

**JACKSON COUNTY SCHOOL DISTRICT NO. 35
ROGUE RIVER, OREGON**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION**

**YEAR ENDED JUNE 30, 2019
WITH
INDEPENDENT AUDITOR'S REPORT**



Certified Public Accountants, LLP

audit | tax | advisory | wealth management | cfo

JACKSON COUNTY SCHOOL DISTRICT NO. 35
Rogue River, Oregon
June 30, 2019

Administrative Office:

1898 E. Evans Creek Road
Rogue River, Oregon 97537

BOARD OF DIRECTORS AS OF JUNE 30, 2019

Bruce Sund	Chairman
Mysti Jacob	Vice- Chairperson
Robert Hileman	Director
Addie Dabrowski	Director
Erin Poston	Director

ADMINISTRATIVE STAFF

Paul Young (resigned 6/30/19) Patrick Lee (as of 7/1/19)	Superintendent
Don Sweeney	Business Manager

**JACKSON COUNTY SCHOOL DISTRICT NO. 35
ROGUE RIVER, OREGON
YEAR ENDED JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Jackson County School District No. 35
Rogue River, 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. 35, Oregon, (the District) as of and for the year ended June 30, 2019, 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. 35 as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other postemployment benefits schedules, 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 management's discussion and analysis, other postemployment benefit and pension schedules in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 fund 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 fund 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 as listed in the Table of Contents is presented for the purpose of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purpose of 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 Awards*, and is also not a required part of the basic financial statements.

The other supplementary information as listed in the Table of Contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information as listed in the Table of Contents and the schedule of expenditures of federal awards is 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 a report dated December 19, 2019, 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 19, 2019 on our consideration of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, 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.

A handwritten signature in cursive script that reads "Stewart C. Parmele CPA, Partner".

Stewart C. Parmele CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 19, 2019

**JACKSON COUNTY SCHOOL DISTRICT NO. 35
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

As management of Rogue River School District No. 35 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes to those financial statements. It should also be noted that all amounts included in text below are rounded for ease of reading.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows at June 30, 2019 by \$4.83 million. Of this amount, \$7.48 million represents the District's investment in capital assets, \$109 thousand is restricted for debt service, \$40 thousand is restricted for scholarships, leaving a negative \$2.8 million balance in unrestricted funds.
- For the fiscal year ended June 30, 2019, the District's total net position increased by \$213 thousand. In the prior year, the District's total net position increased by \$2.07 million.
- The District has increased its total expenditures from the prior year, \$12.25 million to \$13.11 million. In addition, District revenues decreased from \$14.32 million to 13.33 million.
- The District's governmental funds reported combined ending fund balance of \$3.25 million, a decrease of \$1.74 million in comparison to the prior year. Approximately 74 percent of this total amount, \$2.5 million is available for spending to meet ongoing commitments and obligations of the District.
- At the end of the fiscal year, fund balance for the General Fund was \$1.45 million, up from \$1.44 million in the prior year, an increase of about .5 percent. Unassigned fund balance in the General Fund represented about 13.9 percent of total General Fund expenditures, down from 14.9 percent in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are 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
- 3) Notes to the basic financial statements

This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

Government-wide financial statements. 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*. The *Statement of Net Position* presents information on all of the assets, deferred outflows, liabilities and deferred inflows of the District at year end. Net position is what remains after the liabilities and deferred inflows have been paid or otherwise satisfied. 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.

**JACKSON COUNTY SCHOOL DISTRICT NO. 35
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The *Statement of Activities*. The *Statement of Activities* presents information showing how the net position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce 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*. All 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 as listed in the Table of Contents of this report.

Fund financial statements

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's funds are governmental funds.

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.

The District maintains four 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 Revenue, Debt Service, and Capital Projects Funds, all of which are considered to be major funds.

The basic governmental fund financial statements can be found as listed in the Table of Contents of this report.

**JACKSON COUNTY SCHOOL DISTRICT NO. 35
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Notes to the basic financial statements

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 as listed in the Table of Contents of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* displaying certain budgetary comparison schedules and benefit schedules. Required Supplementary Information can be found as listed in the Table of Contents of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's assets/deferred outflows exceeded liabilities/deferred inflows by \$4.829 million at June 30, 2019. At June 30, 2018 District assets/deferred outflows exceeded liabilities/deferred inflows by \$4.616 million. The increase in net position can be attributed to the increase in deferred outflows related to pensions and other post-employment health care benefits.

	Governmental Activities (in thousands)		Increase (Decrease) From
	June 30, 2019	June 30, 2018	June 30, 2018
Assets:			
Current assets	\$ 4,308	\$ 6,405	\$ (2,097)
Capital assets	9,820	8,205	1,615
Other assets	44	16	28
Total assets	<u>14,172</u>	<u>14,626</u>	<u>(454)</u>
Deferred outflows	<u>3,712</u>	<u>3,105</u>	<u>607</u>
Total assets and deferred outflows	<u>17,884</u>	<u>17,731</u>	<u>153</u>
Liabilities:			
Current liabilities	837	1,192	(355)
Other liabilities	8,854	8,127	727
Long-term liabilities	2,337	2,846	(509)
Total liabilities	<u>12,028</u>	<u>12,165</u>	<u>(137)</u>
Deferred inflows	<u>1,026</u>	<u>950</u>	<u>76</u>
Total liabilities and deferred inflows	<u>13,054</u>	<u>13,115</u>	<u>(61)</u>
Net position:			
Net investment in capital assets	9,820	8,205	1,615
Restricted	148	128	20
Unrestricted	(5,139)	(3,717)	(1,422)
Total net position	<u>\$ 4,829</u>	<u>\$ 4,616</u>	<u>\$ 213</u>

**JACKSON COUNTY SCHOOL DISTRICT NO. 35
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

As noted previously, net position may serve over time as a useful indicator of a government's financial position. Net position increased by \$213 thousand from the prior year.

Capital assets, which consist of the District's land, buildings and improvements, and vehicles and equipment, represent about 55 percent of total assets/deferred outflows. The remaining assets consist mainly of cash and investments, grants and property taxes receivable, prepaid expenses and deferred outflows related to pensions and other postemployment benefits. Deferred amounts related to pensions and other postemployment benefits of \$3.71 million represent 21% of total assets and deferred outflows.

The District's largest liability is the net pension liability (OPERS), it represents 59 percent of the total liabilities and deferred inflows of resources. The remaining liabilities/deferred inflows are made up of short-term accounts payable, deposits payable, short term leases, accrued salaries and benefits and deferred amounts related to pensions and other postemployment benefits.

A large portion of the District's net position reflects its investment in capital assets, 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.

Governmental activities. As previously stated, all District activities are governmental in nature, and during the current fiscal year, the District's net position is increased by \$213 thousand. The increase can be primarily attributed to the increase in grants for capital projects and Oregon State School Support.

	Governmental Activities (in thousands)		Increase (Decrease) From
	June 30, 2019	June 30, 2018	June 30, 2018
Revenues:			
Program revenues:			
Charges for service	\$ 223	\$ 97	\$ 126
Operating grants and contributions	1,627	1,677	(50)
Capital grants and contributions	-	1,293	(1,293)
General revenues:			
Property taxes	3,952	3,777	175
State school fund - general support	7,014	7,018	(4)
Other federal, state and local sources	151	153	(2)
Earnings on investments	132	112	20
Gain (loss) on disposal of assets	(85)	-	(85)
Miscellaneous	312	188	124
Total revenues	<u>13,326</u>	<u>14,315</u>	<u>(989)</u>
Expenses:			
Instruction	7,462	6,890	572
Support services	5,168	4,871	297
Enterprise and community services	426	368	58
Facilities acquisition and construction	2	63	(61)
Interest on long-term debt	55	56	(1)
Total expenses	<u>13,113</u>	<u>12,248</u>	<u>865</u>
Change in net position	<u>\$ 213</u>	<u>\$ 2,067</u>	<u>\$ (1,854)</u>

**JACKSON COUNTY SCHOOL DISTRICT NO. 35
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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, 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, 2019, the District's governmental funds reported combined ending fund balances of \$3.25 million, a decrease of \$1.74 million in comparison with the prior year. About \$2.5 million (77 percent) of the ending fund balance constitutes amounts which are available for spending at the District's discretion. About 14 percent of combined ending fund balance is restricted for capital projects (\$439 thousand).

General Fund. The General Fund is the chief operating fund of the District. As of June 30, 2019, fund balance was \$1.45 million. The fund balance increased by approximately \$6 thousand during the current fiscal year. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unassigned fund balance of \$1.45 million represents about 14 percent of total General Fund expenditures.

Special Revenue Fund. The Special Revenue Fund had a total fund balance of \$1.24 million, of which none is unassigned. The net increase in fund balance during the current year was \$288 thousand. The Committed fund balance of \$701 thousand represents amounts reserved for capital improvements, food service, and pension reserve. The Assigned fund balance of \$386 thousand represents amounts held for school improvement.

Debt Service Fund. The Debt Service Fund had a total fund balance of \$76 thousand, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year was \$22 thousand.

Capital Projects Fund. The Capital Projects Fund had a total fund balance of \$481 thousand. The fund was established during the 2018 fiscal year in connection with the issuance of general obligation debt.

CURRENT ECONOMIC FACTORS

Rogue River School District is currently seeing a trend of increased enrollment. Since 2014 the District's enrollment has increased by 20% with every year showing an increase over the previous year. The District had previously been on a very negative trend for enrollment losing 43% of the student population between 2001 and 2013, every year but 2006 saw fewer students attend the school than the year before. The increased enrollment trend can be attributed to targeted investments which have improved the District's facilities and curriculum making the district more attractive to students who live within the district.

In addition, the District has added South Valley Academy to give students more choices within the District. The addition of South Valley Academy has allowed the District to retain students who previously had chosen to leave the district and attend one of the neighboring charter schools. The increased enrollment will allow the District to improve its economies of scale and further make targeted investments to improve the District and make the district more attractive for students to attend. The city of Rogue River only builds about 3 to 5 new homes per year so retaining the students who live with the District's boundaries is essential to the long-term success of the District.

