximately 43 percent of this total amount, \$1.65 million, is available for spending at the District's discretion.
- At the end of the fiscal year, fund balance for the general fund was \$1.89 million, down from \$2.16 million in the prior year, a decrease of \$271 thousand. This decrease includes a State School Fund revenue deduction from 2015-16 of \$433 thousand due to higher than expected property taxes received in that year. Total fund balance in the General Fund represented about 7.62 percent of total General Fund expenditures, down from 8.90 percent in the prior year.
- The District's total liabilities and deferred inflows increased by \$2.99 million during the 2016-17 fiscal year due to the net effect of an increase in pension liabilities of \$9.15 million, and a decrease in long-term liabilities and deferred inflows of \$6.25 million. The early retirement stipend pension liability decreased by \$210 thousand.

Overview of the Financial Statements

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

Jackson County School District No. 4 (the District), Phoenix-Talent, Oregon, was organized under provisions of Oregon Statutes pursuant to ORS Chapter 332 for the purpose of operating elementary and secondary schools. The District is governed by a separately elected seven-member Board of Education (Board) who approves the administrative officials. The daily functioning of the District is under the supervision of the Superintendent. As required by generally accepted accounting principles, all activities of the District have been included in the basic financial statements.

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Overview of the Financial Statements (continued)

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. These statements include:

The *Statement of Net Position* presents information on all of the assets and liabilities of the District at year end. Net position is what remains after the liabilities have been paid or otherwise satisfied. Net position may be further separated into amounts restricted for specific purposes and unrestricted amounts. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

In the government-wide financial statements, the District's activities are shown in one category:

- *Governmental activities*. Most of the District's basic functions are shown here, such as regular and special education, child nutrition services, transportation, administration, and facilities acquisition and construction. These activities are primarily financed through property taxes, Oregon's State School Fund and other intergovernmental revenues.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements

The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District funds are governmental funds.

The *governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating 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 government's near-term financing decisions. Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide Statements of Net Position and Activities, respectively.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Special Programs and Debt Service, all of which are considered to be major funds. The District does not have any non-major governmental funds.

The basic governmental fund financial statements can be found on pages 3 to 6 of this report.

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Overview of the Financial Statements (continued)

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 7 through 32 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This Management's Discussion and Analysis, is considered required supplementary information. Other required supplementary information displaying budgetary comparison schedules for all governmental funds can be found on pages 33 to 37 of this report.

Government-wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$7.27 million at June 30, 2017. At June 30, 2016, District liabilities and deferred inflows of resources were greater than assets and deferred outflows of resources by \$7.1 million.

Capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent about 59 percent of total assets and deferred outflows. The remaining assets consist mainly of investments, cash, grants and property taxes receivable, and deferred outflows related to pensions. At June 30, 2016, capital assets represented approximately 66 percent of total assets and deferred outflows.

The District's largest liability (90 percent) is for the repayment of long-term debt and obligations including general obligation and limited tax pension bonds, and post-employment benefit and pension obligations. Current liabilities, representing about 10 percent of the District's total liabilities and deferred inflows, consist almost entirely of payables on accounts, salaries and benefits, and the current portion of long-term debt. In the prior year, the repayment of general obligation and limited tax pension bonds, and post-employment and pension obligations was also the District's largest liability while current liabilities represented about 11 percent of total liabilities and deferred inflows.

A large portion of the District's net position reflects its investment in capital assets (e.g. land, buildings, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students and other District residents; consequently, these assets are not available for future spending. Although the District's investment in its 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 (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Government-wide Financial Analysis (continued)

Statement of Net Position (continued)

	Governmental Activities		Increase (Decrease)
	June 30, 2017	June 30, 2016	From June 30, 2016
Assets:			
Current assets	\$ 5,914	\$ 6,308	\$ (394)
Other assets	-	-	-
Capital assets	19,827	20,431	(604)
Total assets	<u>25,740</u>	<u>26,739</u>	<u>(998)</u>
Deferred outflows	7,973	4,158	3,815
Total assets and deferred outflows	<u>33,714</u>	<u>30,897</u>	<u>2,817</u>
Liabilities:			
Current liabilities	3,885	3,796	89
Other liabilities	15,813	6,660	9,153
Long-term liabilities	20,196	22,771	(2,575)
Total liabilities	<u>39,894</u>	<u>33,227</u>	<u>6,667</u>
Deferred inflows	1,093	4,771	(3,678)
Total liabilities and deferred inflows	<u>40,987</u>	<u>37,998</u>	<u>2,989</u>
Net position:			
Net investment in capital assets	15,142	14,035	1,107
Restricted	899	729	170
Unrestricted	(23,314)	(21,865)	(1,449)
Total net position	<u>\$ (7,273)</u>	<u>\$ (7,101) *</u>	<u>\$ (172)</u>

* Due to the implementation of GASB statements 73 and 75, the net position at the beginning of 2016-17 was restated from a negative \$3,402 million to a negative \$7,101 million.

During the current fiscal year, the District's net position decreased by \$172 thousand.

Governmental activities

As previously stated, most District activities are governmental in nature, and during the current fiscal year, the District's net position decreased by \$172 thousand. The key elements of the change in the District's net position for the year ended June 30, 2017 are as follows:

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Government-wide Financial Analysis (continued)

Governmental activities (continued)

	<u>Governmental Activities</u>		Increase (Decrease)
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	From June 30, 2016
Revenues:			
Program revenues:			
Charges for services	\$ 980	\$ 879	\$ 101
Operating grants and contributions	2,883	2,641	242
General revenues:			
Property taxes	9,834	9,617	217
Construction excise tax	238	161	77
State school fund - general support	15,776	16,797	(1,021)
Common school fund	316	313	3
Federal forest fees	13	41	(28)
Earnings on investments	95	51	44
Other	123	180	(57)
Total revenues	<u>30,258</u>	<u>30,680</u>	<u>(422)</u>
Expenses:			
Instruction	16,716	18,716	(2,000)
Support services	10,624	11,778	(1,154)
Enterprise and community services	1,379	1,511	(132)
Facilities acquisition and construction	-	1	(1)
Unallocated depreciation	897	895	2
Fees and Interest on long-term debt	813	885	(72)
Total expenses	<u>30,429</u>	<u>33,786</u>	<u>(3,357)</u>
Change in net position	<u>\$ (171)</u>	<u>\$ (3,106)</u>	<u>\$ 2,935</u>

- Program revenues increased by \$343 thousand in 2016-17 mainly due to an increase in operating grants and contributions.
- General revenues decreased by \$765 thousand in 2016-17 due to a decrease in state school fund of \$1.02 million. This includes a \$433 thousand 2015-16 deduction applied in 2016-17, and \$382 thousand 2014-15 additional revenue received in 2015-16. There was also an increase of \$295 thousand in property and construction excise taxes.
- Instruction, support services and enterprise and community services expenses decreased by \$3.29 million due primarily to a \$3.94 million PERS pension expense decrease, and an increase of \$897 thousand on instruction and support services.

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Financial Analysis of the District's Funds

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

Governmental funds

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

At June 30, 2017, the District's governmental funds reported combined ending fund balances of \$3.82 million, a decrease of \$264 thousand in comparison with the prior year. About \$1.65 million (43 percent) of the ending fund balance constitutes *unassigned ending fund balance*, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the District. As of June 30, 2017, fund balance was \$1.89 million, down from \$2.16 million in the prior year. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 7.6 percent of total General Fund expenditures. The fund balance decreased by \$271 thousand during the current fiscal year.

The Special Revenue Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes. As of June 30, 2017, the District has a total fund balance of \$1.76 million. In the prior year total fund balance was \$1.81 million.

The Debt Service Fund has a total fund balance of \$175 thousand, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year was \$61 thousand.

General Fund Budgetary Highlights

Original budget compared to final budget. During 2016-17 there was one budget appropriation transfer within the Special Revenue Fund to reallocate funds to cover higher than anticipated expenses in instruction and support services.

Final budget to actual results

The most significant difference between estimated and actual revenue was the revenue received from state and local sources. Total estimated revenues were \$24.99 million and total actual revenues were \$24.54 million with a difference of \$449 thousand. The State School Funding was lower than anticipated due to a negative prior year adjustment. Property taxes were higher than estimated.

Capital Asset and Debt Administration

Capital assets

The District's investment in capital assets includes land, buildings and improvements, and vehicles and equipment. As of June 30, 2017, the District had invested \$19.83 million in capital assets, net of depreciation, as shown in the following table:

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Capital Asset and Debt Administration (continued)

	Governmental Activities		Increase (Decrease)
	June 30, 2017	June 30, 2016	From June 30, 2016
Capital assets (net of depreciation):			
Land	\$ 2,188,639	\$ 2,188,639	\$ -
Construction in progress	261,191	110,203	150,988
Buildings and improvements	16,342,378	17,070,473	(728,095)
Vehicles and equipment	1,034,565	1,061,963	(27,398)
Total capital assets	<u>\$ 19,826,773</u>	<u>\$ 20,431,278</u>	<u>\$ (604,505)</u>

During the year, the District's investment in capital assets, net of depreciation, decreased by \$605 thousand. The District's current year depreciation expense was approximately \$897 thousand.

Additional information of the District's capital assets can be found in *Note 1* on page 10 and *Note 5* on page 17 of this report.

Long-term debt

At the end of the current fiscal year, the District had total bonded debt outstanding of \$17.35 million, consisting of general obligation debt net of unamortized premium/discount, compared to about \$19.58 million in the prior year.

During the current year, the District's total debt decreased by \$2.23 million (11.4 percent), a result of current year principal payments made.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7.95 percent of its total assessed valuation. The current debt limitation for the District is significantly in excess of the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in *Note 1* on page 10 and *Note 9* on pages 18-20 of this report.

Economic Factors and Next Year's Budget

On the November 7, 2017 Jackson County Election, voters approved the District to issue general obligation bonds not to exceed \$68 million to improve safety, security, and learning environments. The State of Oregon approved a matching \$4 million grant upon passing of the bond.

For the year ended June 30, 2017, the State of Oregon's School Fund formula, property and construction excise taxes represented about 87 percent of the District's revenues.

Salaries and benefit costs are expected to increase slightly in 2017-2018 based on current contractual obligations.

District membership is expected to remain static or decrease slightly for the next three years.

The District's Budget Committee and School Board considered these factors while preparing the budget for the 2017-2018 fiscal year.

