



SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2018



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS
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Albany, Oregon 97321 | (541) 223-5555

**SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon**

DISTRICT OFFICIALS

June 30, 2018

BOARD OF DIRECTORS

Position 1, Term expires 2019
Tammy Hodgkinson

Position 2, Term expires 2021
Taylor Wilhour

Position 3, Term expires 2019
Merlene Martin

Position 4, Term expires 2021
Sherry Duerst-Higgins

Position 5, Term expires 2021
Alan Baas

Position 6, Term expires 2019
Jerry Settlemeier

Position 7, Term expires 2019
Gary Mort

ADMINISTRATION

Kyle Tucker, Superintendent

Phil Scrima, Business Manager

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

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FINANCIAL SECTION



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
South Lane School District No. 45J3
Cottage Grove, Oregon 97424

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of South Lane School District No. 45J3, Cottage Grove, Oregon, as of and for the year ended June 30, 2018, 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 misstatements, 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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200; *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of South Lane School District No. 45J3, Cottage Grove, Oregon as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in the year ended June 30, 2018, the District adopted new accounting guidance: GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, No. 85, *Omnibus 2017*, and No. 86, *Certain Debt Extinguishment Issues*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of proportionate share and employer contributions, and OPEB liability changes, and budgetary comparison information on pages 4 through 11, 61 through 63, and 64 through 66, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedules of funding progress and employer contributions 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 management's discussion and analysis or schedules of funding progress and employer contributions because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison 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 budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that

collectively comprise South Lane School District No. 45J3's basic financial statements. The individual fund schedules, other financial schedules, and supplemental information required by the Oregon Department of Education are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (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 individual fund schedules, other financial schedules, and 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplemental information required by the Oregon Department of Education has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

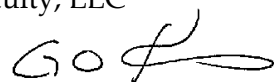
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 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 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 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.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 7, 2019 on our tests of the District's compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Accuity, LLC

By: 

Glen O. Kearns, CPA

Albany, Oregon
January 7, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of South Lane School District No. 45J3, Cottage Grove, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2018, total net position of South Lane School District No. 45J3 amounted to \$(7,722,807). Of this amount, \$43,144,954 was invested in capital assets, net of related debt. The remaining balance included \$10,236,477 restricted for various purposes and \$(61,104,238) of unrestricted net position.
- At June 30, 2018, the District's governmental funds reported combined ending fund balances of \$13,769,081.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to South Lane School District No. 45J3's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements can be found on pages 12 through 14 of this report.

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of South Lane School District No. 45J3 can be divided into two categories: governmental funds and proprietary funds.

□ **Governmental Funds**

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

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

The District maintains five governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Special Revenue, Special Projects, Capital Projects, and Debt Service Funds, all of which are considered to be major governmental funds.

South Lane School District No. 45J3 adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

□ **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The District maintains one proprietary fund, which is an internal service fund.

Internal service funds serve as an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses the internal service fund to account for its unemployment insurance. Because this predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 19 through 21 of this report.

□ **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is the same as that used for governmental funds.

South Lane School District No. 45J3 adopts an annual appropriated budget for its fiduciary fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with its budget.

The basic fiduciary fund financial statements can be found on page 22 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 23 through 60 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes schedules of funding progress and employer contributions, as well as budgetary comparison information for the General, Special Revenue, and Special Projects Funds. This required supplementary information can be found on pages 61 through 66 of this report.

Individual fund schedules can be found immediately following the required supplementary information on pages 67 through 70 of this report.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2018, the District's liabilities exceeded its assets by \$7,722,807.

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

District's Net Position

The District's net position decreased by \$1,585,681 during the current fiscal year. Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
Assets		
Current and other assets	\$ 8,423,122	\$ 6,321,313
Restricted assets	12,815,974	37,400,225
Capital assets, net of accumulated depreciation	<u>58,638,795</u>	<u>32,936,625</u>
Total assets	<u>79,877,891</u>	<u>76,658,163</u>
Deferred outflows of resources	<u>6,808,378</u>	<u>8,263,685</u>
Liabilities		
Current liabilities	8,522,586	10,416,660
Noncurrent liabilities	<u>84,437,794</u>	<u>79,897,043</u>
Total liabilities	<u>92,960,380</u>	<u>90,313,703</u>
Deferred inflows of resources	<u>1,448,696</u>	<u>745,271</u>
Net position		
Net investment in capital assets	43,144,954	16,348,657
Restricted for various purposes	10,236,477	35,802,772
Unrestricted	<u>(61,104,238)</u>	<u>(58,288,555)</u>
Total net position	<u>\$ (7,722,807)</u>	<u>\$ (6,137,126)</u>

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

District's Changes in Net Position

The condensed statement of activities information shown on the following page explains changes in net position.