**JACKSON COUNTY SCHOOL DISTRICT NO. 35
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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 Business Manager at 1898 E. Evans Creek Road, Rogue River, Oregon 97537.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

JACKSON COUNTY SCHOOL DISTRICT NO. 35
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS:	
Cash and investments	\$ 3,267,835
Receivables	476,659
Prepaid expenses	73,253
Restricted cash and investments for capital projects	490,577
Capital assets, net	
Land	286,801
Buildings and improvements	9,496,986
Vehicles and equipment	35,974
Other post-employment asset (RHIA)	43,826
TOTAL ASSETS	14,171,911
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows related to pensions (OPERS)	3,476,233
Deferred outflows related to pensions (early retirement stipend benefit plan)	37,316
Deferred outflows related to other post-employment benefits (single-employer defined benefit plan)	177,565
Deferred outflows related to other post-employment benefits (RHIA)	20,475
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,711,589
LIABILITIES:	
Accounts payable	165,374
Accrued salaries and benefits	602,892
Unearned revenue	68,536
Deposits payable	250
Net pension liability (OPERS)	7,654,860
Other post employment benefit obligation (OPEB)	1,035,050
Early retirement stipend pension plan obligation	164,261
Bonds Payable	
Due within one year	539,262
Due in more than one year	1,797,790
TOTAL LIABILITIES	12,028,275
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows related to pensions (OPERS)	982,464
Deferred inflows related to pensions (early retirement stipend benefit plan)	617
Deferred inflows related to other post-employment benefits (single-employer defined benefit plan)	30,519
Deferred inflows related to other post-employment benefits (RHIA)	12,200
TOTAL DEFERRED INFLOWS OF RESOURCES	1,025,800
NET POSITION:	
Net investment in capital assets	7,482,709
Restricted for debt service	108,578
Restricted for scholarships	39,681
Unrestricted	(2,801,543)
TOTAL NET POSITION	\$ 4,829,425

JACKSON COUNTY SCHOOL DISTRICT NO. 35
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 7,461,799	\$ 165,821	\$ 785,046	\$ (6,510,933)
Supporting services	5,167,940	1,440	482,121	(4,684,379)
Enterprise and community services	425,620	55,256	359,780	(10,584)
Facilities and acquisition	1,626	-	-	(1,626)
Debt service fees				-
Interest on long-term debt	55,129	-	-	(55,129)
Total governmental activities	<u>\$ 13,112,114</u>	<u>\$ 222,516</u>	<u>\$ 1,626,947</u>	<u>(11,262,651)</u>
General revenues:				
Property taxes levied for general purposes				3,376,106
Property taxes levied for debt service				575,599
Construction excise tax				47,092
State school fund - general support				7,013,914
Common school fund				93,702
Federal forest fees				10,136
Earnings on investments				132,221
Gain (loss) on disposal of assets				(84,597)
Miscellaneous				<u>311,640</u>
Total general revenues				<u>11,475,813</u>
CHANGE IN NET POSITION				213,162
NET POSITION - JULY 1, 2018				<u>4,616,263</u>
NET POSITION - JUNE 30, 2019				<u><u>\$ 4,829,425</u></u>

FUND FINANCIAL STATEMENTS

JACKSON COUNTY SCHOOL DISTRICT NO. 35
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS					
Equity in pooled cash and investments	\$ 2,037,551	\$ 1,163,247	\$ 67,037	\$ 490,577	\$ 3,758,412
Property taxes receivable	242,792	-	41,541	-	284,333
Receivables	1,015	191,311	-	-	192,326
Prepaid	32,063	-	-	41,190	73,253
TOTAL ASSETS	\$ 2,313,421	\$ 1,354,558	\$ 108,578	\$ 531,767	\$ 4,308,324
LIABILITIES					
Accounts payable	\$ 66,528	\$ 47,760	\$ -	\$ 51,086	\$ 165,374
Accrued salaries and benefits	602,892	-	-	-	602,892
Deposits payable	250	-	-	-	250
Unearned revenue	-	68,536	-	-	68,536
TOTAL LIABILITIES	669,670	116,296	-	51,086	837,052
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	193,162	-	33,049	-	226,211
TOTAL DEFERRED INFLOWS OF RESOURCES	193,162	-	33,049	-	226,211
Non-spendable	32,063	-	-	41,190	73,253
Restricted:					
Debt service	-	-	75,529	-	75,529
Scholarship	-	39,681	-	-	39,681
Student body	-	95,674	-	-	95,674
Grants	-	15,629	-	-	15,629
Capital projects	-	-	-	439,491	439,491
Committed:					
PERS reserve	-	500,000	-	-	500,000
Capital outlay	-	80,059	-	-	80,059
Food service	-	121,323	-	-	121,323
Assigned	-	385,896	-	-	385,896
Unassigned	1,418,526	-	-	-	1,418,526
Total fund balances	1,450,589	1,238,262	75,529	480,681	3,245,061
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,313,421	\$ 1,354,558	\$ 108,578	\$ 531,767	\$ 4,308,324

**JACKSON COUNTY SCHOOL DISTRICT NO. 35
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2019**

TOTAL FUND BALANCES		\$ 3,245,061
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 18,194,168	
Accumulated depreciation	<u>(8,374,407)</u>	9,819,761
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.		226,211
The asset associated with the District's pension (RHIA) is not recorded in the governmental funds as it is not available currently.		43,826
The net deferred outflow/(inflow) associated with the District's pension and other post-employment benefits is not recorded in the governmental funds as it is not available nor payable currently.		2,685,789
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:		
Long-term debt obligations, net of premium	(2,337,052)	
Net pension liability	(7,654,860)	
Other postemployment benefits	(1,035,050)	
Early retirement benefits (Stipend)	<u>(164,261)</u>	<u>(11,191,223)</u>
TOTAL NET POSITION		<u><u>\$ 4,829,425</u></u>

JACKSON COUNTY SCHOOL DISTRICT NO. 35
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES					
Construction excise taxes	\$ -	\$ 47,092	\$ -	\$ -	\$ 47,092
Property taxes	3,378,606	-	577,078	-	3,955,684
Basic school support	7,010,636	3,278	-	-	7,013,914
Intergovernmental	219,617	1,441,793	-	-	1,661,410
Charges for services	3,417	219,099	-	-	222,516
Donations	-	69,375	-	-	69,375
Interest on investments	93,736	3,312	9,395	25,778	132,221
Miscellaneous	54,258	257,382	-	-	311,640
TOTAL REVENUES	10,760,270	2,041,331	586,473	25,778	13,413,852
EXPENDITURES					
Current					
Instruction	5,994,146	1,154,751	-	-	7,148,897
Support services	4,424,659	552,709	-	-	4,977,368
Enterprise and community services	-	413,077	-	-	413,077
Facilities and acquisition	-	-	-	2,080,141	2,080,141
Debt service	-	-	564,313	-	564,313
TOTAL EXPENDITURES	10,418,805	2,120,537	564,313	2,080,141	15,183,796
Excess (Deficiency) of Revenues Over Expenditures	341,465	(79,206)	22,160	(2,054,363)	(1,769,944)
OTHER FINANCING SOURCES (USES):					
Insurance proceeds	32,060	-	-	-	32,060
Interfund transfers	(367,500)	367,500	-	-	-
TOTAL OTHER FINANCING SOURCES	(335,440)	367,500	-	-	32,060
NET CHANGE IN FUND BALANCE	6,025	288,294	22,160	(2,054,363)	(1,737,884)
FUND BALANCE, July 1, 2018	1,444,564	949,968	53,369	2,535,044	4,982,945
FUND BALANCE, June 30, 2019	\$ 1,450,589	\$ 1,238,262	\$ 75,529	\$ 480,681	\$ 3,245,061

JACKSON COUNTY SCHOOL DISTRICT NO. 35
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

NET CHANGE IN FUND BALANCE		\$ (1,737,884)
Amounts reported for governmental activities in the Statement of Activities are different because:		
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.		
Expenditures for capital assets	2,141,535	
Loss on disposal of capital assets	(84,597)	
Less current year depreciation	<u>(442,205)</u>	
		1,614,733
Repayment of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position.		
Debt principal repaid		509,184
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.		
		(3,979)
The change in the net post employment benefit obligation (OPEB) is not recognized in the governmental funds (including deferred outflows and inflows)		
		101,318
The change in the net post employment benefit obligation (OPEB) RHIA is not recognized in the governmental funds (including deferred outflows and inflows).		
		24,008
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned (actuarially determined) net of employee contributions is reported as pension expense. (OPERS and stipend including deferred outflows and inflows)		
		<u>(294,218)</u>
CHANGE IN NET POSITION		<u><u>\$ 213,162</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 - Summary of Significant Accounting Policies

The financial statements of Jackson County School District No. 35 (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. 35, Rogue River, 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 five-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 other 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, material, 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 asset use are 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. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements (continued)

The District reports the following as 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 - This 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 - This Debt Service Fund provides for the payment of principal and interest on general obligation bonded debt. Principal revenue source is property taxes.

Capital Project Fund - The Capital Project Fund accounts for activities related to the acquisition, construction, equipping and furnishing of facilities. Principal revenue sources are proceeds from the sale of bonds, interest earnings, and capital grant funds.

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.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

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) and certificates of deposit. Changes in the fair value of investments are recorded as investment earnings.

The LGIP is stated at amortized 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).

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.

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	-	10 to 40 years
Vehicles and equipment	-	5 to 10 years

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Pensions

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

Post Employment Stipend Benefits

Eligible employees who elect early retirement are entitled to stipend payments. Such costs are recorded as expenses in the General Fund and funded as stipend benefits become due.

Post-Employment Health Care Benefits

Eligible employees who elect early retirement are entitled to payment of group medical insurance premiums. In the Government-wide financial statements, the District reports its liability for other post-employment benefits consistent with established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees. Such costs are recorded as expenses in the Governmental Funds and funded as premiums become due.