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Requests for Information

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Director of Accounting at 401 W. 4th Street, PO Box 698, Phoenix, Oregon 97535.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS:	
ASSETS:	
Cash and investments	\$ 3,728,471
Receivables	1,916,768
Prepaid expenses	241,875
Inventories	27,426
Capital assets, net	
Land	2,188,639
Construction in progress	261,191
Buildings and improvements	16,342,378
Machinery and equipment	<u>1,034,565</u>
TOTAL ASSETS	<u>25,741,313</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows related to pensions	<u>7,973,024</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>33,714,337</u>
LIABILITIES AND DEFERRED INFLOWS:	
LIABILITIES:	
Accounts payable	213,376
Accrued payroll liabilities	1,108,330
Accrued interest payable	4,370
Unearned revenue	151,348
Capital lease payable	5,919
OPERS pension liabilities	15,813,144
Other post employment benefit obligation (OPEB)	2,817,279
Early retirement stipend pension plan obligation	2,431,427
Bonds payable, net of unamortized premium/discount	
Due within one year	2,402,000
Due in more than one year	<u>14,947,742</u>
TOTAL LIABILITIES	<u>39,894,935</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>1,092,805</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>40,987,740</u>
NET POSITION:	
Net investment in capital assets	15,142,031
Restricted - Scholarship Fund	618,231
Restricted - Debt Service	281,044
Unrestricted	<u>(23,314,709)</u>
TOTAL NET POSITION	<u>\$ (7,273,403)</u>

See notes to basic financial statements

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 16,715,853	\$ 714,966	\$ 1,083,307	\$ (14,917,580)
Supporting services	10,624,219	79,748	659,057	(9,885,414)
Enterprise & community services	1,379,328	184,811	1,111,357	(83,160)
Facilities acquisition and construction	-	-	29,644	29,644
Fees and interest on long-term debt	812,978	-	-	(812,978)
Unallocated depreciation	897,027	-	-	(897,027)
Total government activities	\$ 30,429,405	\$ 979,525	\$ 2,883,365	\$ (26,566,515)

General revenues:

Property taxes levied for general purposes	8,027,187
Property taxes levied for debt service	1,807,078
Construction excise tax	237,661
Earnings on investments	94,716
State school fund - general support	15,776,012
Common school fund	315,749
Federal forest fees	13,450
Miscellaneous	122,797
Total general revenues	26,394,650

CHANGE IN NET POSITION	(171,865)
NET POSITION - July 1, 2016	(3,402,476)
PRIOR PERIOD ADJUSTMENT	(3,699,062)
NET POSITION - beginning, as restated	(7,101,538)
NET POSITION - June 30, 2017	\$ (7,273,403)

FUND FINANCIAL STATEMENTS

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Special Revenue Fund	Debt Service Fund	Total
ASSETS				
Cash and investments	\$ 2,398,623	\$ 1,179,228	\$ 150,620	\$ 3,728,471
Receivables	866,538	919,806	130,424	1,916,768
Prepays	238,335	3,540	-	241,875
TOTAL ASSETS	\$ 3,503,496	\$ 2,102,574	\$ 281,044	\$ 5,887,114
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 108,238	\$ 105,138	\$ -	\$ 213,376
Accrued payroll liabilities	1,017,711	90,619	-	1,108,330
Unearned revenue	-	151,348	-	151,348
TOTAL LIABILITIES	1,125,949	347,105	-	1,473,054
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	484,689	-	105,589	590,278
TOTAL DEFERRED INFLOWS	484,689	-	105,589	590,278
Fund Balances:				
Nonspendable	238,335	3,540	-	241,875
Restricted for scholarships	-	618,231	-	618,231
Restricted for debt service	-	-	175,455	175,455
Assigned	-	1,133,698	-	1,133,698
Unassigned	1,654,523	-	-	1,654,523
TOTAL FUND BALANCES	1,892,858	1,755,469	175,455	3,823,782
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,503,496	\$ 2,102,574	\$ 281,044	\$ 5,887,114

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2017**

TOTAL FUND BALANCES		\$ 3,823,782
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 45,017,719	
Accumulated depreciation	<u>(25,190,946)</u>	19,826,773
In the governmental funds, inventory is accounted for under the purchase method and the current value is not reported in the fund balance sheet.		27,426
A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.		590,278
The net deferred outflow/(inflow) associated with the District's pension (OPERS) is not recorded in the governmental funds as it is not available nor payable currently.		6,880,219
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 recognized as an expenditure when due. These liabilities consist of:		
Accrued interest payable		(4,370)
Bonds payable, net of bond premium		(17,349,742)
Capital leases payable		(5,919)
The asset (liability) associated with the District's pension (OPERS) is not recorded in the governmental funds as it is not available nor payable currently.		(15,813,144)
The other post employment benefit liability obligation is not reported with the governmental funds.		(2,817,279)
The early retirement stipend pension plan obligation is not reported with the governmental funds.		<u>(2,431,427)</u>
TOTAL NET POSITION		<u><u>\$ (7,273,403)</u></u>

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	General Fund	Special Revenue Fund	Debt Service Fund	Total
REVENUES				
Property taxes and other taxes	\$ 8,101,916	\$ 237,661	\$ 1,820,845	\$ 10,160,422
Intergovernmental	16,145,414	2,843,162	-	18,988,576
Charges for services	118,445	735,884	-	854,329
Local grants and contributions	-	73,405	-	73,405
Investment earnings	73,360	11,767	9,589	94,716
Miscellaneous	102,349	78,577	-	180,926
TOTAL REVENUES	24,541,484	3,980,456	1,830,434	30,352,374
EXPENDITURES				
Current				
Instruction	14,196,414	1,663,547	-	15,859,961
Support services	9,314,275	849,781	-	10,164,056
Enterprise and community services	-	1,316,561	-	1,316,561
Debt service	1,311,111	-	1,769,164	3,080,275
Facilities and acquisition	-	204,841	-	204,841
TOTAL EXPENDITURES	24,821,800	4,034,730	1,769,164	30,625,694
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(280,316)	(54,274)	61,270	(273,320)
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	8,946	-	-	8,946
TOTAL OTHER FINANCING SOURCES (USES)	8,946	-	-	8,946
NET CHANGE IN FUND BALANCE	(271,370)	(54,274)	61,270	(264,374)
FUND BALANCE, July 1, 2016	2,164,228	1,809,743	114,185	4,088,156
FUND BALANCE, June 30, 2017	\$ 1,892,858	\$ 1,755,469	\$ 175,455	\$ 3,823,782

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

NET CHANGE IN FUND BALANCE		\$ (264,374)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Government funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Expenditures for capital assets	\$ 298,859	
Loss on disposal of assets	(6,337)	
Less current year depreciation	<u>(897,027)</u>	(604,505)
<p>The issuance on long-term debt provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Debt principal repaid		2,232,000
Capital lease long-term debt		(5,919)
<p>Governmental funds report the effect of premiums, deferred charges and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences:</p>		
Amortization of premium (discount)		4,914
<p>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.</p>		
Interest paid	843,952	
Interest expense	<u>(812,978)</u>	30,974
<p>Governmental funds do not report inventory balances under the purchase method of accounting for inventory while the Statement of Net Position does. This is the change in inventory in the current period.</p>		
		11,638
<p>Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.</p>		
		(88,495)
<p>Governmental funds report pension contributions as expenditures. In the statement of activities, the cost of pension benefits earned (actuarially determined) net of employee contributions is reported as either pension expense or income. This is the net change in pension related items.</p>		
		(1,660,241)
<p>The change in the net post employment benefit obligation is not recognized in the governmental funds.</p>		
		172,143
CHANGE IN NET POSITION		<u>\$ (171,865)</u>

NOTES TO THE FINANCIAL STATEMENTS

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 1 - Summary of Significant Accounting Policies

The financial statements of Jackson County School District No. 4 (the District), Oregon 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 standards. The more significant of the District's accounting policies are described below.

The Reporting Entity

Jackson County School District No. 4, Phoenix-Talent, Oregon, was organized under provisions of Oregon Statutes pursuant to ORS Chapter 332 for the purpose of operating elementary and secondary schools. The District is governed by a separately elected seven-member Board of Education (Board) who approves the administrative officials. The daily functioning of the District is under the supervision of the Superintendent. As required by generally accepted accounting principles, all activities of the District have been included in the basic financial statements.

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

The more significant of the District's accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District. These statements include the governmental financial activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through property taxes, intergovernmental revenues, and charges for services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to students or others for tuition, fees, rentals, materials, supplies or services provided, (2) operating grants and contributions, and (3) capital grants and contributions. Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

Net Position is reported as restricted when constraints placed on net asset use is either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All the District's funds are categorized as major funds.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

The District reports the following major governmental funds:

General Fund – The General Fund is the District's primary operating fund and accounts for all revenues and expenditures except those required to be accounted for in another fund.

Special Revenue Fund – The Special Revenue Fund, accounts for revenues and expenditures of grants restricted for specific educational purposes. Principal revenue sources are federal and state grants.

Debt Service Fund – The Debt Service Fund provides for the payment of principal and interest on general obligation bonded debt. Principal revenue sources are property taxes.

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which 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.

Cash, Cash Equivalents and Investments

The District's cash and cash equivalents consist of cash on hand and demand deposits.

The District's investments, authorized under state statute, consist of the State of Oregon Treasurer's Local Government Investment Pool (LGIP). Changes in the fair value of investments are recorded as investment earnings. The LGIP is stated at cost which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895).

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Property Taxes Receivable

Ad valorem property taxes are levied on all taxable property as of January 1 preceding the beginning of the fiscal year. Property taxes become a lien on July 1 for personal property and real property. Property taxes are levied on July 1. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are recorded on the Statement of Net Position. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established.

Accounts and Other Receivables

Accounts receivable and other receivables consist primarily of charges for services, claims for reimbursement of costs under various federal and state grant programs and refunds of prior year expenditures.

Grants

Unreimbursed grant 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. Grant monies received prior to the occurrence of qualifying expenditures are recorded as unearned revenue.

Inventories

Inventory consists of supplies held for sale. In the government-wide financial statements, inventories are stated at cost using the first-in, first-out (FIFO) method. In the fund financial statements, inventory is reported using the purchase method where purchases are charged to expense when purchased.

A portion of the inventory consists of donated United States Department of Agriculture (USDA) commodities. Commodities are recorded as expenditures when consumed and are stated at their fair market value based on guidelines provided by the USDA.

Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. Interest incurred during construction is not capitalized. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements – 20 to 50 years
Equipment - 3 to 20 years

Post-Employment Health Care Benefits

Eligible employees who elect early retirement are entitled to payment of group medical insurance premiums. Such costs are recorded as expenses in the General Fund and funded as premiums become due.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Retirement Plans

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (OPERS). Contributions to OPERS are made on a current basis as required by the plan and are charged as expenses/expenditures.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All unused vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one type of deferred outflow, which arises only under the full accrual basis of accounting that qualifies for reporting in this category.

The governmental funds report expense related to pension contributions. These amounts are deferred and recognized as an outflow of resources in the period that is actuarially determined.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition on net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of deferred inflows, one which arises only under the modified accrual basis of accounting (unavailable revenues) and another that is reported under the full accrual basis of accounting (deferred amounts related to pensions). Accordingly, unavailable revenue, is reported only in the governmental funds balance sheet, and deferred amounts related to pensions, is reported in the government-wide statement of net position.