Changes in Net Position

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
Program revenues		
Charges for services	\$ 1,348,993	\$ 1,283,475
Operating grants and contributions	<u>4,617,124</u>	<u>4,418,290</u>
Total program revenues	<u>5,966,117</u>	<u>5,701,765</u>
General revenues		
Taxes	9,670,920	9,701,262
State school fund - general support	20,623,025	18,660,406
Common school fund	336,278	406,527
Unrestricted state and local revenue	160,223	64,825
Investment earnings	364,568	295,006
Miscellaneous	<u>884,105</u>	<u>860,731</u>
Total general revenues	<u>32,039,119</u>	<u>29,988,757</u>
Total revenues	<u>38,005,236</u>	<u>35,690,522</u>
Program expenses		
Instruction	21,300,432	20,601,947
Support services	13,238,964	12,759,927
Enterprise and community services	2,086,213	1,984,564
Facilities acquisition and construction	106,656	-
Unallocated depreciation expense	1,109,724	1,160,778
Interest on long-term debt	<u>1,728,928</u>	<u>1,449,440</u>
Total program expenses	<u>39,570,917</u>	<u>37,956,656</u>
Change in net position	(1,565,681)	(2,266,134)
Net position - beginning of year, as restated	<u>(6,157,126)</u>	<u>(3,870,992)</u>
Net position - end of year	<u>\$ (7,722,807)</u>	<u>\$ (6,137,126)</u>

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues

Since the District's mission is to provide a free and appropriate public education for kindergarten through twelfth grade students within its boundaries, the District may not charge for its core services. As expected, therefore, general revenues provide 84% of the funding required for governmental programs. Property taxes and state school funding combined for 95% of general revenues and 80% of total revenues.

Charges for services make up 4% of total revenues and are comprised of the following items for which it is appropriate that the District charge tuition or fees:

• Food services charges for lunch and breakfast	\$ 369,341
• Various student extracurricular activities	<u>979,652</u>
Total charges for services	<u><u>\$ 1,348,993</u></u>

Operating grants and contributions represent 12% of total revenues. Included in this category are \$4,597,124 for grants and contributions to support various educational activities, including grants to support school nutrition programs.

Expenses

Expenses related to governmental activities are presented in several broad functional categories. Costs of direct classroom instruction activities account for 54% of the total expenses of \$39,570,917. In addition, approximately 33% of the costs in supporting services relate to students, instructional staff, and school administration.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental Funds

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

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$13,769,081. Of this amount, \$2,152,335 constitutes unassigned fund balance, which is available for spending at the District's discretion.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the General Fund was \$2,152,335, all of which was unassigned.

Proprietary Fund

The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net position of the proprietary fund at year-end amounted to (\$13,092,859), all of which is considered to be unrestricted.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts and two approved appropriation changes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2018 amounted to \$58,638,795, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, and equipment and vehicles. The total depreciation related to the District's investment in capital assets for the current fiscal year was \$1,109,724.

Major capital asset events during the current fiscal year included bond projects.

Additional information on the District's capital assets can be found in Note III-B on pages 34 through 35 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total debt outstanding of \$69,211,671. This amount is comprised of general obligation bonds, qualified school construction bonds, pension bonds, capital lease obligations, and related issuance premiums and discounts. The District's total debt outstanding decreased by \$879,679 during the current fiscal year.

Additional information on the District's long-term debt can be found in Note III-D on pages 36 through 39 of this report.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited the District was aware of the following challenges and opportunities to providing quality instruction and educational programs to all students:

- Due to the increasing PERS rates expected for the next biennium, the District has set aside funds to help offset the effect of the increases on future years.
- Enrollment has remained steady, which will help revenues remain on target.
- The District has plans to renovate the swimming pool facility using grants and community support.

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 455 Adams, Cottage Grove, OR 97424.

BASIC FINANCIAL STATEMENTS

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 6,778,731
Accounts receivable	1,050,616
Prepays	22,385
Inventory	51,146
Property taxes receivable	456,361
Total current assets	8,359,239
Restricted assets	
Cash and investments	12,210,083
Cash with bond agent	400,002
Interest receivable	23,594
Property taxes receivable	182,295
Total restricted assets	12,815,974
Net pension benefit - OPEB RHIA	63,883
Capital assets not being depreciated	31,348,448
Capital assets, net of accumulated depreciation	27,290,347
Total assets	79,877,891
DEFERRED OUTFLOWS OF RESOURCES	6,808,378
LIABILITIES	
Current liabilities	
Accounts payable	4,891,910
Payroll liabilities	1,357,324
Accrued interest	57,312
Compensated absences	67,915
Long-term liabilities, current portion	2,148,125
Total current liabilities	8,522,586
Noncurrent liabilities	
Net pension liability - PERS	16,458,618
OPEB medical benefit liability	783,199
Termination benefit liability	132,431
Long-term liabilities, less current portion	67,063,546
Total long-term liabilities	84,437,794
Total liabilities	92,960,380

(Continued)

The accompanying notes are an integral part of these financial statements.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

STATEMENT OF NET POSITION

June 30, 2018

(Continued)

	<u>Governmental Activities</u>
DEFERRED INFLOWS OF RESOURCES	\$ 1,448,696
NET POSITION	
Net investment in capital assets	43,144,954
Restricted for:	
Student activities	391,065
Debt service	1,237,583
Bond projects	8,527,520
Grant programs	80,309
Unrestricted	<u>(61,104,238)</u>
Total net position	<u>\$ (7,722,807)</u>

The accompanying notes are an integral part of these financial statements.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