Additionally, substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (OPERS) – Retirement Health Insurance Account (RHIA). Contributions to OPERS RHIA are made on a current basis as required by the plan and are charged as expenses.

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 District-wide financial statements. A liability for these amounts is reported in the governmental funds once they have matured.

Deferred Outflows/Inflows of Resources

In addition to assets, the District 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 two types of deferred outflows, both arise under the full accrual basis of accounting that qualifies for reporting in this category: deferred amounts related to pensions and deferred amounts related to other post-employment benefits. These amounts are reported in the government-wide statement of net position.

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

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the District 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 three types of deferred inflows, one which arises only under the modified accrual basis of accounting (unavailable revenues) and two that are reported under the full accrual basis of accounting (deferred amounts related to pensions and deferred amounts related to other post-employment benefits). Accordingly, unavailable revenue, is reported only in the governmental funds balance sheet, and deferred amounts related to pensions and deferred amounts related to other post-employment benefits, are reported in the government-wide statement of net position.

Long-term Debt

The District reports long-term debt of governmental activities at face value in the Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are expensed in the period incurred.

In the fund financial statements, government fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums and discounts received on debt issuances, and deferred charges are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other financing uses.

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 (deficit) – 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.

It is the District's policy to first use restricted net position prior to the use of unrestricted net position when expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position/Fund Balance (continued)

In the fund financial statements, governmental fund balance 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 Directors, 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, 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. Budget amounts are as originally adopted and as amended by the Board of Directors. Appropriations lapse at the end of each fiscal year. The District did not exceed its authorized appropriations for the year ended June 30, 2019.

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.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

New GASB Pronouncements Adopted

During the fiscal year ended June 30, 2019, the District implemented the following GASB Pronouncements:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. Issued November 2016, this statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). This pronouncement had no effect on the financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. This statement was issued March 2018 to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

Future Adoption of GASB Pronouncements

The following GASB pronouncements have been issued, but are not effective as of 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. 87, *Leases*. This statement was 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.

GASB Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. This statement was issued June 2018 to establish accounting requirements for interest cost incurred before the end of a construction period. The objectives of the Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for the District for fiscal year ending June 30, 2021.

GASB Statement No. 90, *Majority Equity Interests*. Issued August 2018, the primary objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization; and to improve the relevance of financial statement information for certain component units. GASB Statement No. 90 will be effective for the District for fiscal year ending June 30, 2020.

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB Statement No. 91 will be effective for the District for fiscal year ending June 30, 2020.

The District will implement new GASB pronouncements no later than the required effective date. 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.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 2 - Cash and Investments

Cash and investments are comprised of the following at June 30, 2019:

Petty cash	\$ 572
Carrying amount of demand deposits	371,124
Certificates of deposit	36,600
Carrying amount of investments	3,350,116
Total cash and investments	<u>\$ 3,758,412</u>

Cash and investments are shown on the basic financial statements as:

Cash and investments	\$ 3,267,835
Restricted cash and investments for capital projects	490,577
Total cash and investments	<u>\$ 3,758,412</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, 2019. 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 and certificates of deposit. For the year ended June 30, 2019, the carrying amounts of the District deposits in various qualifying financial institutions were \$407,724 and the bank balances were \$571,461. All deposits are held in the name of the District. At June 30, 2019, the District had \$321,461 in deposits that were not covered by FDIC insurance. However, the balance is covered by the State of Oregon shared liability structure for participating bank depositories in Oregon.

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 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.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 2 - Cash and Investments (continued)

Investments

The District has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2019. Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. Investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool.

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 of 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, 2018, 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.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 2 - Cash and Investments (continued)

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:

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:	Totals at June 30, 2019	Level One	Level Two	Level Three	Amortized Cost Measurement Not Measured at Fair Value
Local Government					
Investment Pool	\$ 3,350,116	\$ -	\$ -	\$ -	\$ 3,350,116
Certificates of deposit	36,600	-	36,600	-	-
	<u>\$ 3,386,716</u>	<u>\$ -</u>	<u>\$ 36,600</u>	<u>\$ -</u>	<u>\$ 3,350,116</u>

At June 30, 2019, the District's investments had the following maturities:

	Investments	Investment Maturities		
		Less than 1 year	1-5 years	6-10 years
Local Government				
Investment Pool	\$ 3,350,116	\$ 3,350,116	\$ -	\$ -
Certificates of deposit	36,600	22,000	-	14,600
	<u>\$ 3,386,716</u>	<u>\$ 3,372,116</u>	<u>\$ -</u>	<u>\$ 14,600</u>

Note 3 - Receivables

At June 30, 2019, the District's receivables are comprised of the following:

	Property Taxes	Grants/Other	Total
General Fund	\$ 242,792	\$ 1,015	\$ 243,807
Special Revenue Fund	-	191,311	191,311
Debt Service Fund	41,541	-	41,541
	<u>\$ 284,333</u>	<u>\$ 192,326</u>	<u>\$ 476,659</u>

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 4 - Capital Assets

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

	Balance June 30, 2018	Additions	Transfers/ Deletions	Balance June 30, 2019
Capital assets not being depreciated				
Land	\$ 286,801	\$ -	\$ -	\$ 286,801
Construction in progress	788,928	-	(788,928)	-
Total capital assets not being depreciated	1,075,729	-	(788,928)	286,801
Capital assets being depreciated				
Buildings and improvements	14,942,591	2,141,535	654,355	17,738,481
Vehicles and equipment	168,886	-	-	168,886
Total capital assets being depreciated	15,111,477	2,141,535	654,355	17,907,367
Less accumulated depreciation for:				
Buildings and improvements	(7,857,298)	(434,173)	49,976	(8,241,495)
Vehicles and equipment	(124,880)	(8,032)	-	(132,912)
Total accumulated depreciation	(7,982,178)	(442,205)	49,976	(8,374,407)
Total capital assets (net)				
Land	\$ 286,801	\$ -	\$ -	\$ 286,801
CIP	788,928	-	(788,928)	-
Buildings and improvements	7,085,293	1,707,362	704,331	9,496,986
Vehicles and Equipment	44,006	(8,032)	-	35,974
Total capital assets (net)	\$ 8,205,028	\$ 1,699,330	\$ (84,597)	\$ 9,819,761

Depreciation expense for the fiscal year was \$442,205 and was allocated to the various functions as follows:

Instruction	\$ 252,057
Supporting Services	176,882
Community Services	13,266
Total	<u>\$ 442,205</u>

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 5 - Interfund Transfers

Inter-fund transfers for the year ended June 30, 2019 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 367,500
Special Revenue Fund	<u>367,500</u>	<u>-</u>
Total Transfers	<u>\$ 367,500</u>	<u>\$ 367,500</u>

The District made transfers from the General Fund for the purpose of funding the maintenance expenses of the Special Revenue Fund.

Note 6 - Leases

Operating Leases

The District leases facilities and equipment under non-cancelable operating leases. Total costs for such leases were \$32,079 for the year ended June 30, 2019. The future minimum lease payments for these leases are as follows:

Year Ending June 30,	
2020	\$ 38,062
2021	30,233
2022	29,014
2023	3,120
2024	<u>2,340</u>
	<u>\$ 102,768</u>

Note 7 - 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 are recorded in unearned revenue. At June 30, 2019, the various components of unavailable and unearned revenue included in the governmental funds' Balance Sheet consist of the following:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Property taxes	\$ 193,162	\$ -	\$ 193,162
Special Revenue Fund			
Grants	-	68,536	68,536
Debt Service			
Property taxes	<u>33,049</u>	<u>-</u>	<u>33,049</u>
Total	<u>\$ 226,211</u>	<u>\$ 68,536</u>	<u>\$ 294,747</u>

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 8 - Long-Term Debt

On August 3, 2017, the District issued a \$3,335,000 General Obligation Bond. The purpose of the bond is to finance the upgrade of HVAC systems, address deferred maintenance, energy savings upgrades, and improvements to comply with ADA requirements. The agreement contains a provision that in an event of default, the Bank may exercise any remedy available at law, however the payments are not subject to acceleration. In addition, while the event of default is continuing, the interest rate will increase by 1.50%.

Principal payments are due annually on June 15 for six years, ending in fiscal year 2023. Interest is fixed at 1.94% and is paid semi-annually, in June and December. For the year ended June 30, 2019, interest charged to expense was \$55,129.

The changes in bond principal for the year ended June 30, 2019 is as follows:

	Outstanding July 1, 2018	Issued	Matured and Redeemed	Outstanding June 30, 2019	Due in One Year
<i>General Obligation Bonds</i>					
2017 Series (direct placement)	\$ 2,846,236	\$ -	\$ (509,184)	\$ 2,337,052	\$ 539,262

Annual debt service requirements associated with the bond are as follows:

Year Ended June 30,	Principal	Interest
2020	\$ 539,262	\$ 45,339
2021	570,581	34,877
2022	599,985	23,808
2023	627,224	12,168
	\$ 2,337,052	\$ 116,192

Note 9 - Post-Employment Health Care Benefits (OPEB)

The District has two separate other post-employment benefits (OPEB) plans. The District provides a single employer defined benefit health care plan to staff that were hired before July 1, 2005 and the District contributes to the State of Oregon's PERS cost-sharing multiple employer defined benefit plan.

Single-Employer Defined Benefit Health Care Plan

Plan Description

The District maintains a single-employer defined benefit OPEB plan that provides explicit and implicit post-employment health benefits to eligible retirees and their dependents.

For implicit medical benefits, the District's post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.03, which requires that all eligible retirees and their dependents under age 65 are allowed to receive the same health care coverage as active employees. Employees must retire from active service while eligible for a pension benefit payable immediately under Oregon PERS. The explicit subsidy is measured as the expected health care cost per retired dependent, less the gross premiums charged for that coverage. The subsidy is only measured for retirees and spouses younger than age 65, at which point such retirees and spouses typically become eligible for Medicare.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9 - Post-Employment Health Care Benefits (OPEB) (continued)

Generally, for explicit medical benefits, the program covers retirees under the following eligibility criteria: Confidential and Administrative Employees hired before September 1, 1998 retiring with at least 8 years of service, Certified Employees hired before April, 1 1999 and retiring with at least 15 years of service, and full-time Classified Employees hired before July 1, 2005 and retiring with at least 20 years of service. The coverage is paid for seven 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.