Long-term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements bond premiums and discounts are recognized when incurred and not deferred. The face amount of the debt issued, premiums received on debt issuances, and discounts are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures when incurred.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position/Fund Balance

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources related to those assets.

Restricted net position – consists of net position with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position is reduced by liabilities and deferred inflows or resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

In the fund financial statements, governmental fund equity is classified in the following categories:

Non-Spendable – Includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed – Includes items committed by the District's Board of Education, by formal board action.

Assigned – Includes items assigned for specific uses, authorized by the District's Superintendent and/or Business Manager.

Unassigned – This is the residual classification used for those balances not assigned to another category.

Budget

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting. This budgetary basis of accounting is different than accounting principles generally accepted in the United States of America (GAAP). The major differences between the budgetary and GAAP basis of accounting are that capital outlay and other long-term assets, and debt principal and other long-term liabilities, are included as budgeted expenditures in the governmental fund types. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

Appropriations are established at the major function level (instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, operating contingency and transfers) for each fund. The detail budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution.

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers within a fund between the levels of control (major function levels) with Board approval. The District did not exceed its authorized appropriations for the year ended June 30, 2017.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Use of Estimates

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

New GASB Pronouncements Adopted

During the fiscal year ended June 30, 2017, the District implemented the following GASB Pronouncements:

GASB Statement No. 72, Fair Value Measurement and Application. Issued February 2015 this statement establishes accounting and financial reporting standards for fair value measurements, the level of fair value hierarchy, and valuation techniques. GASB Statement No. 72 was implemented for the District for fiscal year ending June 30, 2017. Since the District invests in short-term investments that are traded in active markets, implementation did not result in a change in valuation; but Note 3. Cash and Investments has been modified to provide the new disclosures required by this Statement.

GASB Statement No. 73, supersedes certain paragraphs and footnotes of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans*; and all remaining requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*. The principal objective of GASB 73 is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees (both active and inactive) are provided with pensions that are not within the scope of Statement No. 68 (i.e. Stipend Benefits). GASB 73 is generally effective for financial statements for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, supersedes GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The principal objective of GASB 75 is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees (both active and inactive) are provided with postemployment benefits other than pensions (i.e. Medical Benefit). GASB 75 is effective for financial statements for fiscal years beginning after June 15, 2017 (earlier application was encouraged).

GASB Statement No. 77, *Tax Abatement Disclosures*. Issued August 2015, this statement requires governments that enter into tax abatement agreements to disclose information about those agreements. GASB Statement No. 77 was implemented by the District for the fiscal year ended June 30, 2017.

Future GASB Pronouncements

The following GASB pronouncements have been issued, but are not effective as of June 30, 2017:

GASB Statement No. 80, *Blending Requirements for Certain Component Units*. Issued January 2016, this statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. Issued March 2016, this statement improves accounting and financial reporting for irrevocable split-interest agreements by providing

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Future GASB Pronouncements (continued)

recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB 81 will be effective for the District, fiscal year ending June 30, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations*. Issued November 2016, this statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). GASB 83 will be effective for the District, fiscal year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities*. Issued January 2017, this statement establishes criteria for identifying fiduciary activities of all state and local governments. GASB 84 will be effective for the District, fiscal year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017*. Issued March 2017, this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as good will and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contract at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

GASB Statement No. 85 will be effective for the District, fiscal year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. Issued May 2017, the purpose of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is deceased in substance. GASB Statement No. 86 will be effective for the District, fiscal year ending June 30, 2018.

GASB Statement No. 87, *Leases*. Issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 will be effective for the District for fiscal year ending June 30, 2021.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Future GASB Pronouncements (continued)

The District is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the District's financial statements.

Note 2 – New Pronouncements Implemented and Restatements of Beginning Net Position

For the year ended June 30, 2017, the District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 73 is generally effective for financial statements for fiscal years beginning after June 15, 2016, and GASB 75 is effective for financial statements for fiscal years beginning after June 15, 2017 (earlier application was encouraged).

The implementation of GASB 73 and 75 resulted in a restatement of beginning net position in order to recognize the District's Stipend Pension Liability, and the District's Postemployment Medical Benefit Liability (Explicit and Implicit). The result of the restatement was a \$3,699,062 reduction in the beginning net position, a \$1,278,883 addition to the Stipend Pension Liability, and a \$2,420,179 addition to the Other Post Employment Medical Benefit Liability.

Note 3 - Cash and Investments

Cash and investments are comprised of the following as of June 30, 2017:

Petty cash	\$	331
Deposits with financial institutions:		
Demand deposits		644,147
Local Government Investment Pool		3,083,993
 Total cash and investments	 \$	 <u>3,728,471</u>

Deposits. The Governmental Accounting Standards Boards has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the District at June 30, 2017. If bank deposits at year end are not entirely insured or collateralized with securities held by the District or by its agent in the District's name, the District must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require depository institutions to be in compliance with ORS 295. For the fiscal year ended June 30, 2017, the carrying amounts of the District deposits in various financial institutions were \$644,147 and the bank balances were \$953,257. All deposits are held in the name of the District. Of the bank balance, \$558,012 is not covered by FDIC insurance. However, the balance is covered by the State of Oregon shared liability structure for participating bank depositories in Oregon, as identified by the State's Treasurer.

Effective July 1, 2008, House Bill 2901 created a shared liability structure for participating bank depositories in Oregon. Barring any exceptions, a qualifying bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of the quarter-end public fund deposits if they are adequately capitalized, or 110% of the quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 3 - Cash and Investments (continued)

the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public bank depositories is available to repay the deposits of public funds of governmental entities.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk.

Investments. The District has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2017. The Oregon Short-term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon

Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an external investment pool managed by the State Treasurer's office, which allow governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB statement No. 40. LGIP is not rated.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the District's cash position.

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the District's name and are not subject to collateralization requirements or ORS 295.015. Investments are stated at amortized cost, which approximated fair value.

State of Oregon statutes restrict the types of investments in which the District may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool. As of June 30, 2017, and for the year then ended, the District was in compliance with the aforementioned State of Oregon statutes.

Credit Risk. State Statutes authorize the District to invest primarily in general obligations of the U.S. government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, banker's acceptances, certain commercial papers, and the State Treasurer's Investment Pool, among others. The District has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk. The District is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The District has no such investments.

Interest Rate Risk. The District has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Disclosures about Fair Value of Assets. Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 3 - Cash and Investments (continued)

Level 1 - Unadjusted inputs using quoted prices in active markets for identical investments.

Level 2 - Other significant observable inputs other than level 1 prices, including, but are not limited to, quoted prices for similar investments, inputs other than quoted prices that are observable for investments (such as interest rates, prepayment speeds, credit risk, etc.) or other market corroborated inputs.

Level 3 - Significant inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

Investments Measured at Fair Value:	<u>Totals as of 6/30/2017</u>	<u>Level One</u>	<u>Level Two</u>	<u>Level Three</u>	<u>Amortized Cost Measurement Not Measured at Fair Value</u>
Local Government Investment Pool	<u>\$3,083,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 3,083,993</u>
	<u>\$3,083,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 3,083,993</u>

Note 4 - Receivables

Receivables are comprised of the following as of June 30, 2017:

	<u>Property Taxes</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 598,057	\$ -	\$ 268,481	\$ 866,538
Special Revenue Fund	-	919,806	-	919,806
Debt Service Fund	<u>130,424</u>	<u>-</u>	<u>-</u>	<u>130,424</u>
	<u>\$ 728,481</u>	<u>\$ 919,806</u>	<u>\$ 268,481</u>	<u>\$ 1,916,768</u>

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 5 - Capital Assets

The changes in capital assets for the year ended June 30, 2017 are as follows:

	Balance July 1, 2016	Additions	Disposals / Transfers	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 2,188,639	\$ -	\$ -	\$ 2,188,639
Construction in progress	110,203	150,988	-	261,191
Total capital assets not being depreciated	<u>\$ 2,298,842</u>	<u>\$ 150,988</u>	<u>\$ -</u>	<u>\$ 2,449,830</u>
Capital assets being depreciated:				
Building & Improvements	\$ 35,415,467	\$ 68,966	\$ -	\$ 35,484,433
Equipment/Fixtures/Vehicles	7,132,101	78,905	(127,550)	7,083,456
Total capital assets being depreciated	<u>\$ 42,547,568</u>	<u>\$ 147,871</u>	<u>\$ (127,550)</u>	<u>\$ 42,567,889</u>
Less accumulated depreciation for:				
Building & Improvements	\$ (18,344,994)	\$ (797,061)	\$ -	\$ (19,142,055)
Equipment/Fixtures/Vehicles	(6,070,138)	(99,966)	121,213	(6,048,891)
Total accumulated depreciation	<u>\$ (24,415,132)</u>	<u>\$ (897,027)</u>	<u>\$ 121,213</u>	<u>\$ (25,190,946)</u>
Total capital assets (net)				
Land	\$ 2,188,639	\$ -	\$ -	\$ 2,188,639
CIP	110,203	150,988	-	261,191
Building & Improvements	17,070,473	(728,095)	-	16,342,378
Equipment/Fixtures/Vehicles	1,061,963	(21,061)	(6,337)	1,034,565
Total capital assets (net)	<u>\$ 20,431,278</u>	<u>\$ (598,168)</u>	<u>\$ (6,337)</u>	<u>\$ 19,826,773</u>

Unallocated depreciation expense for fiscal year 2017 totaled \$897,027.

Note 6 - Unavailable/Unearned Revenues

Governmental funds report deferred inflows of resources in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Amounts received in advance of the period in which services are performed and recorded in unearned revenue. At June 30, 2017, the various components of unearned revenue included in the governmental funds' Balance Sheet consist of the following:

	Unavailable	Unearned	Total
General Fund			
Property Taxes	\$ 484,689	\$ -	\$ 484,689
Special Revenue Fund			
Grants	-	151,348	151,348
Debt service fund			
Property taxes	105,589	-	\$ 105,589
Total inflows/unearned revenue	<u>\$ 590,278</u>	<u>\$ 151,348</u>	<u>\$ 741,626</u>

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 7 - Operating Leases

The District leases copiers under non-cancellable operating leases. Total costs for such leases were \$46,426 for the fiscal year ended June 30, 2017. The future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30	Amount
2018	\$ 40,058
2019	35,091
2020	24,101
2021	10,205
2022	4,670
Total	<u>\$ 114,996</u>

Note 8 - Capital Lease Payable

On June 6, 2016 the District entered into a capital lease to finance equipment that matures on June 1, 2019. The lease is payable in 36 monthly installments of \$278, including an imputed interest rate of 7.98%. The cost of this equipment was \$8,946. Interest expense in the current year was \$593.