<u>Functions/Programs</u>	Expenses	<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
Primary government		Charges for	Operating	Governmental
Governmental activities		Services	Grants and Contributions	Activities
Instruction	\$ 21,300,432	\$ 877,083	\$ 3,147,317	\$ (17,276,032)
Support services	13,238,964	102,569	249,684	(12,886,711)
Enterprise and community services	2,086,213	369,341	1,220,123	(496,749)
Facilities Acquisition and construction	106,656	-	-	(106,656)
Unallocated depreciation expense	1,109,724	-	-	(1,109,724)
Interest on long-term debt	1,728,928	-	-	(1,728,928)
Total governmental activities	<u>\$ 39,570,917</u>	<u>\$ 1,348,993</u>	<u>\$ 4,617,124</u>	<u>(33,604,800)</u>
General revenues				
Property taxes levied for general purposes				6,376,001
Property taxes levied for debt service				3,193,026
Construction excise taxes				101,893
State school fund - general support				20,623,025
Common school fund				336,278
Unrestricted state and local revenue				160,223
Investment earnings				364,568
Miscellaneous				884,105
Total general revenues				<u>32,039,119</u>
Change in net position				(1,565,681)
Net position - beginning, as restated				<u>(6,157,126)</u>
Net position - ending				<u>\$ (7,722,807)</u>

The accompanying notes are an integral part of these financial statements.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Special Revenue Fund	Special Projects Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS						
Cash and investments	\$ 3,728,716	\$ -	\$ 1,516,586	\$ 823,467	\$ 11,419,321	\$ 17,488,090
Accounts receivable	120,207	460,730	415,678	-	54,001	1,050,616
Prepays	-	-	22,385	-	-	22,385
Property taxes receivable	456,361	-	-	182,295	-	638,656
Supply inventory	-	-	51,146	-	-	51,146
Total assets	<u>\$ 4,305,284</u>	<u>\$ 460,730</u>	<u>\$ 2,005,795</u>	<u>\$ 1,005,762</u>	<u>\$ 11,473,322</u>	<u>\$ 19,250,893</u>
LIABILITIES						
Accounts payable	\$ 374,051	\$ 4,122	\$ 11,417	\$ -	\$ 2,686,690	\$ 3,076,280
Accrued liabilities	1,357,324	-	4,419	-	-	1,361,743
Book overdraft	-	454,034	-	-	-	454,034
Total liabilities	<u>1,731,375</u>	<u>458,156</u>	<u>15,836</u>	<u>-</u>	<u>2,686,690</u>	<u>4,892,057</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	<u>421,574</u>	<u>-</u>	<u>-</u>	<u>168,181</u>	<u>-</u>	<u>589,755</u>
FUND BBALANCES						
Nonspendable	-	-	73,531	-	-	73,531
Restricted	-	2,574	1,570,597	837,581	8,705,863	11,116,615
Assigned	-	-	404,280	-	80,769	485,049
Unassigned	<u>2,152,335</u>	<u>-</u>	<u>(58,449)</u>	<u>-</u>	<u>-</u>	<u>2,093,886</u>
Total fund balances	<u>2,152,335</u>	<u>2,574</u>	<u>1,989,959</u>	<u>837,581</u>	<u>8,786,632</u>	<u>13,769,081</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,305,284</u>	<u>\$ 460,730</u>	<u>\$ 2,005,795</u>	<u>\$ 1,005,762</u>	<u>\$ 11,473,322</u>	<u>\$ 19,250,893</u>

The accompanying notes are an integral part of these financial statements.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

June 30, 2018

Total fund balances		\$ 13,769,081
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	78,083,963	
Accumulated depreciation	<u>(19,445,168)</u>	58,638,795
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 60 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		589,755
Amounts relating to the District's proportionate share of PERS and OPEB actuarial valuation balances are not reported in governmental fund statements.		
Deferred outflows of resources relating to pensions	6,808,378	
Deferred inflows of resources relating to pensions	<u>(1,448,696)</u>	5,359,682
Long-term assets are not available to pay for current period expenditures and are therefore not reported as governmental fund assets.		
Cash with escrow agent	400,002	
Fair value adjustment on investments	(32,705)	
Accrued interest on investments	<u>23,594</u>	390,891
The internal service fund is used by management to charge the costs of unemployment insurance premiums to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		(13,092,859)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:		
Accrued interest	(57,312)	
Compensated absences	(63,496)	
Net pension liability - PERS	(16,458,618)	
OPEB RHIA asset	63,883	
OPEB medical benefit liability	(783,199)	
Termination benefit liability	(132,431)	
Long-term liabilities payable	<u>(55,946,979)</u>	<u>(73,378,152)</u>
Net position of governmental activities		\$ <u>(7,722,807)</u>

The accompanying notes are an integral part of these financial statements.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Special Projects Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES						
Local revenue	\$ 6,821,606	\$ 33,016	\$ 2,512,619	\$ 3,059,206	\$ 454,518	\$ 12,880,965
Intermediate revenue	468,792	8,718	164,794	-	-	642,304
State revenue	21,125,605	340,212	24,736	-	-	21,490,553
Federal revenue	<u>118,822</u>	<u>1,796,765</u>	<u>1,131,944</u>	-	-	<u>3,047,531</u>
Total revenues	<u>28,534,825</u>	<u>2,178,711</u>	<u>3,834,093</u>	<u>3,059,206</u>	<u>454,518</u>	<u>38,061,353</u>
EXPENDITURES						
Current						
Instruction	15,839,217	1,902,091	2,094,208	-	-	19,835,516
Support services	11,625,633	258,241	661,891	-	331,054	12,876,819
Community services	-	18,166	1,962,785	-	-	1,980,951
Facilities acquisition and construction	-	-	-	-	26,415,903	26,415,903
Debt service	<u>-</u>	<u>-</u>	<u>81,945</u>	<u>2,917,182</u>	<u>-</u>	<u>2,999,127</u>
Total expenditures	<u>27,464,850</u>	<u>2,178,498</u>	<u>4,800,829</u>	<u>2,917,182</u>	<u>26,746,957</u>	<u>64,108,316</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,069,975</u>	<u>213</u>	<u>(966,736)</u>	<u>142,024</u>	<u>(26,292,439)</u>	<u>(26,046,963)</u>
OTHER FINANCING SOURCES (USES)						
Debt proceeds	426,955	-	-	-	-	426,955
Transfers in	-	-	1,063,000	203,700	269,300	1,536,000
Transfers out	<u>(1,411,000)</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>(75,000)</u>	<u>(1,686,000)</u>
Total other financing sources (uses)	<u>(984,045)</u>	<u>-</u>	<u>863,000</u>	<u>203,700</u>	<u>194,300</u>	<u>276,955</u>
Net change in fund balances	85,930	213	(103,736)	345,724	(26,098,139)	(25,770,008)
Fund balances - beginning	<u>2,066,405</u>	<u>2,361</u>	<u>2,093,695</u>	<u>491,857</u>	<u>34,884,771</u>	<u>39,539,089</u>
Fund balances - ending	<u>\$ 2,152,335</u>	<u>\$ 2,574</u>	<u>\$ 1,989,959</u>	<u>\$ 837,581</u>	<u>\$ 8,786,632</u>	<u>\$ 13,769,081</u>