Administrative and Confidential employees, as well as Certified Employees hired prior to July 1, 1995 receive 100% coverage for District-paid family medical, dental, and vision insurance. Certified Employees hired between July 1, 1995 and April 1, 1999, are subject to the District contribution cap of \$495 for employee or \$1,646 for family benefits for the fiscal year ended June 30, 2019. These caps are expected to inflate in future years. Classified Employees received a monthly benefit of \$225 toward payment of health care premiums.

For confidential employees hired prior to September 1, 1998, and retiring with at least 8 years of service, the District will pay for term life insurance coverage in the amount the retiree was receiving prior to retirement (generally \$50,000). These benefits continue for a maximum of 7 years and will cease at age 65.

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. The amount paid by the District for the benefit for the year ended June 30, 2019 was \$92,441.

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, 2005. As a result, the total plan members receiving the explicit benefit will decrease over time. At June 30, 2019, the following employees were covered by the explicit benefit terms:

Active plan members	92
Inactive employees or beneficiaries currently receiving benefit payments	11
Spouses entitled to but not yet receiving benefit payments	3
	<u>106</u>

Total OPEB Liability

The districts total OPEB liability of \$1,035,050 was measured as of June 30, 2018, and was determined by an actuarial valuation date as of July 1, 2017.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9 - Post-Employment Health Care Benefits (OPEB) (continued)

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	Entry age normal, level percent of salary
Interest Rate Utilized for Discounting	3.87% for year ended 2018. Amounts reflect 20-year GO Bond Index
Health Care Cost Trend	Between 4.00% and 6.25% annually
General Inflation	2.50% per year
Annual Salary Increases	3.50% per year
Future Stipend Increases	Maximum stipend amounts were not assumed to increase in future years.
Future Life Insurance	Life insurance coverage amounts were not assumed to increase in future years.
Mortality Rates	RP-2014 Employee and Healthy Annuitant tables
Withdrawal	Based upon OPERS assumption, annual rates are based on gender and duration of employment.
Retirement	Based upon OPERS assumption, annual rates are based on age, Tier / OPSRP, and duration of service.
Excluded Employees	Part-time employees not eligible to participate in OPERS or not eligible for health care benefits were generally excluded from valuation.
Past PERS Service	PERS service as of the valuation date was generally estimated based upon information provided by the District
Future PERS Service	Projected PERS service for retirement eligibility is generally assumed to accrue at a rate of 1.0 per year until retirement.
Future Retiree Coverage	100% of active members eligible for District-paid health coverage are assumed to elect coverage upon retirement until age 65. 80% of these members are also assumed to elect spouse coverage.
Payment of Benefits	Stipend Benefits were assumed to be paid as cash, and therefore subject to an additional 7.65% FICA tax.
Lapse Rate	Retirees for whom the District will never pay any portion of the health care premiums are assumed to have a 5% probability of lapsing (dropping) coverage per year.
Spouse Age	Female spouses are assumed to be two years younger than male spouses. Male spouses were assumed to be two years older than their female spouses.

Changes in the Total OPEB Liability

OPEB Liability at June 30, 2018	\$	1,120,374
Changes for the year:		
Service cost		45,412
Interest		38,936
Assumptions or other input		(11,892)
Benefit payments		(157,780)
OPEB Liability at June 30, 2019	\$	<u>1,035,050</u>

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended June 30, 2019, the District recognized a reduction of OPEB expense of \$101,318.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions or other input	-	30,519
Contributions subsequent to measurement date	177,565	-
Total	<u>\$ 177,565</u>	<u>\$ 30,519</u>

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9 - Post-Employment Health Care Benefits (OPEB) (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources (prior to post-measurement contributions) related to OPEBs will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflow/(Inflow) of Resources
2020	\$ (8,101)
2021	(8,101)
2022	(8,101)
2023	(5,134)
2024	(1,082)
Total	<u>\$ (30,519)</u>

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 (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 1,076,638	\$ 1,035,050	\$ 995,028

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 5.75% Graded Down to 3.00%	Current Trend Rate 6.75% Graded Down to 4.00%	1% Increase 7.75% Graded Down to 5.00%
Total OPEB Liability	\$ 986,229	\$ 1,035,050	\$ 1,089,015

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9 - Post-Employment Health Care Benefits (OPEB) (continued)

Changes in Assumptions and Methods

A summary of key changes implemented since the October 15, 2015 valuation are noted below:

- Entry Age Actuarial Cost Method calculations were changed from a level dollar allocation to a level percentage of pay allocation, where salaries were expected to increase 3.5% per year.
- Discount rates were updated to reflect the requirements of GASB 73 and 75 as well as economic conditions as of the measurement date.
- Expected claims and premiums were updated to reflect changes in available benefits and premium levels. Expected retiree and dependent costs were updated to reflect current health cost guidelines.
- Health care cost trend was revised to reflect recent economic conditions, and is based on a model circulated by the Society of Actuaries.
- Retirees for whom the District will never pay any portion of the health care premiums increased to assume a 5% (up from 4%) probability of lapsing coverage during the year.
- Mortality, retirement, and withdrawal rates were updated to reflect assumptions used in the Oregon December 31, 2016 Actuarial Valuation.

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.

**JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 9 - Post-Employment Health Care Benefits (OPEB) (continued)

Participating school districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.07% of annual covered OPERF payroll and 0.43% of OPSRP payroll. The District contributed \$20,179 for the year ended June 30, 2019. The contribution rates in effect for the fiscal year ended June 30, 2019 for the OPEB program were 0.50% for Tier 1/ Tier 2 and 0.43% for OPSRP General Service.

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 actuarial valuation used for RHIA is identical to the actuarial valuation details related to the OPERS Plan disclosed in *Note 10 Pension and Retirement Plans* except the table listed below:

Actuarial assumptions:	
Retiree healthcare participation	Healthy retirees: 38%; Disabled retirees: 20%
Healthcare cost trend rate	Not applicable
Mortality	<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. <i>Active members:</i> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. <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.

The actuarial valuation details are the Actuarial Methods and Assumptions, Discount Rate, Assumed Asset Allocation, and the Investment Rate of Return.

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District reported \$43,826 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016. The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was approximately 0.03926122 percent.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9 - Post-Employment Health Care Benefits (OPEB) (continued)

For the year ended June 30, 2019, the District recognized a reduction of OPEB expense related to RHIA of \$24,008. The reduction of OPEB expense was generated during the measurement period primarily as a result of more than anticipated investment returns at the OPERS level. The \$24,008 was treated as a reduction of payroll related expense in the Statement of Activities and allocated to Instruction, Supporting Services, and Community Services using allocation percentages of 59%, 38%, and 3%, respectively.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 2,484
Changes of assumptions	-	139
Net difference between projected and actual earning on investments	-	9,449
Changes in proportionate share	296	128
Differences between employer contributions and employers proportionate share of system contributions	-	-
Contributions subsequent to measurement date	20,179	-
Total	<u>\$ 20,475</u>	<u>\$ 12,200</u>

\$20,179 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as an increase to the net OPEB asset in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources (prior to post-measurement date contributions) related to OPEB will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflow/(Inflow) of Resources
2020	\$ (3,858)
2021	(3,910)
2022	(3,197)
2023	(939)
Total	<u>\$ (11,904)</u>

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9 - Post-Employment Health Care Benefits (OPEB) (continued)

Sensitivity for the District's Proportionate Share of the Net OPEB Asset to Changes in Discount Rate

The following presents the District's proportionate share of the net OPEB asset calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.20 percent) or 1-percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Defined Benefit OPEB Liability/(Asset)	\$ (25,518)	\$ (43,826)	\$ (59,410)

The RHIA OPEB is unaffected by healthcare cost trends due to the benefit being limited to \$60 monthly payments toward Medicare companion insurance premiums.

Changes in Assumptions

The changes in assumptions used for RHIA are identical to the changes in assumptions related to the OPERS Plan disclosed in *Note 10 - Pension and Retirement Plans*.

Note 10 - 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 provides a single-employer defined benefit early retirement supplemental plan. This plan covers all eligible Certified employees that were hired by the District prior to July 1, 1995, and retiring with at least 15 years of service with the District. Benefits for all employees continue for a maximum of 7 years and cease at age 65 or upon death of the retiree. The monthly benefit is 0.75% of the last year's teaching salary which does not include extra duty or extended day contracts. This program was established in accordance with negotiated employment contracts. The District does not issue a stand-alone report for this plan.

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, 2019 was \$43,167.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 10 - Pension and Retirement Plans (continued)

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the explicit benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Active plan members	4
	<u>10</u>

Total Stipend Pension Liability

The District's total stipend pension liability of \$164,261 was measured as of June 30, 2019, and was determined by an actuarial valuation date as of July 1, 2017.

Actuarial Methods and Assumptions

The actuarial valuation used for the early retirement stipend pension plan is identical to the actuarial valuation details related to the single employer defined benefit health plan disclosed in *Note 9 - Post-Employment Health Care Benefits (OPEB)*.

Changes in the Total Stipend Pension Liability

Total stipend pension liability at June 30, 2018	\$ 192,737
Service cost	1,722
Interest	6,338
Changes of assumptions	(1,388)
Benefit payments	<u>(35,148)</u>
Total stipend pension liability at June 30, 2019	<u>\$ 164,261</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 (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total stipend pension liability	\$ 169,409	\$ 164,261	\$ 159,207

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 10 - Pension and Retirement Plans (continued)

Stipend Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended June 30, 2019, the District recognized a stipend pension expense of \$28,552. At June 30, 2019, the District reported the following deferred outflows or inflows associated with its stipend pension plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 617
Contributions subsequent to measurement date	37,316	-
Total	<u>\$ 37,316</u>	<u>\$ 617</u>

\$37,316 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 total pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources (prior to post-measurement date contributions) related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflow/(Inflow) of Resources
2020	\$ (617)
Total	<u>\$ (617)</u>

Oregon Public Employees Retirement System (OPERS)

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.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 10 - Pension and Retirement Plans (continued)

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 PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (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 is 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:

- Member was employed by an 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 an OPERS-covered job, or
- Member was on an official leave of absence from an 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 from other than duty connected causes may receive a non-duty disability benefit. A disability benefit from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 10 - Pension and Retirement Plans (continued)

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 changes. The COLA is capped at 2.0%.