The following is the scheduled payment amount:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	\$ 2,977	\$ 365	\$ 3,342
2019	<u>2,942</u>	<u>121</u>	<u>3,063</u>
Total	<u>\$ 5,919</u>	<u>\$ 486</u>	<u>\$ 6,405</u>

Note 9 - Long-Term Debt

General Obligation Bonds

On July 11, 2011, the District refunded its 2001 general obligation bonds. The General Obligation Refunding Bonds, Series 2011 was for \$2,490,000 for an economic gain of \$345,367.

The 2011 series was issued with a premium that is being amortized on a straight line basis over the life of the bond.

Principal payments are due annually on June 15 and interest payments are due semiannually on June 15 and December 15. The bonds mature in 2020 and carry an annual interest rate that varies from 2.88-3.00%.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 9 - Long-Term Debt (continued)

Fiscal Year Ending June 30	Principal	Interest	Total	Interest Rate
2018	\$ 10,000	\$ 72,494	\$ 82,494	3.00%
2019	1,635,000	72,194	1,707,194	3.00%
2020	805,000	23,143	828,143	2.88%
Total	\$ 2,450,000	\$ 167,831	\$ 2,617,831	

On May 26, 2015, the District advance refunded the outstanding Series 2005 General Obligation Bonds to provide for lower interest rates and a reduced future cost to District taxpayers. The advance refunding was accomplished by issuing Series General Obligation Refunding Bond, Series 2015 in the amount of \$5,237,000. Principal payments are due annually on June 15 and interest payments are due semiannually on June 15 and December 15. The bonds mature in 2019 and carry an annual interest rate of 1.31%.

Fiscal Year Ending June 30	Principal	Interest	Total	Interest Rate
2018	\$ 1,720,000	\$ 25,021	\$ 1,745,021	1.31%
2019	190,000	2,489	192,489	1.31%
Total	\$ 1,910,000	\$ 27,510	\$ 1,937,510	

Pension Obligation Bond – Series 2004

In February of 2004, the District participated in a pooled issuance of Series 2004 limited tax pension obligations. Certain Oregon school districts and education service districts issued limited tax obligations (Pension Obligation), the proceeds of which were used to finance a portion of the estimated unfunded actuarial liability of each issuer with the Oregon Public Employees Retirement System (PERS). The full faith and credit of the District was pledged for the punctual payment of the principal of and interest on its Pension Obligation, and debt service on the Pension Obligation is not subject to annual appropriation. The Pension Obligation is further secured by an Intercept Agreement under which an amount equal to the debt service on each issuer's Pension Obligation will be diverted from State Education Revenues.

On February 6, 2004, the District entered into an agreement to participate in the Oregon School Board Association Limited Tax Pension Bonds. Bonds were issued in the amount of \$14,895,000, bearing an interest rate of 3.25% to 5.53%, payable semiannually on June 30 and December 30 of each year until maturity in 2028. The 2004 Obligations are subject to prepayment as further described in the official statement.

Fiscal Year Ending June 30	Principal	Interest	Total	Interest Rate
2018	\$ 615,000	\$ 693,928	\$ 1,308,928	5.223%
2019	715,000	661,807	1,376,807	5.323%
2020	825,000	623,747	1,448,747	5.373%
2021	940,000	579,420	1,519,420	5.432%
2022	1,065,000	528,444	1,593,444	5.473%
2023-2027	7,635,000	1,598,974	9,233,974	5.528%
2028	870,000	48,094	918,094	5.528%
Total	\$ 12,665,000	\$ 4,734,414	\$ 17,399,414	

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 9 - Long-Term Debt (continued)

OSBA FlexFund Obligation Bond

On October 30, 2012, the District entered into an agreement to participate in the Oregon School Boards Association (OSBA) FlexFund Program. Bonds were issued in the amount of \$602,000, bearing an interest rate of 0.75% to 3.00%, payable semiannually. The bonds mature in 2022. The bonds maturing in the years 2014 through 2017 are not subject to redemption prior to maturity. The bonds maturing on or after the year 2018 are subject to redemption from the proceeds of the optional prepayment of the Installment Financing Agreement. The Installment Financing Agreement is subject to optional prepayment by the Issuer, in whole or in part on any date, on and after June 1, 2017 at the price of par plus accrued interest, if any, to the date of redemption.

Fiscal Year Ending June 30	Principal	Interest	Total	Interest Rate
2018	\$ 57,000	\$ 7,376	\$ 64,376	1.800%
2019	62,000	6,350	68,350	2.000%
2020	62,000	5,110	67,110	2.375%
2021	62,000	3,638	65,638	2.625%
2022	67,000	2,010	69,010	3.000%
Total	\$ 310,000	\$ 24,484	\$ 334,484	

The changes in unmatured bond principal for the year ended June 30, 2017 are as follows:

	Original Issue	Outstanding July 1, 2016	Matured and Redeemed	Outstanding June 30, 2017
General Obligation Bonds				
2011 Series	\$ 2,490,000	\$ 2,455,000	\$ (5,000)	\$ 2,450,000
2015 Series	5,237,000	3,555,000	(1,645,000)	1,910,000
Total General Obligation	\$ 7,727,000	\$ 6,010,000	\$ (1,650,000)	\$ 4,360,000
Pension Obligation Bond				
2004 Series	\$ 14,895,000	\$ 13,190,000	\$ (525,000)	\$ 12,665,000
Total Pension Obligation	\$ 14,895,000	\$ 13,190,000	\$ (525,000)	\$ 12,665,000
OSBA FlexFund Obligation Bond				
2012 Series	\$ 602,000	\$ 367,000	\$ (57,000)	\$ 310,000
Total OSBA FlexFund Obligation	\$ 602,000	\$ 367,000	\$ (57,000)	\$ 310,000
Total Long Term Debt	\$ 23,224,000	\$ 19,567,000	\$ (2,232,000)	\$ 17,335,000
Unamortized Premium / (Discount)		\$ 19,657	\$ (4,915)	\$ 14,742
		\$ 19,586,657	\$ (2,236,915)	\$ 17,349,742

Interest paid on the above debt was \$843,952 and interest expense for the current fiscal year is \$812,978.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 10 - Permanently Restricted Net Position/Fund Balance

During the year ended June 30, 2009 the Fletcher Fish Memorial Scholarship fund (Scholarship fund) was established in the amount of \$612,555. The contribution is permanently restricted by the donor. Only the income from the fund shall be used to award scholarships to Phoenix High School graduates attending postsecondary educational institutions and shall be awarded based on academic accomplishments and financial need. Two scholarships may be awarded annually. At June 30, 2017 the balance of the Scholarship fund is \$618,231. The Scholarship fund is currently invested in the Local Government Investment Pool earning average interest rate of 1.4500%.

Note 11 - Post-Employment Benefits Other Than Pensions (OPEB)

Single-Employer Defined Benefit Health Care Plan –

Plan Description – The District maintains a single-employer defined benefit OPEB plan that provides post-employment health benefits to eligible employees and their dependents. Generally, the program covers all who meet Oregon PERS retirement eligibility by receiving benefits from Oregon PERS. For Tier 1 or Tier 2 members they may retire earlier of age 55, or any age with 30 years of service. OPSRP members must be age 55 or older with five years of service. The program covers Administrative, Classified and Confidential staff that have been employed prior to July 1, 2003. Additionally, eligible Administrative staff must have at least 15 years of experience, Classified staff 20 years of continuous full-time experience, and Confidential staff 10 years of experience. An eligible employee qualifies for paid health care coverage currently being received by active employees. Qualified spouses, domestic partners, and children may qualify for coverage. The coverage is paid for eight years or until Medicare eligibility, whichever comes first. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

District contributions for Administrative and Confidential retirees are capped at \$1,698 per month, and for Classified retirees, are capped at \$1,213 per month. These caps are expected to inflate in future years.

In addition, the District's post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303, which requires that all eligible retirees are allowed to continue receiving health insurance benefits, at their cost, until age 65 or they become otherwise eligible for Medicare. ORS stipulate that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. Their requirement to make available to retirees (at the retirees own cost) access in to the healthcare plan has an implicit cost to the district.

Funding Policy – The benefits from the single-employer defined benefit OPEB plan are paid by the District based on bargaining agreement language and contributions by employees are also required. The plan is not accounted for in a pension trust fund; therefore, designated funds are not legally restricted to pay future benefits. The benefits from the healthcare plan established in accordance with ORS 243.303 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 on the part of the District to fund these benefits in advance. The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan.

Employees Covered by Benefit Terms – The explicit benefit for the single-employer defined benefit OPEB plan was ceased to all employees hired subsequent to July 1, 2003. As a result, the total plan members receiving the explicit benefit will decrease over time. At June 30, 2017, the following employees were covered by the explicit benefit terms:

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 11 - Post-Employment Benefits Other Than Pensions (OPEB) (continued)

Single-Employer Defined Benefit Health Care Plan – (continued)

Inactive employees or beneficiaries currently receiving benefit payments	35
Inactive employees entitled to but not yet receiving benefit payments	-
Active plan members	208
	243

Total OPEB Liability – The districts total OPEB liability of \$2,817,279 was measured as of June 30, 2017, and was determined by an actuarial valuation date as of July 1, 2016.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Input	Assumption
Actuarial Cost Method	Early age normal, level percent of salary
Interest Rate Utilized for Discounting	3.0% per year, based on all years discounted at municipal bond rate
General Inflation	2.5% per year
Salary Scale	3.0% per year
Salary Merit Scale	Total payroll increase is overall payroll growth
Annual Premium Increase Rate	Between 5% and 6.5% annually
Mortality Rates	RP 2000 male and female tables
Turnover Rates	As developed for the valuation of benefits under Oregon PERS, depending on YOS
Disability Rates	As developed for the valuation of benefits under Oregon PERS, age dependent
Retirement Rates	As developed for the valuation of benefits under Oregon PERS
Plan Enrollment	Current and future retirees are assumed to remain enrolled in the plans in which currently enrolled if any
Marital Status	70% of future retirees electing coverage are assumed to cover a spouse as well
Coverage of Eligible Children	We have assumed no impact of dependent children on the implicit subsidy

Changes in the Total OPEB Liability –

OPEB Liability at June 30, 2016	\$ 2,779,717
Changes for the year:	
Service cost	127,890
Interest	82,714
Benefit payments	(173,042)
OPEB Liability at June 30, 2017	\$ 2,817,279

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	1% Decrease Rate 2.0%	Current Discount Rate 3.0%	1% Increase Rate 4.0%
Total OPEB Liability	\$ 3,026,790	\$ 2,817,279	\$ 2,623,052

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 11 - Post-Employment Benefits Other Than Pensions (OPEB) (continued)

Changes in the Total OPEB Liability – (continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease 5.5% Graded Down to 4%	Current Trend Rate 6.5% Graded Down to 5% Trend Rates	1% Increase 7.5% Graded Down to 6%
Total OPEB Liability	\$ 2,540,807	\$ 2,817,279	\$ 3,142,623

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources – For the year ended June 30, 2017, the District recognized OPEB expense of \$210,604. At June 30, 2017, the District reported no deferred outflows or inflows associated with its OPEB plan.