The accompanying notes are an integral part of these financial statements.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

Net change in fund balances		\$ (25,770,008)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Expenditures for capital assets	26,811,894	
Less current year depreciation	<u>(1,109,724)</u>	25,702,170
<p>Governmental funds record sinking fund cash deposits as debt service in the year deposited. In the statement of net position, however, making the deposits to the sinking fund increases assets.</p>		
		133,334
<p>Repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.</p>		
Change in accrued interest	(20,888)	
Long term debt proceeds	(426,955)	
Amortization of issuance premium	49,246	
Debt principal paid	<u>1,282,635</u>	884,038
<p>The internal service fund is used by management to charge the costs of unemployment insurance premiums to individual funds. This activity is consolidated with the governmental funds in the statement of activities.</p>		
		87,002
<p>Pension expense or credits that do not meet the measureable and available criteria are not recognized as revenue or expense in the current year in the governmental funds. In the statement of activities, pension expense or credits are recognized</p>		
		(2,534,134)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds.</p>		
Unrealized gain (loss) on investments		99,946
Change in interest receivable		(35,241)
<p>Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the statement of activities, property taxes are recognized as revenue when levied.</p>		
		<u>(132,788)</u>
Change in net position		<u>\$ (1,565,681)</u>

The accompanying notes are an integral part of these financial statements.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2018

	<u>Internal Service Fund</u> <u>Insurance</u>
ASSETS	
Cash and cash equivalents	\$ 1,987,463
LIABILITIES	
Current	
Accounts payable	1,815,630
Long-term liabilities, current portion	<u>601,920</u>
Total current liabilities	2,417,550
Long-term liabilities, less current portion	<u>12,662,772</u>
Total liabilities	15,080,322
NET POSITION	
Unrestricted	<u>\$ (13,092,859)</u>

The accompanying notes are an integral part of these financial statements.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

For the Year Ended June 30, 2018

	Internal Service Fund Insurance
Operating revenues	
Local revenues	\$ 1,999,383
Operating expenses	-
Operating income (loss)	1,999,383
Nonoperating revenues (expenses)	
Investment earnings	11,966
Transfers in	150,000
Interest expense	(2,074,347)
Total nonoperating revenues (expenses)	(1,912,381)
Change in net position	87,002
Net position - beginning	(13,179,861)
Net position- ending	\$ (13,092,859)

The accompanying notes are an integral part of these financial statements.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended June 30, 2018

	Internal Service Fund
	Insurance
CASH FLOWS FROM OPERATING ACTIVITIES	
Interfund charges	\$ 1,999,383
Net cash provided (used) by operating activities	1,999,383
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	11,966
Net cash provided (used) by investing activities	11,966
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers from other funds	150,000
Principal paid on pension bonds	-
Interest paid on pension bonds	(335,630)
Net cash provided (used) by non-capital financing activities	(185,630)
Net increase (decrease) in cash and cash equivalents	1,825,719
Cash and cash equivalents - beginning	161,744
Cash and cash equivalents - ending	\$ 1,987,463

The accompanying notes are an integral part of these financial statements.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

June 30, 2018

	Private Purpose Trust Funds
ASSETS	
Cash and cash equivalents	\$ 354,686
NET POSITION	
Held in trust for scholarships	297,060
Held in trust for future expenditures	57,626
Total net position	\$ 354,686

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUND

June 30, 2018

	Private Purpose Trust Funds
ADDITIONS	
Investment earnings	\$ 6,293
DEDUCTIONS	
Scholarships awarded	6,574
Instruction services	4,000
Supporting services	1,497
Total deductions	12,071
Change in net position	(5,778)
Net position - beginning	360,464
Net position - ending	\$ 354,686

The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statements of activities) report information on all of the activities of the District.

B. Reporting Entity

South Lane School District No. 45J3 is a municipal corporation governed by an elected seven-member board. The District was organized under provision of Oregon Statutes Chapter 332 for the purpose of operating elementary and secondary schools. As required by accounting principles generally accepted in the United States of America, these basic financial statements present South Lane School District No. 45J3 (the primary government) and any component units. There are various governmental agencies and special service districts that provide services within the boundaries of the District; 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.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category - governmental, and proprietary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund. The primary sources of revenue are property taxes and state revenues.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Special Revenue Funds

Special Revenue Fund – The Special Revenue Fund accounts for the proceeds of specific revenue sources that are restricted for specific purposes. The primary source of revenue is donations. The primary uses of revenue are for salaries and employment benefits, education program enhancement, and equipment purchases.