Funding Policy

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due.

**JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 10 - Pension and Retirement Plans (continued)

Contributions

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

Employer contributions for the year ended June 30, 2019 were \$1,016,835 excluding amounts to fund employer specific liabilities. The contribution rates in effect for the fiscal year ended June 30, 2019 for each pension program were: Tier1/Tier2 – 27.20% and OPSRP: General Service – 21.87%.

Pension Plan Comprehensive Annual Financial Report (CAFR)

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

http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Actuarial Valuation- The employer contribution rates effective July 1, 2017, through June 30, 2019, 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, 2016
Measurement date	June 30, 2018
Experience study	2016, published July 26, 2017
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation rate	2.50 percent
Long-term expected rate of return ¹	7.20 percent
Discount rate	7.20 percent
Projected salary increases	3.50 percent
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

Healthy retirees and beneficiaries:

RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.

Active members:

RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.

Disabled retirees:

RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 10 - Pension and Retirement Plans (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 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 7.20 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.

Assumed Asset Allocation

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	0.00%
Debt securities	20.00%
Public equity	37.50%
Private equity	17.50%
Real estate	12.50%
Alternative equity	12.50%
Opportunity portfolio	0.00%
Total	<u>100.00%</u>

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.

The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at the time based on the OIC long-term target asset allocation. The OIC's description of each asset was used to map the target allocation to the asset classes shown below.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 10 - Pension and Retirement Plans (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return</u>
Core fixed income	8.00%	3.49%
Short-term bonds	8.00%	3.38%
Intermediate-term bonds	3.00%	5.09%
High yield bonds	1.00%	6.45%
Large/mid cap US equities	15.75%	6.30%
Small cap US equities	1.31%	6.69%
Micro cap US equities	1.31%	6.80%
Developed foreign equities	13.13%	6.71%
Emerging market equities	4.13%	7.45%
Non-US small cap equities	1.88%	7.01%
Private equities	17.50%	7.82%
Real estate (property)	10.00%	5.51%
Real estate (REITS)	2.50%	6.37%
Hedge fund of funds - diversified	2.50%	4.09%
Hedge fund - event-driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
 Total	 <u>100.00%</u>	
 Assumed inflation - means		 2.50%

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

At June 30, 2019, the District reported a liability of \$7,654,860 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was approximately 0.05053152 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$322,770. Pension expense was generated during the measurement period primarily as a result of less than anticipated investment returns at the OPERS. The \$322,770 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 59%, 38%, and 3%, respectively.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 10 - Pension and Retirement Plans (continued)

At June 30, 2019, 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:	\$ 260,395	\$ -
Changes of assumptions:	1,779,740	-
Net difference between projected and actual earnings on investments:	-	339,919
Changes in proportionate share:	-	626,266
Differences between employer contributions and employer's proportionate share of system contributions:	419,263	16,279
Contributions subsequent to measurement date:	1,016,835	-
Total	<u>\$ 3,476,233</u>	<u>\$ 982,464</u>

\$1,016,835 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, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows (prior to post-measurement date contributions) of resources related to pensions will be recognized in pension expense (income) as follows:

Year Ended June 30,	Deferred Outflow/(Inflow) of Resources
2020	\$ 816,115
2021	566,701
2022	(91,732)
2023	131,763
2024	54,087
Total	<u>\$ 1,476,934</u>

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

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Defined Benefit Pension Liability/(Asset)	\$ 12,792,717	\$ 7,654,860	\$ 3,413,979

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 10 - Pension and Retirement Plans (continued)

Changes in Assumptions

A summary of key changes implemented since the December 31, 2015 valuation are noted below. Additional detail and list of changes can be found in the 2016 Experience Study for the System, which can be found at: <http://www.oregon.gov/pers/Documents/2016-Exp-Study.pdf>.

- Assumed average annual future long-term investment return was lowered from 7.50 percent to 7.20 percent
- Interest crediting on regular and variable member accounts was also lowered to 7.20 percent
- Assumed administrative expenses were updated to both Tier 1/Tier 2 and OPSRP
- Mortality assumptions were changed to reflect updated base tables and mortality improvement projection scales for all groups
- Termination, disability and retirement rates were updated for some groups to more closely match observed experience
- Assumptions for merit increases, annual sick leave, and vacation pay were updated
- The assumed healthcare cost trend rates for the RHIPA program as well as the participation assumptions for both RHIA and RHIPA were updated
- The percentages used for allocating accrued liability for Tier 1/Tier 2 active members who have earned service with multiple OPERS employers were updated

Defined Contribution Plan - Individual Account Program (IAP)

Pension Benefits

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. 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.

Contribution

During 2019, the District, as an employee benefit, paid the employees portion of the contribution. For the year ended June 30, 2019, the District paid \$265,382 for this contribution.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 11 - Fund Balance

The Special Revenue Fund balance includes amounts committed or assigned for specific purposes. The committed fund balance of \$593 thousand represents amounts reserved for capital improvements and pension reserve. The assigned fund balance of \$388 thousand represents amounts held for student body activities and food service.

Note 12 - 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 13 - 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 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 14 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. 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 three fiscal years ending June 30, 2019.

Note 15 - Tax Abatements

As of June 30, 2019, Jackson county provides tax abatements through five programs: Non-Profit Low Income Rental Housing, Enterprise Zone, Homebuyer Opportunity Limited Tax Exemption, Multiple-Unit Housing in Core Areas, and Residential Rehab Property.

For the fiscal year ended June 30, 2019, Jackson County did not provide for any tax abatements for the District.

Note 16 - Subsequent Events

Management of the District has evaluated events and transactions occurring after June 30, 2019 through the date the financial statements were available to be issued, for recognition and/or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

JACKSON COUNTY SCHOOL DISTRICT NO. 35
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. 35 Proportionate Share of Net Pension Asset/(Liability) at the measurement date

	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset/(liability)	0.05053152%	0.05054947%	0.0556241%	0.0664374%	0.0755239%	0.0755239%
District's proportion of the net pension asset/(liability)	\$ (7,654,860)	\$ (6,814,088)	\$ (8,350,472)	\$ (3,814,478)	\$ 1,711,910	\$ (3,854,093)
District's covered-employee payroll	\$ 4,237,304	\$ 3,975,788	\$ 3,520,668	\$ 3,318,212	\$ 3,264,244	\$ 3,503,955
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	180.65%	171.39%	237.18%	114.96%	-52.44%	109.99%
Plan fiduciary net position as a percentage of the total pension liability	82.07%	83.12%	80.53%	91.88%	103.59%	91.97%

Jackson County School District No. 35 Contributions

	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 1,016,835	\$ 945,200	\$ 781,832	\$ 656,387	\$ 711,811	\$ 598,676
Contribution in relation to the contractually required	(1,016,835)	(945,200)	(781,832)	(656,387)	(711,811)	(598,676)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered - employee payroll	\$ 4,475,590	\$ 4,237,304	\$ 3,975,788	\$ 3,520,668	\$ 3,318,212	\$ 3,264,244
Contributions as a percentage of covered-employee payroll	22.72%	22.31%	19.66%	18.64%	21.45%	18.34%

Notes to Schedule:

A summary of assumption changes implemented since the December 31, 2015 valuation are outlined briefly in *Note 10* to the financial statements. A comprehensive list of changes in methods and assumptions can be found in the 2016 Experience Study for the system, which was published in July 2017, and can be found at:

<https://www.oregon.gov/pers/Documents/2016-Exp-Study.pdf>

Other Information:

This schedule is presented to illustrate required supplementary information for a 10 year period. The District adopted GASB 68 during fiscal 2014, as a result, only six years of information is presented.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
SCHEDULE OF CHANGE IN THE DISTRICT'S TOTAL PENSION LIABILITY
LAST 10 FISCAL YEARS ENDING JUNE 30 (For Years Information Available)

Total Pension Liability (Stipend):	2019	2018	2017
Service cost	\$ 1,722	\$ 2,905	\$ 2,381
Interest on total pension liability	6,338	5,800	8,635
Effect of economic/demographic gains or losses	-	5,065	-
Effect of assumptions changes or inputs	(1,388)	(4,381)	7,021
Benefit payments	<u>(35,148)</u>	<u>(34,243)</u>	<u>(44,300)</u>
Net change in total pension liability (stipend)	(28,476)	(24,854)	(26,263)
Total pension liability (stipend) - beginning	<u>192,737</u>	<u>217,591</u>	<u>243,854</u>
Total pension liability (stipend) - ending	<u><u>\$ 164,261</u></u>	<u><u>\$ 192,737</u></u>	<u><u>\$ 217,591</u></u>
Estimated covered - employee payroll	\$ 4,475,590	\$ 4,237,304	\$ 3,975,788
Total pension liability (stipend) as a percentage of estimated covered - employee payroll	3.67%	4.55%	5.47%

Notes to Schedule:

A summary of assumption changes implemented since the October 15, 2015 valuation are outlined in *Note 10* 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 three years of information is presented.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB - RHIA
ASSET/(LIABILITY) AND SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
LAST 10 FISCAL YEARS ENDING JUNE 30 (For Years Information is Available)

Jackson County School District No. 35 Proportionate Share of Net OPEB - RHIA Asset/(Liability) at the measurement date