Retirement Health Insurance Account (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 post-employment 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 PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS 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 PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating school districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.49% of annual covered OPERF payroll and 0.10% of OPSRP payroll. 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.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 11 - Post-Employment Benefits Other Than Pensions (OPEB) (continued)

Retirement Health Insurance Account (RHIA) – (continued)

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 years ended June 30, 2015, 2016 and 2017 were (\$47,114, \$51,589, and \$62,423) which equaled the required contributions each year.

Note 12 - Pension and Retirement Plans

Tax Sheltered Annuity Plan –

The District offers its employees a tax deferred annuity program established pursuant to Section 403(b) of the Internal Revenue Code (the Code), and deferred compensation program pursuant to Section 457 of the Internal Revenue Code. Contributions are made through salary reductions from participating employees up to the amounts specified in the Code. The District provides no matching component for employee contributions.

Early Retirement Stipend Pension Plan –

Plan Description - The District maintains a single-employer defined benefit pension early retirement supplemental plan for eligible Administrative, Classified, Confidential and Licensed employees of the District (not administered through a trust). For retirement eligibility the retiree must be receiving benefits from Oregon PERS. For Tier 1 or Tier 2 members they may retire earlier of age 55, or any age with 30 years of service. OPSRP members must be age 55 or older with five years of service. The program covers Administrative, Classified and Confidential staff that have been employed since July 1, 2003, and licensed staff prior to June 20, 2003. Additionally, eligible Administrative staff must have at least 15 years of experience, Classified staff 20 years of continuous experience, Confidential staff 10 years of continuous experience and Licensed staff 15 years of full-time experience with the district, or at least 10 years of full-time experience and be on Step 15 of the Licensed salary schedule. Upon reaching age 55 (and having the required number of years of experience prior to the specified eligibility date), an employee may elect early retirement. A stipend in lieu of medical insurance from the District for Administrative and Confidential staff equal to medical premium, Classified may elect a \$100 stipend in lieu of insurance benefit, and Licensed staff may elect to receive 2.65% of base licensed salary per month, which is allowed to inflate post-retirement. The stipend is paid for eight years or until the retiree is eligible for full Social Security Benefits, whichever comes first. There are no survivor benefits.

Funding Policy – The benefits from this program are fully paid by the District and, consequently, no contributions by employees are required. The District funds this benefit as it comes due and the amount paid by the District for the benefit for the period ended June 30, 2017 was \$340,872. There are no assets accumulated in a trust.

Employees Covered by Benefit Terms – At June 30, 2017, the following employees were covered by the stipend benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	34
Inactive employees entitled to but not yet receiving benefit payments	-
Active plan members	54
	88

Total Stipend Pension Liability – The districts total stipend pension liability of \$2,431,427 was measured as of June 30, 2017, and was determined by an actuarial valuation date as of July 1, 2016.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 12 - Pension and Retirement Plans (continued)

Early Retirement Stipend Pension Plan – (continued)

Actuarial Assumptions and Other Inputs – The total stipend pension liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Input	Assumption
Actuarial Cost Method	Early age normal, level percent of salary
Interest Rate Utilized for Discounting	3.0% per year, based on all years discounted at municipal bond rate
General Inflation	2.5% per year
Salary Scale	3.0% per year
Salary Merit Scale	Total payroll increase is overall payroll growth
Annual Premium Increase Rate	Between 5% and 6.5% annually
Mortality Rates	RP 2000 male and female tables
Turnover Rates	As developed for the valuation of benefits under Oregon PERS, depending on YOS
Disability Rates	As developed for the valuation of benefits under Oregon PERS, age dependent
Retirement Rates	As developed for the valuation of benefits under Oregon PERS
Plan Enrollment	Current and future retirees are assumed to remain enrolled in the plans in which currently enrolled if any
Marital Status	70% of future retirees electing coverage are assumed to cover a spouse as well
Coverage of Eligible Children	We have assumed no impact of dependent children on the implicit subsidy

Changes in the Stipend Pension Liability –

Stipend Pension Liability at June 30, 2016	\$ 2,641,132
Changes for the year:	
Service cost	62,238
Interest	74,964
Benefit payments	<u>(346,907)</u>
Stipend Pension Liability at June 30, 2017	<u>\$ 2,431,427</u>

Sensitivity of the Total Stipend Pension Liability to Changes in the Discount Rate – The following presents the total stipend pension liability of the District, as well as what the District’s total pension stipend liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	1% Decrease Rate 2.0%	Current Discount Rate 3.0%	1% Increase Rate 4.0%
Total Stipend Pension Liability	\$ 2,550,666	\$ 2,431,427	\$ 2,316,270

Stipend Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources – For the year ended June 30, 2017, the District recognized stipend pension expense of \$137,202. At June 30, 2017, the District reported no deferred outflows or inflows associated with its stipend pension plan.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 12 - Pension and Retirement Plans (continued)

OPERS Plan -

Plan Description - Employees are provided pensions as participants under one or more plans currently available through Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit plan in accordance with Oregon Revised Statutes Chapter 238, Chapter 23A, and Internal Revenue Service Code Section 401(a).

There are currently two programs within OPERS, with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are OPERS Program members, and benefits are provided based on whether a member qualifies for Tier One or Tier Two described below. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPSRP is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and 2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

The ORS Chapter 238 Defined Benefit Plan was closed to new members hired on or after August 29, 2003. In 1995, the Oregon Legislature created a second tier of benefits for those who became OPERS Program members after 1995 but before August 29, 2003. The second tier does not have the Tier One assumed earnings rate guarantee.

Beginning January 1, 2004, all employees who were active members of OPERS became members of the OPSRP IAP Program. OPERS plan member contributions (the employee contribution, whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. OPERS plan members retain their existing OPERS accounts; however, member contributions after January 1, 2004 are deposited in the member's IAP, not into the member's OPERS account.

Plan Benefits - All benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapter 238 and 238A.

Tier One/Tier Two Retirement Benefit (Chapter 238) -

Pension Benefits - The OPERS 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 (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 a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit 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. General Service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan was closed to new members hired on or after August 29, 2003.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 12 - Pension and Retirement Plans (continued)

OPERS Plan – (continued)

- Member was employed by a OPERS employer at the time of death,
- Member died within 120 days after termination of OPERS-covered employment,
- Member died as a result of injury sustained while employed in a OPERS-covered job, or
- Member was on an official leave of absence from a OPERS-covered job at the time of death.

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% of the member's salary determined as of the last full month of employment before the disability occurred.

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0%.

OPSRP Pension Program (Chapter 238A) -

Pension Benefits - The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

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.

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

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

Benefit Changes After Retirement - Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living adjustment (COLA). The COLA is capped at 2.0%.

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017**

Note 12 - Pension and Retirement Plans (continued)

Contributions –

PERS' funding policy provides for periodic member and employer contributions at rates established by the Public Employees Retirement Board, subject to limits set in statute. The rates established for member and employer contributions were approved based on the recommendations of the System's third-party actuary.

The District's employer contributions for the year ended June 30, 2017 were \$903,286, excluding amounts to fund employer specific liabilities. The contribution rates in effect for the fiscal year ended June 30, 2017 for each pension program were: Tier1/Tier 2 – 10.06%, and OPSRP general service – 5.37%.

Pension Plan Comprehensive Annual Financial Report (CAFR) –

Oregon PERS produces an independently audited CAFR which can be found at:

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

Actuarial Valuation -

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. Under this cost method, each active member's entry age present value of projected benefits is allocated over the member's service from their date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

Actuarial Methods and Assumptions Used in Developing Total Pension Liability –

Valuation date	December 31, 2014
Measurement date	June 30, 2016
Experience study	2014, published September 2015
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation rate	2.50 percent (reduced from 2.75%)
Long-term expected rate of return	7.50 percent (reduced from 7.75%)
Discount rate	7.50 percent (reduced from 7.75%)
Projected salary increases	3.50 percent (reduced from 3.75%)
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p><i>Healthy retirees and beneficiaries:</i> RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p><i>Active members:</i> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p><i>Disabled retirees:</i> Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</p>

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 12 - Pension and Retirement Plans (continued)

Actuarial Methods and Assumptions Used in Developing Total Pension Liability – (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Discount Rate –

The discount rate used to measure the total pension liability was 7.5 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Investment Rate of Return –

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

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

http://www.oregon.gov/pers/docs/financial_reports/2016_cafr.pdf.

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

At June 30, 2017, the District reported \$15,813,144 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was approximately 0.1053 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$1,660,241. Pension expense was generated during the measurement period primarily as a result of less than anticipated investment returns at the OPERS level. The \$1,660,241 was treated as an increase of payroll related expense in the Statement of Activities and allocated to Instruction, Supporting Services, and community Services using allocation percentages of 58%, 37% and 5%, respectively.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 12 - Pension and Retirement Plans (continued)

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – (continued)

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 523,170	\$ -
Changes of assumptions	3,372,564	-
Net difference between projected and actual earning on investments	3,124,014	-
Changes in proportionate share	-	764,569
Differences between employer contributions and employers proportionate share of system contributions	49,990	328,236
Contributions subsequent to measurement date	\$903,286	-
Total	\$ 7,973,024	\$ 1,092,805

\$903,286 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Net Deferred Outflow of Resources (prior to post-measurement date contributions)
2018	\$ 1,004,896
2019	1,004,894
2020	2,148,994
2021	1,613,515
2022	204,634
Thereafter	-
Total	\$ 5,976,933

Sensitivity for the District's Proportionate Share of the Net Pension Liability to Changes in 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:

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 12 - Pension and Retirement Plans (continued)

Sensitivity for the District's Proportionate Share of the Net Pension Liability to Changes in Discount Rate – (continued)

District's Net Pension Asset/(Liability)	1% Decrease (6.50)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Defined Benefit Pension Plan	\$ 25,532,955	\$ 15,813,144	\$ 7,689,082

Changes in Assumptions –

A summary of key changes implemented since the December 31, 2013 valuation can be found in the 2014 Experience Study for the System, which can be found at:

<http://www.oregon.gov/PERS/Documents/Financials/Actuarial/2015/Experience-Study.pdf>

Defined Contribution Plan – Individual Account Program (IAP)

Pension Benefits - Participants in OPERS defined contribution 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. All covered employees are required by State statute to contribute 6% of their salary to the plan. 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 Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5, 10, 15, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

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

Contributions - During 2017, the District, as an employee benefit, paid the employees portion of the contribution. For 2017, the District paid \$762,666 for this contribution.

Note 13 - Contingencies

Amounts received or receivable from grantor agencies are subject to compliance audits by grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District, in the regular course of business, may be named as a defendant in various lawsuits. The likely outcome of these lawsuits, if any, is not presently determinable.