Special Projects Fund – The Special Projects Fund accounts for the proceeds of specific revenue sources that are restricted for specific purposes. The primary source of revenue is federal grants. The primary uses of revenue are for salaries and employment benefits, education program enhancement, and equipment purchases.

Debt Service Fund – The Debt Service Fund accounts for the repayment of the District's long-term debt. The primary source of revenue is property taxes. The primary use of revenue is payment of principal and interest due on long-term debt.

Capital Projects Fund – The Capital Projects Fund accounts for the expenditures related to acquisition or construction of major facilities and other capital asset needs. The primary source of revenue is bond proceeds and transfers.

In addition, the District reports the following proprietary fund:

Internal Service Fund

PERS Bond Fund – The PERS Bond Fund is used to account for charges levied to the various operating funds of the District to pay the debt service on pension bonds.

In addition, the District reports the following fiduciary fund:

Private Purpose Trust Fund – This fund accounts for resources received and held by the District in a fiduciary capacity. Disbursements from these funds are made in accordance with trust agreements and include the Student Trust Fund, Scholarship Fund, and the Nurses Fund.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between funds included in governmental activities are eliminated.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. Budgetary Information

Annual budgets are adopted on the modified accrual basis of accounting. The District budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, debt service, and internal service funds. All funds are budgeted on the modified accrual basis of accounting.

The District begins its budgeting process by appointing budget committee members. The budget

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year. The board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total instruction, support services, community services, debt service, capital outlay, operating contingencies, and interfund transfers for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation 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 of directors at a regular board 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 of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there were no supplemental budgets. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and two approved appropriation changes.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

State statutes authorize the District to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized.

Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles and Equipment	5-15
Buildings and building improvements	20-60

4. Deferred Outflows/Inflows of Resources (Non-Pension Related)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will therefore not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

5. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

6. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts presented as nonspendable fund balance are those in nonspendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance are amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The school board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Amounts in the assigned fund balance classification are intended to be used by the government for the specific purposes but do not meet the criteria to be classified as committed. The school board has by resolution authorized the Superintendent and Business Manager to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15. Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 30 days of fiscal year-end are recognized as revenue, while the remaining are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

3. Compensated Absences

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities on the statement of net position. In accordance with the provisions of GASB Statement No. 47, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

4. 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' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

South Lane School District No. 45J3 maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

The District participates in an external investment pool (State of Oregon Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company.

The State's investment policies are governed by the Oregon Revised Statutes (ORS) and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which established diversification percentages and specifies the types and maturities of investments. The portion of the external investment pool which belongs to local government investment participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report (CAFR).

A copy of the State's CAFR may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset.

The classification of securities within the fair value hierarchy is based on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

- *Level 1* - Unadjusted quoted prices for identical investments in active markets.
- *Level 2* - Observable inputs other than quoted market prices; and,
- *Level 3* - Unobservable inputs.

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2018.

Fair values of assets measured on a recurring basis at June 30, 2018 are as follows:

	<u>Level 1</u>
Federal Agency Obligations	\$ 7,838,250
	<u>Level 2</u>
Oregon Local Government Investment Pool	\$ 8,557,340

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The District has adopted an investment policy regarding credit risk in order to comply with state statutes.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Investments

As of June 30, 2018, the District had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 8,557,340
Federal Agency Obligations	Moody Aaa	< 1 year	7,468,946
Federal Agency Obligations	Moody Aaa	1 - 3 years	369,304
Total investments			\$ 16,395,590

Interest Rate Risk

The District has a formal policy that limits investment maturities to 18 months as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The District has a formal policy that places a limit on the amount that may be invested in any one insurer. 39 percent of the District's investments are in the Oregon LGIP, and 61 percent are in Federal Agency Obligations.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned. All District deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
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June 30, 2018

The District holds accounts at Umpqua Bank, for which deposits are insured by the FDIC insurance up to \$250,000. At June 30, 2018, the District's had deposits of \$250,000 insured by the FDIC, and \$1,544,984 collateralized under the PFCP.

Deposits

The District's deposits and investments at June 30, 2018 are as follows:

Checking accounts	\$ 2,593,224
Total investments	<u>16,395,590</u>
Total deposits and investments	<u><u>\$ 18,988,814</u></u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 3,728,716
Special Revenue Fund (book overdraft)	(454,034)
Special Projects Fund	1,516,586
Internal service fund - Insurance Fund	<u>1,987,463</u>
Total governmental activities - unrestricted	6,778,731
Governmental activities - restricted	
Debt Service Fund	823,467
Capital projects Fund	<u>11,386,616</u>
Total governmental activities - restricted	<u>12,210,083</u>
Total cash and investments	<u><u>\$ 18,988,814</u></u>

Restricted cash is for future payments of principal and interest on long-term debt, as well as the completion of bond projects.