	2019	2018
District proportion of the net pension asset/(liability)	0.03926122%	0.03844079%
District's proportion of the net pension asset/(liability)	\$ 43,826	\$ 16,043
District's covered-employee payroll	\$ 4,237,304	\$ 3,975,788
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	1.03%	0.40%
Plan fiduciary net position as a percentage of the total pension liability	108.88%	108.88%

Jackson County School District No. 35 Contributions

	2019	2018
Contractually required contributions	\$ 20,179	\$ 19,010
Contribution in relation to the contractually required	(20,179)	(19,010)
Contributions deficiency (excess)	\$ -	\$ -
District's covered - employee payroll	\$ 4,475,590	\$ 4,237,304
Contributions as a percentage of covered-employee payroll	0.45%	0.45%

Notes to Schedule:

A summary of assumption changes implemented since the December 31, 2015 valuation are outlined briefly in *Note 9* to the financial statements. A comprehensive list of changes in methods and assumptions can be found in the 2016 Experience Study for the system, which was published in July 2017, and can be found at:

<https://www.oregon.gov/pers/Documents/2016-Exp-Study.pdf>

Other Information:

This schedule is presented to illustrate required supplementary information for a 10 year period. The District adopted GASB 75 during fiscal 2018, as a result, only two years of information is presented.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
SCHEDULE OF THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS ENDING JUNE 30 (For Years Information Available)

Total OPEB Liability:	2019	2018
Service cost	\$ 45,412	\$ 47,583
Interest	38,936	34,229
Changes of assumptions of other inputs	(11,892)	(32,667)
Benefit payments	<u>(157,780)</u>	<u>(163,258)</u>
Net change in total OPEB liability	(85,324)	(114,113)
Total OPEB liability - beginning	<u>\$ 1,120,374</u>	<u>\$ 1,234,487</u>
Total OPEB liability - ending	<u><u>\$ 1,035,050</u></u>	<u><u>\$ 1,120,374</u></u>
Estimated covered - employee payroll	\$ 4,475,590	\$ 4,237,304
Total OPEB liability as a percentage of estimated covered - employee payroll	23.13%	26.44%

Notes to Schedule:

A summary of assumption changes implemented since the October 15, 2015 valuation are outlined in *Note 9* 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 has adopted GASB 75 during fiscal 2018, as a result, only two years of information is presented.

JACKSON COUNTY SCHOOL DISTRICT NO. 35
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2019

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Local sources				
Property taxes	\$ 3,343,214	\$ 3,343,214	\$ 3,378,606	\$ 35,392
Charges for services	3,200	3,200	3,417	217
Interest on investments	35,000	35,000	93,736	58,736
Miscellaneous	40,000	40,000	54,258	14,258
State sources				
Basic school support	7,407,535	7,407,535	7,010,636	(396,899)
Intergovernmental	192,003	192,003	209,481	17,478
Federal sources				
Intergovernmental	10,000	10,000	10,136	136
TOTAL REVENUES	11,030,952	11,030,952	10,760,270	(270,682)
EXPENDITURES				
Current				
Instruction	6,641,622	6,516,622	5,994,146	522,476
Support services	4,479,280	4,604,280	4,424,659	179,621
Contingency	792,550	792,550	-	792,550
TOTAL EXPENDITURES	11,913,452	11,913,452	10,418,805	1,494,647
Excess (Deficiency) of Revenues Over Expenditures	(882,500)	(882,500)	341,465	1,223,965
OTHER FINANCING SOURCES (USES):				
Transfers out	(367,500)	(367,500)	(367,500)	-
Insurance proceeds	-	-	32,060	32,060
TOTAL OTHER FINANCING SOURCES	(367,500)	(367,500)	(335,440)	32,060
NET CHANGE IN FUND BALANCE	(1,250,000)	(1,250,000)	6,025	1,256,025
FUND BALANCE, July 1, 2018	1,250,000	1,250,000	1,444,564	194,564
FUND BALANCE, June 30, 2019	\$ -	\$ -	\$ 1,450,589	\$ 1,450,589

JACKSON COUNTY SCHOOL DISTRICT NO. 35
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2019

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Local sources				
Construction excise taxes	\$ 45,000	\$ 45,000	\$ 47,092	\$ 2,092
Charges for services	176,375	176,375	219,099	42,724
Donations	35,000	35,000	69,375	34,375
Interest on investments	3,000	3,000	3,312	312
Miscellaneous	88,904	88,904	257,382	168,478
State sources				
Basic school support	4,000	4,000	3,278	(722)
Intergovernmental	424,500	424,500	211,093	(213,407)
Federal sources				
Intergovernmental	1,225,468	1,225,468	1,230,700	5,232
TOTAL REVENUES	2,002,247	2,002,247	2,041,331	39,084
EXPENDITURES				
Current				
Instruction	1,736,669	1,736,669	1,154,751	581,918
Support services	555,003	555,003	552,709	2,294
Enterprise and community services	462,375	462,375	413,077	49,298
Facilities acquisition and construction	70,000	70,000	-	70,000
Contingency	537,000	537,000	-	537,000
TOTAL EXPENDITURES	3,361,047	3,361,047	2,120,537	1,240,510
Excess (Deficiency) of Revenues Over Expenditures	(1,358,800)	(1,358,800)	(79,206)	1,279,594
OTHER FINANCING SOURCES (USES):				
Transfers in	367,500	367,500	367,500	-
TOTAL OTHER FINANCING SOURCES	367,500	367,500	367,500	-
NET CHANGE IN FUND BALANCE	(991,300)	(991,300)	288,294	1,279,594
FUND BALANCE, July 1, 2018	991,300	991,300	949,968	(41,332)
FUND BALANCE, June 30, 2019	\$ -	\$ -	\$ 1,238,262	\$ 1,238,262

SUPPLEMENTARY INFORMATION

**JACKSON COUNTY SCHOOL DISTRICT NO. 35
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Local sources				
Property taxes	\$ 517,958	\$ 517,958	\$ 577,078	\$ 59,120
Interest on investments	-	-	9,395	9,395
TOTAL REVENUES	<u>517,958</u>	<u>517,958</u>	<u>586,473</u>	<u>68,515</u>
EXPENDITURES				
Debt service	<u>565,458</u>	<u>565,458</u>	<u>564,313</u>	<u>1,145</u>
TOTAL EXPENDITURES	<u>565,458</u>	<u>565,458</u>	<u>564,313</u>	<u>1,145</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(47,500)</u>	<u>(47,500)</u>	<u>22,160</u>	<u>69,660</u>
FUND BALANCE, July 1, 2018	<u>47,500</u>	<u>47,500</u>	<u>53,369</u>	<u>5,869</u>
FUND BALANCE, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,529</u>	<u>\$ 75,529</u>

JACKSON COUNTY SCHOOL DISTRICT NO. 35
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2019

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Local sources				
Interest on investments	\$ 20,000	\$ 20,000	\$ 25,778	\$ 5,778
TOTAL REVENUES	<u>20,000</u>	<u>20,000</u>	<u>25,778</u>	<u>5,778</u>
EXPENDITURES				
Facilities acquisition and construction	<u>3,170,000</u>	<u>3,170,000</u>	<u>2,080,141</u>	<u>1,089,859</u>
TOTAL EXPENDITURES	<u>3,170,000</u>	<u>3,170,000</u>	<u>2,080,141</u>	<u>1,089,859</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,150,000)</u>	<u>(3,150,000)</u>	<u>(2,054,363)</u>	<u>1,095,637</u>
FUND BALANCE, July 1, 2018	<u>3,150,000</u>	<u>3,150,000</u>	<u>2,535,044</u>	<u>(614,956)</u>
FUND BALANCE, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 480,681</u>	<u>\$ 480,681</u>

SCHOOL DISTRICT FINANCIAL
ACCOUNTING SUMMARIES

JACKSON COUNTY SCHOOL DISTRICT NO. 35

2018-19 DISTRICT AUDIT REVENUE SUMMARY

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	3,378,606	-	577,078	-	-	-	-
1120 Local Option Ad Valorem Taxes Levied by District	-	-	-	-	-	-	-
1130 Construction Excise Tax	-	47,092	-	-	-	-	-
1190 Penalties and Interest on Taxes	-	-	-	-	-	-	-
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	93,736	3,312	9,395	25,778	-	-	-
1600 Food Service	-	53,819	-	-	-	-	-
1700 Extracurricular Activities	3,417	165,280	-	-	-	-	-
1800 Community Services Activities	-	-	-	-	-	-	-
1910 Rentals	-	-	-	-	-	-	-
1920 Contributions and Donations From Private Sources	-	69,375	-	-	-	-	-
1930 Rental or Lease Payments From Private Contractors	-	-	-	-	-	-	-
1940 Services Provided Other Local Education Agencies	-	-	-	-	-	-	-
1950 Textbook Sales and Rentals	-	-	-	-	-	-	-
1960 Recovery of Prior Years' Expenditure	1,819	-	-	-	-	-	-
1970 Services Provided Other Funds	-	-	-	-	-	-	-
1980 Fees Charged to Grants	-	-	-	-	-	-	-
1990 Miscellaneous	52,439	257,382	-	-	-	-	-
Total Revenue from Local Sources	3,530,017	596,260	586,473	25,778	-	-	-

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	-	-	-	-	-	-	-
2200 Restricted Revenue	-	-	-	-	-	-	-
2800 Revenue in Lieu of Taxes	-	-	-	-	-	-	-
2900 Revenue for/on Behalf of the District	-	-	-	-	-	-	-
Total Revenue from Intermediate Sources	-	-	-	-	-	-	-

Revenue from State Sources

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
3101 State School Fund - General Support	7,010,636	-	-	-	-	-	-
3102 State School Fund - School Lunch Match	-	3,278	-	-	-	-	-
3103 Common School Fund	93,702	-	-	-	-	-	-
3104 State Managed County Timber	-	-	-	-	-	-	-
3106 State School Fund - Accrual	-	-	-	-	-	-	-
3199 Other Unrestricted Grants-in-Aid	-	32,637	-	-	-	-	-
3204 Driver Education	-	-	-	-	-	-	-
3222 State School Fund (SSF) Transportation Equipment	-	-	-	-	-	-	-
3299 Other Restricted Grants-in-Aid	115,779	178,456	-	-	-	-	-
3800 Revenue in Lieu of Taxes	-	-	-	-	-	-	-
3900 Revenue for/on Behalf of the District	-	-	-	-	-	-	-
Total Revenue from State Sources	7,220,117	214,371	-	-	-	-	-