Note 14 - Current Vulnerability Due to Certain Concentrations

The District's operations are concentrated within Jackson County. In addition, substantially all the District's revenues for continuing operations are from federal, state, and local government agencies. In

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

Note 14 - Current Vulnerability Due to Certain Concentrations (continued)

the normal course of operations, the District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 15 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the District carries commercial insurance. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year and the District has not been required to pay any settlements in excess of insurance coverage during the past five fiscal years ending June 30, 2017.

Note 16 - Tax Abatements

As of June 30, 2017, Jackson county provides tax abatements through Enterprise Zone program. For the fiscal year ended June 30, 2017, Phoenix-Talent School District did not have any abated property taxes under this program.

Note 17 - Subsequent Events

Management of the District has evaluated events and transactions occurring after June 30, 2017 through December 7, 2017, the date of the financial statements were available for issuance, for recognition and/or disclosure in the financial statements. The following event and transaction occurred after June 30, 2017 through the date the financial statements were available for issuance.

Bond Measure Approval -

The District proposed Measure 15-171 during the November 7, 2017 Jackson County Election to approve issuance of general obligation bonds, not to exceed \$68,000,000, to improve safety, security, and learning environments. Upon approval of measure 15-171, the State of Oregon will provide matching funds of \$4,000,000. The measure officially was approved by the voters of Jackson County on November 7, 2017.

Changes in OPERS Pension Plan Provisions -

At its July 28, 2017 meeting, the PERS Board lowered its effective "assumed rate" from 7.5% to 7.2% effective, January 1, 2018. The assumed rate is the rate of investment return (including inflation) that the PERS Fund's regular account is expected to earn over the long term. Oregon Administrative Rule 459-007-0001(2) states that the assumed rate "means the actuarial assumed rate of return on investments as adopted by the Board for the most recent actuarial valuation."

The lowered rate is expected to increase the PERS net pension liability by an estimated \$2.0 to \$2.4 billion. Of this increase, the District's portion is estimated at \$2.1 to \$2.5 million.

REQUIRED SUPPLEMENTARY INFORMATION

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY)
AND SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
LAST 10 FISCAL YEARS ENDING JUNE 30 (For Years Information is Available)**

Jackson County School District No. 4 Proportionate Share of Net Pension Asset / (Liability)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District proportion of the net pension asset/(liability)	0.10533443%	0.1159930%	0.1303724%	0.1303724%
District's proportion of the net pension asset/(liability)	\$ (15,813,144)	\$ (6,659,694)	\$ 2,955,170	\$ (6,653,095)
District's covered-employee payroll	\$ 11,760,743	\$ 11,400,100	\$ 10,917,979	\$ 11,043,818
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	134.46%	58.42%	-27.07%	60.24%
Plan fiduciary net position as a percentage of the total pension liability	80.53%	91.88%	103.59%	91.97

Jackson County School District No. 4 Contributions

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 903,286	\$ 849,199	\$ 981,878	\$ 1,311,290
Contribution in relation to the contractually required	<u>(903,286)</u>	<u>(849,199)</u>	<u>(981,878)</u>	<u>(1,311,290)</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	\$ 11,760,743	\$ 11,400,100	\$ 10,917,979	\$ 10,954,483
Contributions as a percentage of covered-employee payroll	7.68%	7.45%	8.99%	11.97%

Note 1 - Changes of Benefit Terms and Assumptions -

A summary of assumption changes implemented since the December 31, 2014 valuation are outlined briefly below. A comprehensive list of changes in methods and assumptions can be found in the 2014 Experience Study for the system, which was published on September 23, 2015, and can be found at: <http://www.oregon.gov/PERS/Documents/Financials/Actuarial/2015/Experience-Study.pdf>

Changes in Actuarial Method and Allocation Procedures:

General Service member weighting changed from 30% to 25% of proportional liability.

Changes in Economic Assumptions:

Inflation was lowered to 2.5%, and payroll growth was reduced from 3.75% to 3.5%. Investment return and interest crediting was reduced from 7.75% to 7.5%. With the implementation of GASB No. 67 and 68 this necessitated an explicit Tier 1/Tier 2 administrative expense assumption of \$33 million per year for December 31, 2014 and December 31, 2015. Health care cost inflation and implementation of the excise tax in 2018 was considered. Disability mortality tables were updated using the RP2000 generational tables, whereas RP2000 static tables were previously used. Rates for disability, retirement from active status, and termination were adjusted.

Changes in Salary Increase Assumptions:

Unused sick leave and vacation pay rates were adjusted. Retirement Health Insurance Account (RHIA) participation rate for healthy retirees was reduced from 45% to 38%. The RHIPA participation rate was changed from a uniform rate of 13% to a service-based table of rates.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF CHANGES IN THE DISTRICT'S NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS ENDING JUNE 30 (For Years Information is Available)

Total Pension Liability (Stipend):	<u>2017</u>
Service cost	\$ 62,238
Interest	74,964
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions of other inputs	-
Benefit payments	<u>(346,907)</u>
Net change in total pension liability (stipend)	(209,705)
Total Pension Liability (Stipend) - beginning	<u>\$ 2,641,132</u>
Total Pension liability (Stipend) - ending	<u>\$ 2,431,427</u>
Estimated Covered - employee payroll	\$ 3,413,350
Total pension liability (Stipend) as a percentage of estimated covered - employee payroll	71.23%

Notes to Schedule:

Significant methods and assumptions used in calculating the actuarially determined contributions:

Significant methods and assumptions used in calculating the actuarially determined contributions are described in Note 12 to the financial statements. No assets are accumulated in a trust to pay related benefits.

Changes in benefit terms:

None noted.

Other information:

This schedule is presented to illustrate required supplementary information for a 10 year period. The District adopted GASB 73 during fiscal 2017, as a result, only one year of information is presented.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS ENDING JUNE 30 (For Years Information is Available)

Total OPEB Liability:	<u>2017</u>
Service cost	\$ 127,890
Interest	82,714
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions of other inputs	-
Benefit payments	<u>(173,042)</u>
Net change in total OPEB liability	37,562
Total OPEB liability - beginning	<u>\$ 2,779,717</u>
Total OPEB liability - ending	<u><u>\$ 2,817,279</u></u>
Estimated Covered - employee payroll	\$ 11,647,977
Total OPEB liability as a percentage of estimated covered - employee payroll	24.19%

Notes to Schedule:

Significant methods and assumptions used in calculating the actuarially determined contributions:

Significant methods and assumptions used in calculating the actuarially determined contributions are described in Note 11 to the financial statements. No assets are accumulated in a trust to pay related benefits.

Changes in benefit terms:

None noted.

Other information:

This schedule is presented to illustrate required supplementary information for a 10 year period. The District adopted GASB 75 during fiscal 2017, as a result, only one year of information is presented.

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
REVENUES				
Local sources:				
Property taxes	\$ 8,162,000	\$ 8,162,000	\$ 8,101,916	\$ (60,084)
Charges for services	109,000	109,000	118,445	9,445
Interest on investments	23,000	23,000	73,360	50,360
Miscellaneous	116,630	116,630	102,349	(14,281)
State sources:				
Basic school support	16,290,000	16,290,000	15,776,012	(513,988)
Intergovernmental	263,000	263,000	336,524	73,524
Federal sources:				
Intergovernmental	27,000	27,000	32,878	5,878
TOTAL REVENUES	24,990,630	24,990,630	24,541,484	(449,146)
EXPENDITURES				
Current:				
Instruction	14,784,330	14,784,330	14,196,414	587,916
Support services	9,717,085	9,717,085	9,314,275	402,810
Operating Contingency	200,000	200,000	-	200,000
Debt service	1,313,000	1,313,000	1,311,111	1,889
TOTAL EXPENDITURES	26,014,415	26,014,415	24,821,800	1,192,615
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,023,785)	(1,023,785)	(280,316)	743,469
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease	-	-	8,946	8,946
TOTAL OTHER FINANCING SOURCES (USES)	-	-	8,946	8,946
NET CHANGE IN FUND BALANCE	(1,023,785)	(1,023,785)	(271,370)	752,415
FUND BALANCE, July 1, 2016	1,100,000	1,100,000	2,164,228	1,064,228
FUND BALANCE, June 30, 2017	\$ 76,215	\$ 76,215	\$ 1,892,858	\$ 1,816,643

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget
				Positive (Negative)
REVENUES				
Local sources:				
Construction Excise Taxes	\$ 150,000	\$ 150,000	\$ 237,661	\$ 87,661
Charges for services	739,000	739,000	735,884	(3,116)
Donations	52,690	52,690	73,405	20,715
Interest on investments	8,320	8,320	11,767	3,447
Miscellaneous	67,000	67,000	78,577	11,577
Intermediate sources:				
Miscellaneous	12,162	12,162	67,283	55,121
State sources:				
Basic school support	12,000	12,000	10,963	(1,037)
Intergovernmental	296,582	296,582	304,210	7,628
Federal sources:				
Intergovernmental	2,444,260	2,444,260	2,460,706	16,446
TOTAL REVENUES	3,782,014	3,782,014	3,980,456	198,442
EXPENDITURES				
Current:				
Instruction	1,553,150	1,793,150	1,663,547	129,603
Support services	709,452	889,452	849,781	39,671
Enterprise and community services	1,373,898	1,373,898	1,316,561	57,337
Facilities acquisition and construction	695,500	275,500	204,841	70,659
TOTAL EXPENDITURES	4,332,000	4,332,000	4,034,730	297,270
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(549,986)	(549,986)	(54,274)	495,712
NET CHANGE IN FUND BALANCE	(549,986)	(549,986)	(54,274)	495,712
FUND BALANCE, July 1, 2016	1,697,986	1,697,986	1,809,743	111,757
FUND BALANCE, June 30, 2017	\$ 1,148,000	\$ 1,148,000	\$ 1,755,469	\$ 607,469

OTHER SUPPLEMENTARY INFORMATION

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Local sources:				
Property taxes	\$ 1,771,000	\$ 1,771,000	\$ 1,820,845	\$ 49,845
Interest on investments	2,000	2,000	9,589	7,589
TOTAL REVENUES	1,773,000	1,773,000	1,830,434	57,434
EXPENDITURES				
Debt service	1,770,000	1,770,000	1,769,164	836
TOTAL EXPENDITURES	1,770,000	1,770,000	1,769,164	836
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,000	3,000	61,270	58,270
NET CHANGE IN FUND BALANCE	3,000	3,000	61,270	58,270
FUND BALANCE, July 1, 2016	110,000	110,000	114,185	4,185
FUND BALANCE, June 30, 2017	\$ 113,000	\$ 113,000	\$ 175,455	\$ 62,455