B. Deferred Inflows/Outflows of Resources

Deferred inflows and outflows of resources summarized on the statement of net position are comprised of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Pension liability - PERS	\$ 6,656,370	\$ (1,386,242)
OPEB liability - RHIA	77,562	(31,577)
OPEB liability - Medical benefit	<u>74,446</u>	<u>(30,877)</u>
Total	<u><u>\$ 6,808,378</u></u>	<u><u>\$ (1,448,696)</u></u>

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 993,797	\$ -	\$ -	\$ 993,797
Construction in progress	<u>4,009,555</u>	<u>26,345,096</u>	<u>-</u>	<u>30,354,651</u>
Total capital assets not being depreciated	<u>5,003,352</u>	<u>26,345,096</u>	<u>-</u>	<u>31,348,448</u>
Capital assets being depreciated				
Buildings and improvements	42,115,068	12,000	-	42,127,068
Equipment	1,422,060	27,843	-	1,449,903
Busses and other vehicles	<u>2,854,726</u>	<u>426,955</u>	<u>(123,137)</u>	<u>3,158,544</u>
Total capital assets being depreciated	<u>46,391,854</u>	<u>466,798</u>	<u>(123,137)</u>	<u>46,735,515</u>
Less accumulated depreciation for				
Buildings and improvements	(15,066,027)	(952,082)	-	(16,018,109)
Equipment	(1,086,680)	(54,169)	-	(1,140,849)
Busses and other vehicles	<u>(2,305,874)</u>	<u>(103,473)</u>	<u>123,137</u>	<u>(2,286,210)</u>
Total accumulated depreciation	<u>(18,458,581)</u>	<u>(1,109,724)</u>	<u>123,137</u>	<u>(19,445,168)</u>
Total capital assets being depreciated, net	<u>27,933,273</u>	<u>(642,926)</u>	<u>-</u>	<u>27,290,347</u>
Governmental activities capital assets, net	<u>\$ 32,936,625</u>	<u>\$ 25,702,170</u>	<u>\$ -</u>	<u>\$ 58,638,795</u>

Capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 993,797	\$ -	\$ 993,797
Construction in progress	30,354,651	-	30,354,651
Buildings and improvements	42,127,068	(16,018,109)	26,108,959
Equipment	1,449,903	(1,140,849)	309,054
Buses and other vehicles	<u>3,158,544</u>	<u>(2,286,210)</u>	<u>872,334</u>
Total governmental capital assets	<u>\$ 78,083,963</u>	<u>\$ (19,445,168)</u>	<u>\$ 58,638,795</u>

SOUTH LANE SCHOOL DISTRICT NO. 45J3
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June 30, 2018

Depreciation was not charged to specific functions or programs of the District. Capital assets of the District are for the use of the entire District and are therefore unallocated. Depreciation expense is recorded on the statement of activities as follows:

Unallocated depreciation expense \$ 1,109,724

D. Interfund Transfers

Interfund transfers during the year consisted of:

	Transfers in:			
	Special Projects Fund	Debt Service Fund	Capital Projects Fund	Total
Transfers out:				
General Fund	\$ 863,000	\$ 203,700	\$ 269,300	\$ 1,336,000
Special Projects Fund	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
	<u>\$ 1,063,000</u>	<u>\$ 203,700</u>	<u>\$ 269,300</u>	<u>\$ 1,536,000</u>

Transfers were made to cover current year special and capital projects, and debt service payments.

E. Compensated Absences

The following is a summary of compensated absences at year end.

	Beginning Balance	Additions	Reductions	Ending Balance
Net compensated absences	<u>\$ 63,496</u>	<u>\$ 4,419</u>	<u>\$ -</u>	<u>\$ 67,915</u>

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

F. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

	Interest Rates	Original Amount	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
General obligation bonds							
Series 2012 refunding	2-5%	\$ 21,335	\$ 13,535,000	\$ -	\$ 1,325,000	\$ 12,210,000	\$ 1,410,000
Series 2016A	3.32%	37,285,000	37,285,000	-	-	37,285,000	340,000
Series 2016B	2-4%	<u>15,945,000</u>	<u>15,590,000</u>	<u>-</u>	<u>315,000</u>	<u>15,275,000</u>	<u>-</u>
Sub-total		53,251,335	66,410,000	-	1,640,000	64,770,000	1,750,000
Premium - 2012 refunding		1,919,606	1,643,397	-	41,658	1,601,739	-
Discount - 2016A		(16,715,349)	(16,715,349)	-	(655,607)	(16,059,742)	-
Premium - 2016B		<u>2,362,968</u>	<u>2,358,729</u>	<u>-</u>	<u>7,588</u>	<u>2,351,141</u>	<u>-</u>
Total general obligation bonds		40,818,560	53,696,777	-	1,033,639	52,663,138	1,750,000
QZAB 2008	1.34%	1,000,000	400,000	-	65,000	335,000	65,000
QZAB 2014	0.00%	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>
Total QZAB		3,000,000	2,400,000	-	65,000	2,335,000	65,000
Limited tax pension bonds - 2003	1.5-6.3%	22,630,220	15,429,070	-	606,430	14,822,640	601,920
Accretion of discount		-	(2,087,465)	-	(529,517)	(1,557,948)	(473,110)
Capital lease obligations		<u>-</u>	<u>652,968</u>	<u>426,955</u>	<u>131,082</u>	<u>948,841</u>	<u>204,315</u>
Total governmental activities		<u>\$ 66,448,780</u>	<u>\$ 70,091,350</u>	<u>\$ 426,955</u>	<u>\$ 1,306,634</u>	<u>\$ 69,211,671</u>	<u>\$ 2,148,125</u>