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	-	1,206,302	-	-	-	-	-
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies	-	-	-	-	-	-	-
4801 Federal Forest Fees	10,136	-	-	-	-	-	-
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	-	24,398	-	-	-	-	-
Total Revenue from Federal Sources	10,136	1,230,700	-	-	-	-	-

Revenue from Other Sources

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
5100 Long Term Debt Financing Sources	-	-	-	-	-	-	-
5200 Interfund Transfers	-	367,500	-	-	-	-	-
5300 Sale of or Compensation for Loss of Fixed Assets	32,060	-	-	-	-	-	-
5400 Resources - Beginning Fund Balance	1,444,564	949,968	53,369	2,535,044	-	-	-
Total Revenue from Other Sources	1,476,624	1,317,468	53,369	2,535,044	-	-	-

Grand Totals

\$ 12,236,894	\$ 3,358,799	\$ 639,842	\$ 2,560,822	\$ -	\$ -	\$ -
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JACKSON COUNTY SCHOOL DISTRICT NO. 35

2018-19 DISTRICT AUDIT EXPENDITURE SUMMARY

Fund: 100 General Fund								
Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Elementary, K-5 or K-6	1,822,103	1,115,352	606,849	55,657	44,245	-	-	-
1113 Elementary Extracurricular	-	-	-	-	-	-	-	-
1121 Middle/Junior High Programs	421,078	244,836	160,678	9,063	6,436	-	65	-
1122 Middle/Junior High School Extracurricular	-	-	-	-	-	-	-	-
1131 High School Programs	1,175,274	692,837	409,221	54,480	17,624	-	1,112	-
1132 High School Extracurricular	116,639	69,845	29,065	12,717	2,980	-	2,032	-
1140 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1210 Programs for the Talented and Gifted	10,095	4,364	1,585	2,086	60	-	2,000	-
1226 Home Instruction	1,874	318	89	1,467	-	-	-	-
1227 Extended School Year Programs	898	659	239	-	-	-	-	-
1250 Less Restrictive Programs for Students with Disabilities	799,132	419,670	312,938	58,968	7,556	-	-	-
1260 Treatment and Habilitation	14,077	-	-	14,077	-	-	-	-
1272 Title I	-	-	-	-	-	-	-	-
1280 Alternative Education	323,474	147,724	93,689	40,098	41,963	-	-	-
1284 Alternative Education Home Tutor Programs	241	-	-	241	-	-	-	-
1288 Charter School Programs	1,279,224	-	-	1,277,422	1,802	-	-	-
1291 English Second Language Programs	20,727	11,230	7,626	1,471	400	-	-	-
1292 Teen Parent Program	9,310	6,129	3,181	-	-	-	-	-
Total Instruction	5,994,146	2,712,964	1,625,160	1,527,747	123,066	-	5,209	-
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	8,931	-	-	8,931	-	-	-	-
2120 Guidance Services	147,356	79,040	56,699	11,605	12	-	-	-
2130 Health Services	1,010	-	-	-	1,010	-	-	-
2140 Psychological Services	-	-	-	-	-	-	-	-
2150 Speech Pathology and Audiology Services	-	-	-	-	-	-	-	-
2160 Other Student Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support Services	211,568	126,626	79,939	4,712	291	-	-	-
2210 Improvement of Instruction Services	4,681	3,280	1,366	-	35	-	-	-
2220 Educational Media Services	92,927	52,823	35,071	1,022	4,011	-	-	-
2230 Assessment & Testing	2,501	1,476	1,025	-	-	-	-	-
2240 Instructional Staff Development	1,380	-	-	1,363	17	-	-	-
2310 Board of Education Services	207,709	32,864	7,214	68,594	17,286	-	81,751	-
2320 Executive Administration Services	396,141	233,491	121,685	23,847	11,803	-	5,315	-
2410 Office of the Principal Services	767,354	453,889	284,565	10,129	13,650	-	5,121	-
2490 Other Support Services - School Administration	3,294	-	-	3,294	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	333,410	185,215	113,261	3,149	24,500	-	7,285	-
2540 Operation and Maintenance of Plant Services	948,451	252,547	171,084	452,371	72,449	-	-	-
2550 Student Transportation Services	902,458	-	-	902,357	101	-	-	-
2570 Internal Services	18,484	-	-	18,484	-	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	-	-	-	-	-	-	-	-
2660 Technology Services	241,396	86,202	56,848	77,253	21,093	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services - Central	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	135,608	43,167	92,441	-	-	-	-	-
Total Support Services	4,424,659	1,550,620	1,021,198	1,587,111	166,258	-	99,472	-
Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	-	-	-	-	-	-	-	-
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	-	-	-	-	-	-	-	-
3500 Custody and Care of Children Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services	-	-	-	-	-	-	-	-
Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition and Development Services	-	-	-	-	-	-	-	-
4150 Building Acquisition, Construction, and Improvement	-	-	-	-	-	-	-	-
4180 Other Capital Items	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction	-	-	-	-	-	-	-	-
Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	-	-	-	-	-	-	-	-
5200 Transfers of Funds	367,500	-	-	-	-	-	-	367,500
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
5400 PERS UAL Bond Lump Sum	-	-	-	-	-	-	-	-
Total Other Requirements	367,500	-	-	-	-	-	-	367,500
Grand Total	\$ 10,786,305	\$ 4,263,584	\$ 2,646,358	\$ 3,114,858	\$ 289,324	\$ -	\$ 104,681	\$ 367,500

JACKSON COUNTY SCHOOL DISTRICT NO. 35

2018-19 DISTRICT AUDIT EXPENDITURE SUMMARY

Fund: 200 Special Revenue 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	58,759	1,950	745	16,095	39,969	-	-	-
1113 Elementary Extracurricular	13,276	-	-	11,843	1,433	-	-	-
1121 Middle/Junior High Programs	427	-	-	-	427	-	-	-
1122 Middle/Junior High School Extracurricular	13,838	5,250	1,909	2,613	251	-	3,815	-
1131 High School Programs	106,540	28,436	25,820	4,871	27,285	19,178	950	-
1132 High School Extracurricular	324,693	71,871	17,322	44,973	122,087	19,623	48,817	-
1140 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1210 Programs for the Talented and Gifted	-	-	-	-	-	-	-	-
1220 Restrictive Programs for Students with Disabilities	-	-	-	-	-	-	-	-
1250 Less Restrictive Programs for Students with Disabilities	172,022	111,654	57,846	2,172	350	-	-	-
1260 Treatment and Habilitation	3,079	-	-	3,079	-	-	-	-
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title I	458,865	246,753	147,706	4,708	59,698	-	-	-
1280 Alternative Education	3,252	-	-	-	3,252	-	-	-
1291 English Second Language Programs	-	-	-	-	-	-	-	-
1292 Teen Parent Program	-	-	-	-	-	-	-	-
1293 Migrant Education	-	-	-	-	-	-	-	-
1294 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	-	-	-	-	-	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction	1,154,751	465,914	251,348	90,354	254,752	38,801	53,582	-

Support Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	-	-	-	-	-	-	-	-
2120 Guidance Services	150,310	64,085	38,315	46,756	954	-	200	-
2130 Health Services	38,790	-	-	38,790	-	-	-	-
2140 Psychological Services	-	-	-	-	-	-	-	-
2150 Speech Pathology and Audiology Services	-	-	-	-	-	-	-	-
2160 Other Student Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support Services	3,138	416	155	2,567	-	-	-	-
2210 Improvement of Instruction Services	20,934	-	-	20,934	-	-	-	-
2220 Educational Media Services	-	-	-	-	-	-	-	-
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	176,222	38,854	13,828	112,535	10,305	-	700	-
2310 Board of Education Services	-	-	-	-	-	-	-	-
2320 Executive Administration Services	3,174	-	-	-	3,174	-	-	-
2410 Office of the Principal Services	627	-	-	-	627	-	-	-
2490 Other Support Services - School Administration	22,460	4,939	2,469	15,052	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	180	-	-	-	-	-	180	-
2540 Operation and Maintenance of Plant Services	119,472	-	-	83,747	17,296	18,429	-	-
2550 Student Transportation Services	-	-	-	-	-	-	-	-
2570 Internal Services	-	-	-	-	-	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	8,831	-	-	8,831	-	-	-	-
2660 Technology Services	8,571	-	-	600	7,971	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services - Central	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	-	-	-	-	-	-	-	-
Total Support Services	552,709	108,294	54,767	329,812	40,327	18,429	1,080	-

Enterprise and Community Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	401,648	11,403	9,797	331,444	43,213	5,791	-	-
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	11,429	75	27	6,200	5,127	-	-	-
3500 Custody and Care of Children Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services	413,077	11,478	9,824	337,644	48,340	5,791	-	-

Facilities Acquisition and Construction Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition and Development Services	-	-	-	-	-	-	-	-
4150 Building Acquisition, Construction, and Improvement Services	-	-	-	-	-	-	-	-
4180 Other Capital Items	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction	-	-	-	-	-	-	-	-

Other Uses Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	-	-	-	-	-	-	-	-
5200 Transfers of Funds	-	-	-	-	-	-	-	-
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
5400 PERS UAL Bond Lump Sum	-	-	-	-	-	-	-	-
Total Other Requirements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Grand Total

\$ 2,120,537	\$ 585,686	\$ 315,939	\$ 757,810	\$ 343,419	\$ 63,021	\$ 54,662	\$ -
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Fund: 300 Debt Service Funds

Total Instruction

[illegible]

Total Support Services

[illegible]**Total Enterprise and Community Services**

Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

Total Facilities Acquisition and Construction

[illegible]**Total Other Requirements**

Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
564,313	-	-	-	-	-	564,313	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
\$ 564,313	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 564,313	\$ -
€ 564 313	€ -	€ -	€ -	€ -	€ -	€ 564 313	€ -