SCHOOL DISTRICT FINANCIAL
ACCOUNTING SUMMARIES

2016 -17 DISTRICT AUDIT REVENUE SUMMARY
Phoenix-Talent School District #4

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	\$8,099,266		\$1,820,266				
1120 Local Option Ad Valorem Taxes Levied by District							
1130 Construction Excise Tax		\$237,661					
1190 Penalties and Interest on Taxes	\$2,650		\$579				
1200 Revenue from Local Governmental Units Other Than Districts							
1311 Regular Day School Tuition - From Individuals							
1312 Regular Day School Tuition - Other Dist Within State							
1313 Regular Day School Tuition - Other Districts Outside							
1320 Adult/Continuing Education Tuition							
1330 Summer School Tuition							
1411 Transportation Fees - From Individuals							
1412 Transportation Fees - Other Dist Within State							
1413 Transportation Fees - Other Districts Outside							
1420 Summer School Transportation Fees							
1500 Earnings on Investments	\$73,360	\$11,767	\$9,589				
1600 Food Service		\$179,007					
1700 Extracurricular Activities	\$42,004	\$556,877					
1800 Community Services Activities							
1910 Rentals	\$3,970						
1920 Contributions and Donations From Private Sources		\$73,405					
1930 Rental or Lease Payments From Private Contractors	\$36,000						
1940 Services Provided Other Local Education Agencies							
1950 Textbook Sales and Rentals							
1960 Recovery of Prior Years' Expenditure	\$2,388	\$9,680					
1970 Services Provided Other Funds							
1980 Fees Charged to Grants	\$36,471						
1990 Miscellaneous	\$99,961	\$68,897					
Total Revenue from Local Sources	\$8,396,070	\$1,137,294	\$1,830,434	\$0	\$0	\$0	\$0
Revenue from Intermediate Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
2101 County School Funds							
2102 General ESD Revenue							
2103 Excess ESD Local Revenue							
2105 Natural Gas, Oil, and Mineral Receipts							
2110 Intermediate "I" Tax							
2199 Other Intermediate Sources		\$8,913					
2200 Restricted Revenue							
2800 Revenue in Lieu of Taxes							
2900 Revenue for/on Behalf of the District		\$58,370					
Total Revenue from Intermediate Sources	\$0	\$67,283	\$0	\$0	\$0	\$0	\$0
Revenue from State Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
3101 State School Fund - General Support	\$15,776,012						
3102 State School Fund - School Lunch Match		\$10,963					
3103 Common School Fund	\$315,749						
3104 State Managed County Timber							
3106 State School Fund - Accrual							
3199 Other Unrestricted Grants-in-Aid	\$20,775						
3204 Driver Education							
3222 State School Fund (SSF) Transportation Equipment							
3299 Other Restricted Grants-in-Aid		\$304,210					
3800 Revenue in Lieu of Taxes							
3900 Revenue for/on Behalf of the District							
Total Revenue from State Sources	\$16,112,536	\$315,173	\$0	\$0	\$0	\$0	\$0
Revenue from Federal Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
4100 Unrestricted Revenue Direct From the Federal Government							
4200 Unrestricted Revenue From the Federal Government Through the State							
4300 Restricted Revenue From the Federal Government							
4500 Restricted Revenue From the Federal Government Through the State		\$2,366,408					
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies	\$19,428	\$7,799					
4801 Federal Forest Fees	\$13,450						
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		\$86,499					
Total Revenue from Federal Sources	\$32,878	\$2,460,706	\$0	\$0	\$0	\$0	\$0
Revenue from Other Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
5100 Long Term Debt Financing Sources	\$8,946						
5200 Interfund Transfers							
5300 Sale of or Compensation for Loss of Fixed Assets							
5400 Resources - Beginning Fund Balance	\$2,164,228	\$1,809,743	\$114,185				
Total Revenue from Other Sources	\$2,173,174	\$1,809,743	\$114,185	\$0	\$0	\$0	\$0
Grand Totals	\$26,714,659	\$5,790,198	\$1,944,619	\$0	\$0	\$0	\$0

2016 - 17 DISTRICT AUDIT EXPENDITURE SUMMARY
Phoenix-Talent School District #4

Fund: 100 General Fund

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Elementary, K-5 or K-6	\$3,823,718	\$2,401,543	\$1,075,267	\$181,544	\$164,129		\$1,235	
1113 Elementary Extracurricular	\$0							
1121 Middle/Junior High Programs	\$2,236,938	\$1,470,536	\$660,137	\$64,516	\$41,346		\$403	
1122 Middle/Junior High School Extracurricular	\$111,806	\$83,612	\$15,111	\$2,597	\$2,743		\$7,742	
1131 High School Programs	\$2,758,571	\$1,795,039	\$814,920	\$91,714	\$51,754		\$5,144	
1132 High School Extracurricular	\$384,114	\$238,743	\$40,906	\$51,551	\$20,032		\$32,882	
1140 Pre-Kindergarten Programs	\$0							
1210 Programs for the Talented and Gifted	\$5,235			\$2,120	\$441		\$2,674	
1220 Restrictive Programs for Students with Disabilities	\$0							
1250 Less Restrictive Programs for Students with Disabilities	\$2,432,242	\$1,320,047	\$786,151	\$298,797	\$27,247			
1260 Treatment and Habilitation	\$46,362			\$46,362				
1271 Remediation	\$0							
1272 Title I	\$0							
1280 Alternative Education	\$781,454			\$781,454				
1291 English Second Language Programs	\$1,592,553	\$1,075,034	\$503,167	\$11,067	\$3,285			
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$19,428	\$12,219	\$2,219	\$3,434	\$1,556			
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$3,993	\$3,093	\$729	\$111	\$60			
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$0							
Total Instruction Expenditures	\$14,196,414	\$8,399,866	\$3,898,606	\$1,535,268	\$312,594	\$0	\$50,080	\$0
Support Services Expenditures								
2110 Attendance and Social Work Services	\$204,835	\$89,267	\$53,900	\$59,953	\$1,714			
2120 Guidance Services	\$399,970	\$238,425	\$127,653	\$30,233	\$3,579		\$80	
2130 Health Services	\$65,175			\$65,175				
2140 Psychological Services	\$35,544			\$34,288	\$1,256			
2150 Speech Pathology and Audiology Services	\$208,278	\$70,316	\$31,261	\$105,790	\$341		\$570	
2160 Other Student Treatment Services	\$0							
2190 Service Direction, Student Support Services	\$136,293	\$88,895	\$42,274	\$3,520	\$910		\$694	
2210 Improvement of Instruction Services	\$121,038	\$76,967	\$27,072	\$2,593	\$14,405			
2220 Educational Media Services	\$283,780	\$136,122	\$112,664	\$9,269	\$25,726			
2230 Assessment & Testing	\$4,355	\$1,256	\$102		\$2,997			
2240 Instructional Staff Development	\$26,384	\$212	\$51	\$26,120				
2310 Board of Education Services	\$57,866	\$19,830	\$8,631	\$11,962	\$3,972		\$13,470	
2320 Executive Administration Services	\$198,476	\$144,532	\$41,993	\$2,903	\$7,389		\$1,660	
2410 Office of the Principal Services	\$1,920,550	\$1,193,403	\$582,967	\$95,497	\$41,977		\$6,705	
2490 Other Support Services - School Administration	\$30,436		\$520	\$1,365	\$28,526		\$25	
2510 Direction of Business Support Services	\$0							
2520 Fiscal Services	\$586,663	\$216,388	\$100,178	\$53,078	\$1,996		\$215,023	
2540 Operation and Maintenance of Plant Services	\$2,278,059	\$741,129	\$467,876	\$877,131	\$178,717	\$8,946	\$4,260	
2550 Student Transportation Services	\$1,665,903	\$3,041	\$1,399	\$1,661,464				
2570 Internal Services	\$14,308			\$14,308				
2610 Direction of Central Support Services	\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0							
2630 Information Services	\$17,568	\$8,590	\$1,675	\$7,086	\$217			
2640 Staff Services	\$206,307	\$132,627	\$49,230	\$21,954	\$1,201		\$1,295	
2660 Technology Services	\$421,868	\$196,584	\$110,024	\$47,184	\$67,978		\$99	
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$16		\$16					
2700 Supplemental Retirement Program	\$430,603	\$340,872	\$89,731					
Total Support Services Expenditures	\$9,314,275	\$3,698,455	\$1,849,218	\$3,130,873	\$382,902	\$8,946	\$243,881	\$0
Enterprise and Community Services Expenditures								
3100 Food Services	\$0							
3200 Other Enterprise Services	\$0							
3300 Community Services	\$0							
3500 Custody and Care of Children Services	\$0							
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Facilities Acquisition and Construction Expenditures								
4110 Service Area Direction	\$0							
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and Improvement	\$0							
4180 Other Capital Items	\$0							
4190 Other Facilities Construction Services	\$0							
Total Facilities Acquisition and Construction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Uses Expenditures								
5100 Debt Service	\$1,311,111						\$1,311,111	
5200 Transfers of Funds	\$0							
5300 Apportionment of Funds by ESD	\$0							
5400 PERS UAL Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$1,311,111	\$0	\$0	\$0	\$0	\$0	\$1,311,111	\$0
Grand Total	\$24,821,800	\$12,098,321	\$5,747,824	\$4,666,142	\$695,496	\$8,946	\$1,605,072	\$0