2. General Obligation Bonds

General obligation bonds are direct obligations that pledge the full faith and credit of the District and are payable from ad valorem debt service levy proceeds. The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The District's outstanding general obligation bonds represent funding primarily for building improvement projects. Interest is due semiannually in June and December. Interest rates increase at fixed rates over the life of the bonds in accordance with the original bond agreements. The Debt Service Fund has traditionally been used to liquidate long-term debt.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

3. General Obligation Refunding Bonds Series 2012

In March 2012, the District issued general obligation bonds of \$21,335,000 (par value) with interest rates of 2% to 5% to advance refund the portion of the Series 2002 general obligation bonds on June 15, 2012. Interest rates increase in accordance with the original bond agreements. The Series 2012 bonds were issued at a premium of \$1,919,606 and, after paying issuance costs of \$260,662, the net proceeds were \$22,993,944. The net proceeds from the issuance of the Series 2012 bonds were used to purchase state and local government securities, which were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the Series 2002 bonds were called on June 15, 2012. The advance refunding met the requirements of an in-substance debt defeasance and the refunded portion of the 2002 bonds was removed from the District's government-wide financial statements. The defeased bonds have been paid in full.

4. General Obligation Refunding Bonds Series 2016

In August 2016, the District issued general obligation bonds of \$35,945,243 (par value) with interest rates of 2% to 5%. Interest rates increase in accordance with the original bond agreements. The bond are being used for facilities improvements and additions.

5. Qualified School Construction Bonds - 2008

The District entered into a financing agreement dated 2008 under the Qualified Zone Academy Bonds (QZAB) Program. The District received financing of \$1,000,000 for upgrades and improvements to school facilities. The agreement requires annual payments, interest is fixed.

6. Qualified School Construction Bonds - 2014

The District entered into a financing agreement dated 2014 under the Qualified Zone Academy Bonds (QZAB) Program. The District received financing of \$2,000,000 for upgrades and improvements to school facilities. The agreement requires annual cash deposits to a sinking fund in the amount of \$133,334 to fund the only payment of \$2,000,000 in 2029.

7. Limited Tax Pension Bond

The District participated in the OSBA Pension Bond Pool for the purpose of funding the District's allocated portion of the PERS Unfunded Actuarial Liability (UAL). A bond in the amount of \$22,630,220 was issued on April 21, 2003. The bond is being amortized over 25 years. Interest is fixed and ranges between 1.4% and 6.27%. Interest rates increase in accordance with the original bond agreements. Interest is due semiannually on June 30 and December 31.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

8. Capital Lease Obligations

The District has seven capital lease obligations; the proceeds of three of the capital leases were used to purchase buses and the remaining leases were for copy machines and computer equipment. The effective interest rates on the capital lease obligations range from 3.3 percent to 10.28 percent and payments end at varying dates through 2025.

9. Future Maturities of Long-Term Liabilities

Year Ending June 30	General Obligation Bonds			QZAB		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 1,750,000	\$ 1,028,188	\$ 2,778,188	\$ 65,000	\$ 4,489	\$ 69,489
2020	1,872,000	1,013,084	2,885,084	65,000	3,618	68,618
2021	2,005,000	975,813	2,980,813	65,000	2,747	67,747
2022	2,150,000	860,938	3,010,938	70,000	1,876	71,876
2023	2,305,000	772,613	3,077,613	70,000	938	70,938
2024-2028	14,580,000	2,308,165	16,888,165	-	-	-
2029-2033	14,425,000	4,171,575	18,596,575	2,000,000	-	2,000,000
2034-2038	15,390,000	7,433,492	22,823,492	-	-	-
2039-2041	10,293,000	5,786,044	16,079,044	-	-	-
Total	<u>\$ 64,770,000</u>	<u>\$ 24,349,912</u>	<u>\$ 89,119,912</u>	<u>\$ 2,335,000</u>	<u>\$ 13,668</u>	<u>\$ 2,348,668</u>

Year Ending June 30	Limited Tax Pension Bonds		
	Principal	Interest	Total
2019	\$ 601,920	\$ 1,654,340	\$ 2,256,260
2020	598,284	1,767,976	2,366,260
2021	593,952	1,887,309	2,481,261
2022	591,275	2,009,985	2,601,260
2023	592,209	2,139,051	2,731,260
2024-2028	11,845,000	1,964,880	13,809,880
Total	<u>\$ 14,822,640</u>	<u>\$ 11,423,541</u>	<u>\$ 26,246,181</u>

SOUTH LANE SCHOOL DISTRICT NO. 45J3
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Capital Lease Obligations are as follows:

June 30	
2019	\$ 225,893
2020	209,518
2021	183,210
2022	178,290
2023	96,345
Thereafter	145,225
Total	1,038,481
Less interest	(89,640)
Total	\$ 948,841

10. General Obligation Debt Capacity

ORS 328.245 establishes a parameter of bonded indebtedness for school districts. Kindergarten through twelfth grade school districts may issue an aggregate principal amount up to 7.95% of the Real Market Value of all taxable properties within the district.

Information on the District's general obligation debt capacity is presented below.

Real Market Value (Fiscal Year 2018) ⁽¹⁾	\$	2,436,194,690
Debt Capacity		
General Obligation Debt Capacity (7.95% of Real Market Value)	\$	193,677,478
Less: Outstanding Debt Subject to Limit		(64,770,000) ⁽²⁾
Remaining General Obligation Debt Capacity	\$	128,907,478
Percent of Capacity Issued		33.44%

⁽¹⁾ The District's fiscal year commences July 1 and ends on June 30 of the following year (the "Fiscal Year"). Source: Lane County Department of Assessment and Taxation.