[illegible]

JACKSON COUNTY SCHOOL DISTRICT NO. 35

2018-19 DISTRICT AUDIT EXPENDITURE SUMMARY

Fund: 400 Capital Projects Fund								
Instruction Expenditures								
	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Elementary, K-5 or K-6	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	-	-	-	-	-	-	-	-
1121 Middle/Junior High Programs	-	-	-	-	-	-	-	-
1122 Middle/Junior High School Extracurricular	-	-	-	-	-	-	-	-
1131 High School Programs	-	-	-	-	-	-	-	-
1132 High School Extracurricular	-	-	-	-	-	-	-	-
1140 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1210 Programs for the Talented and Gifted	-	-	-	-	-	-	-	-
1220 Restrictive Programs for Students with Disabilities	-	-	-	-	-	-	-	-
1250 Less Restrictive Programs for Students with Disabilities	-	-	-	-	-	-	-	-
1260 Treatment and Habilitation	-	-	-	-	-	-	-	-
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title I	-	-	-	-	-	-	-	-
1280 Alternative Education	-	-	-	-	-	-	-	-
1291 English Second Language Programs	-	-	-	-	-	-	-	-
1292 Teen Parent Program	-	-	-	-	-	-	-	-
1293 Migrant Education	-	-	-	-	-	-	-	-
1294 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	-	-	-	-	-	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction	-	-	-	-	-	-	-	-
Support Services Expenditures								
	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	-	-	-	-	-	-	-	-
2120 Guidance Services	-	-	-	-	-	-	-	-
2130 Health Services	-	-	-	-	-	-	-	-
2140 Psychological Services	-	-	-	-	-	-	-	-
2150 Speech Pathology and Audiology Services	-	-	-	-	-	-	-	-
2160 Other Student Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support Services	-	-	-	-	-	-	-	-
2210 Improvement of Instruction Services	-	-	-	-	-	-	-	-
2220 Educational Media Services	-	-	-	-	-	-	-	-
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	-	-	-	-	-	-	-	-
2310 Board of Education Services	-	-	-	-	-	-	-	-
2320 Executive Administration Services	-	-	-	-	-	-	-	-
2410 Office of the Principal Services	-	-	-	-	-	-	-	-
2490 Other Support Services - School Administration	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	-	-	-	-	-	-	-	-
2540 Operation and Maintenance of Plant Services	-	-	-	-	-	-	-	-
2550 Student Transportation Services	-	-	-	-	-	-	-	-
2570 Internal Services	-	-	-	-	-	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	-	-	-	-	-	-	-	-
2660 Technology Services	-	-	-	-	-	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services - Central	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	-	-	-	-	-	-	-	-
Total Support Services	-	-	-	-	-	-	-	-
Enterprise and Community Services Expenditures								
	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	-	-	-	-	-	-	-	-
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	-	-	-	-	-	-	-	-
3500 Custody and Care of Children Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services	-	-	-	-	-	-	-	-
Facilities Acquisition and Construction Expenditures								
	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition and Development Services	-	-	-	-	-	-	-	-
4150 Building Acquisition, Construction, and Improvement	2,080,141	-	-	700	-	2,078,515	926	-
4180 Other Capital Items	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction	2,080,141	-	-	700	-	2,078,515	926	-
Other Uses Expenditures								
	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	-	-	-	-	-	-	-	-
5200 Transfers of Funds	-	-	-	-	-	-	-	-
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
5400 PERS UAL Bond Lump Sum	-	-	-	-	-	-	-	-
Total Other Requirements	-	-	-	-	-	-	-	-
Grand Total	\$ 2,080,141	\$ -	\$ -	\$ 700	\$ -	\$ 2,078,515	\$ 926	\$ -

SUPPLEMENTAL INFORMATION, 2018-2019

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 ESSA, Title I & other Federal Funds for Education.

A. Energy Bill for Heating - **All Funds:**

Please enter your expenditures for electricity, heating fuel, and water & sewage for these Functions & Objects.

	Objects 325 & 326 & *327
Function 2540	\$234,255
Function 2550	\$0

B. Replacement of Equipment – **General Fund:**

Include all General Fund expenditures in object 542, except for the following exclusions:

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

\$0

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

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Jackson County School District No. 35
Rogue River, Oregon

We have audited the basic financial statements of Jackson County School District No. 35 (the District) as of and for the year ended June 30, 2019, and have issued our report thereon dated December 19, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 the 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, 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 grant agreements, 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 opinions 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.

Restriction on Use

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

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

Stewart C. Parmele CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 19, 2019

**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. 35
Rogue River, 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. 35 (the District) as of and for the year ended June 30, 2019 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 19, 2019.

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 District'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 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
Medford, Oregon
December 19, 2019

**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. 35
Rogue River, Oregon

Report on Compliance for Each Major Federal Program

We have audited Jackson County School District No. 35'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 program for the year ended June 30, 2019. 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 Federal 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, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiency in internal control over compliance that we consider to be material weaknesses. However, material weakness or significant deficiencies may exist that have not been identified.

The Purpose of this Report

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.

A handwritten signature in black ink that reads "Stewart C. Parmele CPA, Partner". The signature is fluid and cursive.

Stewart C. Parmele CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 19, 2019

JACKSON COUNTY SCHOOL DISTRICT NO. 35
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Grant/Contract Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through Oregon Department of Education:			
School Breakfast Program (SBP)	10.553	N/A	\$ 94,945
National School Lunch Program (NSLP)	10.555	N/A	219,997
Commodities NSLP	10.555	N/A	24,398
Total Child Nutrition Cluster			<u>339,340</u>
Passed through Southern Oregon Education Service District:			
Schools and Roads - Grants to States	10.665	N/A	10,136
Total Forest Service Schools and Roads Cluster			<u>10,136</u>
Total U.S. Department of Agriculture			\$ 349,476
U.S. Department of Education			
Passed Through Oregon Department of Education:			
Title I Grants to Local Educational Agencies (17-18)	84.010	45686	169,042
Title I Grants to Local Educational Agencies (18-19)	84.010	50476	319,132
Total CFDA 84.010			<u>488,174</u>
Passed Through Oregon Department of Education:			
Special Education - Grants to States (SPR & I 18-19)	84.027	49609	1,816
Special Education - Grants to States (17-18)	84.027	45253	22,178
Special Education - Grants to States (18-19)	84.027	49950	147,321
Special Education - Grants to States (Enhancement 18-19)	84.027	51362	2,652
Special Education - Grants to States (Oregon SWIFT Framework)	84.027	47594	21,500
Special Education - Preschool Grants (16-18)	84.173	40675	2,329
Special Education - Preschool Grants (18-20)	84.173	50183	750
Total Special Education Cluster (IDEA)			<u>198,546</u>
Passed Through Oregon Department of Education:			
State Personnel Development (SPIG)	84.323	N/A	33,762
Total CFDA 84.323			<u>33,762</u>
Passed Through Oregon Department of Education:			
Student Support and Academic Enrichment (17-18)	84.424	47815	11,600
Student Support and Academic Enrichment (18-19)	84.424	50815	11,273
Total CFDA 84.424			<u>22,873</u>
Passed Through Oregon Department of Education:			
Improving Effective Instruction State Grant (16-17)	84.367	41406	1,780
Improving Effective Instruction State Grant (17-18)	84.367	45902	33,706
Improving Effective Instruction State Grant (18-19)	84.367	49399	41,261
Total CFDA 84.367			<u>76,747</u>
Passed through Southern Oregon Education Service District:			
Career and Technical Education - Basic Grants to States	84.048	N/A	4,922
Total CFDA 84.048			<u>4,922</u>
Passed through Southern Oregon Education Service District:			
English Language Acquisition State Grants (18-19)	84.365	N/A	426
Total CFDA 84.365			<u>426</u>
Passed through Southern Oregon State University:			
Gaining Early Awareness and Readiness for Undergraduate Programs (17-18)	84.334	N/A	4,528
Gaining Early Awareness and Readiness for Undergraduate Programs (18-19)	84.334	N/A	41,759
Gaining Early Awareness and Readiness for Undergraduate Programs (Supplemental)	84.334	N/A	19,623
Total CFDA 84.334			<u>65,910</u>
Total U.S. Department of Education			\$ 891,360
Total Expenditures of Federal Awards			\$ 1,240,836

JACKSON COUNTY SCHOOL DISTRICT NO. 35
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

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, 2019. 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.

NOTE D – FOOD DISTRIBUTION:

Non-monetary assistance is reported in the Schedule at fair market value of the commodities received and disbursed. For the year ended June 30, 2019, the District received food commodities totaling \$24,398.

NOTE E – SUBRECIPIENTS:

The District did not have any federal awards that were passed through to subrecipients for the year ended June 30, 2019.

**JACKSON COUNTY SCHOOL DISTRICT NO. 35
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

1. The auditor’s report expresses an unmodified opinion on whether the basic financial statements of Jackson County School District No. 35 (the District) were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements 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 which would be required to be reported in accordance with Government Auditing Standards were disclosed during the audit.

Federal Awards

4. No significant deficiencies and no 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 2 CFR section 200.516(a) in this Schedule.
7. The program tested as a major program was:

U.S. Department of Agriculture

Child Nutrition Cluster

CFDA #'s 10.553, 10.555, 10.556, 10.559

8. The threshold for distinguishing between Type 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

**JACKSON COUNTY SCHOOL DISTRICT NO. 35
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

Federal Award Findings

2018-001: Significant Deficiency in Internal Control and Compliance – Eligibility

Condition - The District was not in compliance with Uniform Guidance, as student eligibility was incorrectly identified in the District's food service software.

Recommendation - The District should review their process of training and ensure that all employees who participate in eligibility determination are aware of income verification guidelines, and that the individual processing applications has adequate time to properly process applications.

Current Status – The recommendation was adopted in November 2018. No similar findings were noted in the 2019 audit.