**2016 - 17 DISTRICT AUDIT EXPENDITURE SUMMARY
Phoenix-Talent School District #4**

Fund: 200 Special Revenue Funds

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Elementary, K-5 or K-6	\$25,137			\$388	\$24,749			
1113 Elementary Extracurricular	\$120,432	\$23,116	\$4,008	\$8,861	\$84,447			
1121 Middle/Junior High Programs	\$4,988			\$3,420	\$1,568			
1122 Middle/Junior High School Extracurricular	\$69,089				\$69,089			
1131 High School Programs	\$46,928	\$7,601	\$4,296	\$5,664	\$29,368			
1132 High School Extracurricular	\$362,399				\$362,399			
1140 Pre-Kindergarten Programs	\$0							
1210 Programs for the Talented and Gifted	\$15,000			\$15,000				
1220 Restrictive Programs for Students with Disabilities	\$0							
1250 Less Restrictive Programs for Students with Disabilities	\$262,760	\$148,479	\$99,341	\$6,103	\$1,631	\$7,205		
1260 Treatment and Habilitation	\$4,619				\$4,619			
1271 Remediation	\$48,371	\$17,299	\$3,197	\$3,161	\$24,714			
1272 Title I	\$692,035	\$390,099	\$209,119		\$92,818			
1280 Alternative Education	\$8,629			\$8,629				
1291 English Second Language Programs	\$3,160				\$3,160			
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$0							
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$0							
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$0							
Total Instruction Expenditures	\$1,663,547	\$586,593	\$319,960	\$55,845	\$693,943	\$7,205	\$0	\$0
Support Services Expenditures								
2110 Attendance and Social Work Services	\$5,012			\$5,000	\$12			
2120 Guidance Services	\$0							
2130 Health Services	\$0							
2140 Psychological Services	\$0							
2150 Speech Pathology and Audiology Services	\$102,688	\$71,186	\$31,357		\$146			
2160 Other Student Treatment Services	\$0							
2190 Service Direction, Student Support Services	\$14,673	\$8,940	\$5,733					
2210 Improvement of Instruction Services	\$29,136	\$17,604	\$8,988	\$2,545				
2220 Educational Media Services	\$0							
2230 Assessment & Testing	\$2,410				\$2,410			
2240 Instructional Staff Development	\$419,399	\$153,598	\$57,391	\$164,485	\$43,900		\$25	
2310 Board of Education Services	\$0							
2320 Executive Administration Services	\$0							
2410 Office of the Principal Services	\$0							
2490 Other Support Services - School Administration	\$43,878	\$24,068	\$5,719	\$13,906	\$72		\$113	
2510 Direction of Business Support Services	\$14,580			\$14,580				
2520 Fiscal Services	\$125,200			\$88,488			\$36,712	
2540 Operation and Maintenance of Plant Services	\$92,804			\$7,262	\$7,675	\$77,866		
2550 Student Transportation Services	\$0							
2570 Internal Services	\$0							
2610 Direction of Central Support Services	\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0							
2630 Information Services	\$0							
2640 Staff Services	\$0							
2660 Technology Services	\$0							
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$0							
2700 Supplemental Retirement Program	\$0							
Total Support Services Expenditures	\$849,781	\$275,394	\$109,188	\$296,266	\$54,216	\$77,866	\$36,850	\$0
Enterprise and Community Services Expenditures								
3100 Food Services	\$1,244,396	\$9,317	\$4,684	\$1,207,932	\$15,145		\$7,319	
3200 Other Enterprise Services	\$0							
3300 Community Services	\$72,165	\$21,546	\$5,022	\$38,022	\$7,576			
3500 Custody and Care of Children Services	\$0							
Total Enterprise and Community Services Expenditures	\$1,316,561	\$30,863	\$9,706	\$1,245,954	\$22,720	\$0	\$7,319	\$0
Facilities Acquisition and Construction Expenditures								
4110 Service Area Direction	\$0							
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and Improvement Services	\$204,841					\$204,841		
4180 Other Capital Items	\$0							
4190 Other Facilities Construction Services	\$0							
Total Facilities Acquisition and Construction Expenditures	\$204,841	\$0	\$0	\$0	\$0	\$204,841	\$0	\$0
Other Uses Expenditures								
5100 Debt Service	\$0							
5200 Transfers of Funds	\$0							
5300 Apportionment of Funds by ESD	\$0							
5400 PERS UAL Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grand Total	\$4,034,730	\$892,850	\$438,854	\$1,598,065	\$770,879	\$289,913	\$44,169	\$0

**2016 - 17 DISTRICT AUDIT EXPENDITURE SUMMARY
Phoenix-Talent School District #4**

Fund: 300 Debt Service Funds

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Elementary, K-5 or K-6	\$0							
1113 Elementary Extracurricular	\$0							
1121 Middle/Junior High Programs	\$0							
1122 Middle/Junior High School Extracurricular	\$0							
1131 High School Programs	\$0							
1132 High School Extracurricular	\$0							
1140 Pre-Kindergarten Programs	\$0							
1210 Programs for the Talented and Gifted	\$0							
1220 Restrictive Programs for Students with Disabilities	\$0							
1250 Less Restrictive Programs for Students with Disabilities	\$0							
1260 Treatment and Habilitation	\$0							
1271 Remediation	\$0							
1272 Title I	\$0							
1280 Alternative Education	\$0							
1291 English Second Language Programs	\$0							
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$0							
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$0							
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$0							
Total Instruction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$0							
2120 Guidance Services	\$0							
2130 Health Services	\$0							
2140 Psychological Services	\$0							
2150 Speech Pathology and Audiology Services	\$0							
2160 Other Student Treatment Services	\$0							
2190 Service Direction, Student Support Services	\$0							
2210 Improvement of Instruction Services	\$0							
2220 Educational Media Services	\$0							
2230 Assessment & Testing	\$0							
2240 Instructional Staff Development	\$0							
2310 Board of Education Services	\$0							
2320 Executive Administration Services	\$0							
2410 Office of the Principal Services	\$0							
2490 Other Support Services - School Administration	\$0							
2510 Direction of Business Support Services	\$0							
2520 Fiscal Services	\$0							
2540 Operation and Maintenance of Plant Services	\$0							
2550 Student Transportation Services	\$0							
2570 Internal Services	\$0							
2610 Direction of Central Support Services	\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0							
2630 Information Services	\$0							
2640 Staff Services	\$0							
2660 Technology Services	\$0							
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$0							
2700 Supplemental Retirement Program	\$0							
Total Support Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$0							
3200 Other Enterprise Services	\$0							
3300 Community Services	\$0							
3500 Custody and Care of Children Services	\$0							
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	\$0							
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and Improvement Services	\$0							
4180 Other Capital Items	\$0							
4190 Other Facilities Construction Services	\$0							
Total Facilities Acquisition and Construction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$1,769,164						\$1,769,164	
5200 Transfers of Funds	\$0							
5300 Apportionment of Funds by ESD	\$0							
5400 PERS UAL Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$1,769,164	\$0	\$0	\$0	\$0	\$0	\$1,769,164	\$0
Grand Total	\$1,769,164	\$0	\$0	\$0	\$0	\$0	\$1,769,164	\$0

SUPPLEMENTAL INFORMATION, 2016-2017

School District Business Managers and Auditors:

This page is a required part of your annual audited financial statements. Please make sure it is included.

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

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

	Objects 325 & 326	
Function 2540	\$	515,872
Function 2550	\$	0

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

\$	8,946
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Exclude these functions:

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

Exclude these functions:

- 4150 Construction
- 2550 Pupil Transportation
- 3100 Food Service
- 3300 Community Services

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Jackson County School District No. 4
Phoenix-Talent, Oregon

We have audited the basic financial statements Jackson County School District No. 4, Oregon, (the District) as of and for the year ended June 30, 2017, and have issued our report thereon dated December 7, 2017. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-0000 through 162-10-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our audit, one finding came to our attention in relation to the State school fund factors. When testing teacher experience, we noted five exceptions within a testing population of 13 teachers. More specifically, two samples reported additional years of experience than what could be verified through the employee's personnel file. The three remaining samples reported fewer years of experience than could be verified through the employee's personnel file. With the exception of the finding associated to the State school fund factors, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administration

Rules 162-10-0000 through 162-10-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

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

Restriction on Use

This report is intended solely for the information and use of the District's Board, Management of the District and the State of Oregon and is not intended to be and should not be used by anyone other than these parties.



Stewart C. Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
December 7, 2017

Items required by the Uniform Guidance

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Jackson County School District No. 4
Phoenix-Talent, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Jackson County School District No. 4 (the District) as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2017, which contained an "Emphasis of Matter" paragraph regarding a change in accounting principal.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Stewart C. Parmele CPA, Partner". The signature is written in a cursive, flowing style.

Stewart C. Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
December 7, 2017

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

Board of Directors
Jackson County School District No. 4
Phoenix-Talent, Oregon

Report on Compliance for Each Major Federal Program

We have audited Jackson County School District No. 4's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2017. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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.



Stewart C. Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
December 7, 2017

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant/Contract Number	Passed Through to Sub-recipients	Federal Expenditures
U.S. Department of Agriculture					
Passed Through Oregon Department of Education:					
School Breakfast Program (SBP)	10.553		N/A	\$ -	\$ 188,472
National School Lunch Program (NSLP)	10.555		N/A	-	656,618
Commodities NSLP	10.555		N/A	-	86,499
Summer Food Service Program for Children (SFSPC)	10.559		N/A	-	31,048
Total Child Nutrition Cluster				<u>-</u>	<u>962,637</u>
Child and Adult Care Food Program	10.558		N/A	-	30,262
Total CFDA 10.558				<u>-</u>	<u>30,262</u>
Fresh Fruit and Vegetable Program	10.582		38634, 43012	-	24,113
Total CFDA 10.582				<u>-</u>	<u>24,113</u>
Passed through Southern Oregon Education Service District:					
Schools and Roads - Grants to States	10.665		N/A	-	13,450
Total CFDA 10.665				<u>-</u>	<u>13,450</u>
Total U.S. Department of Agriculture				\$ -	\$ 1,030,461
U.S. Department of Education					
Passed Through Oregon Department of Education:					
Title I Grants to Local Educational Agencies (14-15)	84.010		32658	\$ -	\$ 832
Title I Grants to Local Educational Agencies (15-16)	84.010		36049	-	215,866
Title I Grants to Local Educational Agencies (16-17)	84.010		41133	-	703,557
Total CFDA 84.010				<u>-</u>	<u>920,255</u>
Passed through Southern Oregon Education Service District:					
Migrant Education - State Grant Program	84.011		N/A	-	19,428
Total CFDA 84.011				<u>-</u>	<u>19,428</u>
Passed Through Oregon Department of Education:					
Special Education - Grants to States (Extended Assessment)	84.027		42001	-	900
Special Education - Grants to States (SPR & I 16-17)	84.027		40927	-	3,394
Special Education - Grants to States (15-16)	84.027		36944	-	248,551
Special Education - Grants to States (16-17)	84.027		41599	-	119,015
Special Education - Grants to States (Enhancement 16-17)	84.027		42728	-	2,652
Special Education - Grants to States (Post School Outcomes)	84.027		42907	-	315
Special Education - Preschool Grants (15-16)	84.173		37236	-	4,619
Total Special Education Cluster (IDEA)				<u>-</u>	<u>379,446</u>
Passed through Southern Oregon Education Service District:					
Career and Technical Education - Basid Grants to States	84.048		N/A	-	7,799
Total CFDA 84.048				<u>-</u>	<u>7,799</u>
Passed Through Oregon Department of Education:					
English Language Acquisition State Grants (14-15)	84.365		32356	-	929
English Language Acquisition State Grants (15-16)	84.365		36355	-	9,095
English Language Acquisition State Grants (16-17)	84.365		41791	-	27,895
Total CFDA 84.365				<u>-</u>	<u>37,919</u>
Improving Effective Instruction State Grant (15-16)	84.367		36246	-	9,685
Improving Effective Instruction State Grant (16-17)	84.367		41388	-	88,591
Total CFDA 84.367				<u>-</u>	<u>98,276</u>
Total U.S. Department of Education				\$ -	\$ 1,463,123
Total Expenditures of Federal Awards				\$ -	\$ 2,493,584

JACKSON COUNTY SCHOOL DISTRICT NO. 4
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

NOTE A – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE:

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

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

1. The auditor’s report expresses an unmodified opinion on the basic financial statements of the District.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the basic financial statements of the District were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance for the major federal award programs for the District expressed an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with the Uniform Guidance reported in this schedule.
7. The programs tested as major programs include:
U.S. Department of Education:

Title I Grants to Local Education Agencies (Title I, Part A)	CFDA # 84.010
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8. The threshold for distinguishing Types A and B Programs was \$750,000.
9. The district qualified as a low-risk auditee under the criteria specified in the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None