⁽²⁾ Represents voter-approved, unlimited-tax general obligations of the District.

11. Tax Abatements

Lane County has established an enterprise zone under ORS 285C that abates property taxes on properties within the enterprise zone. As a result, the property taxes that the District will receive for the 2017-2018 levy year has been reduced by \$21,642.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

G. Constraints on Fund Balances

Constraints on fund balances reported on the balance sheet are as follows:

	General Fund	Special Revenue Fund	Special Projects Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Fund balances:						
Nonspendable:						
Prepays	\$ -	\$ -	\$ 22,385	\$ -	\$ -	\$ 22,385
Inventory	-	-	51,146	-	-	51,146
Restricted for:						
Debt service	-	-	-	837,581	-	837,581
Capital additions	-	-	-	-	178,343	178,343
Bond projects	-	-	-	-	8,527,520	8,527,520
Student activities	-	-	391,065	-	-	391,065
School nutrition programs	-	-	65,967	-	-	65,967
Reimbursable costs	-	-	80,309	-	-	80,309
Child dental care	-	-	167,194	-	-	167,194
Cool schools program	-	-	34,499	-	-	34,499
Reach out mentoring	-	36	-	-	-	36
Wellness program	-	-	849	-	-	849
Talented & gifted program	-	-	9,192	-	-	9,192
Pre-school programs	-	-	15,541	-	-	15,541
GEAR up scholarships	-	-	798,231	-	-	798,231
Child care	-	2,538	7,750	-	-	10,288
Assigned to:						
Extended learning	-	-	319	-	-	319
Textbooks	-	-	7,143	-	-	7,143
Technology purchases	-	-	34,479	-	-	34,479
PERS reserve	-	-	251,693	-	-	251,693
Early termination benefits	-	-	61,443	-	-	61,443
Capital additions	-	-	49,203	-	80,769	129,972
Unassigned	<u>2,152,335</u>	<u>-</u>	<u>(58,449)</u>	<u>-</u>	<u>-</u>	<u>2,093,886</u>
 Total fund balances	 <u>\$ 2,152,335</u>	 <u>\$ 2,574</u>	 <u>\$ 1,989,959</u>	 <u>\$ 837,581</u>	 <u>\$ 8,786,632</u>	 <u>\$ 13,769,081</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

III. OTHER INFORMATION

A. 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. In addition, the District maintains an Insurance Fund for the payment of future unemployment claims. No liability for unpaid unemployment claims has been recorded, as management is unable to reasonably estimate the amount or timing of future claims.

B. Retirement Plans

1. Oregon Public Employees Retirement System

General Information about the Pension Plan

Name of Pension Plan

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan.

Description of Benefit Terms

Plan Benefits – PERS Pension (Chapter 238)

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A

PERS Pension

The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Pension Benefits

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

A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

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. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision.

OPSRP Pension Program (OPSRP DB)

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: police and fire - 1.8 percent is multiplied by the number of years of service and the final average salary.

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June 30, 2018

Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which the 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 cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017.

SOUTH LANE SCHOOL DISTRICT NO. 45J3
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Employer contributions for the year ended June 30, 2018 were \$1,116,152.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at: <https://www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf>. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Oregon PERS and additions to/deductions from Oregon PERS' fiduciary net position have been determined on the same basis as they are reported by Oregon PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Actuarial Valuations

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

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

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study	2014, published September 2015
<i>Actuarial Assumptions:</i>	

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Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.50 percent
Discount Rate	7.50 percent
Projected Salary Increases	3.50 percent
Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex distinct, generational per scale BB, disabled mortality table.</p>

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 on the 2014 Experience Study, which reviewed experience for the four-year period ended December 31, 2014.

Discount Rate

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

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Cottage Grove, Oregon

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Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption.

These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan’s portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS’ audited financial statements at:

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

Assumed Asset Allocation

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

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

At June 30, 2018, the District reported a liability of \$16,458,618 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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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 December 31, 2017 the District's proportion was 0.12209662%. For the year ended June 30, 2018, the District recognized pension expense of \$3,683,662.

At June 30, 2018, 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
Differences between expected and actual experience	\$ 795,946	\$ -
Changes of assumptions	3,000,112	-
Net difference between project and actual earnings on investments	169,562	-
Changes in proportionate share	1,772,258	-
Differences between employer contributions and employer's proportionate share of system contributions	37,209	(1,386,242)
Total (prior to post-MD contributions)	5,775,087	(1,386,242)
Contributions subsequent to the MD	881,283	-
Total	\$ 6,656,370	\$ (1,386,242)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2019	\$ 916,867
2020	\$ 2,242,636
2021	\$ 1,512,845
2022	\$ (326,379)
2023	\$ 42,877

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

District's proportionate share of the net pension liability (asset):

1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
\$ 28,048,490	\$ 16,458,618	\$ 6,767,339

Changes in Assumptions

The Board reviews the discount rate in odd-numbered years as part of the Board's adoption of actuarial methods and assumptions. That rate is then adopted in an administrative rule at the time the Board sets the new rate. On July 28, 2017, the PERS Board adopted a 7.20% assumed rate. The rule specifies that the adopted assumed rate will be effective for PERS transactions with an effective date of January 1, 2018, consistent with this Board's policy decision from 2013 that the assumed rate will be effective January 1 following the Board's adoption of the rate. A January 1 effective date also provides equitable treatment to all members who retires in a year that a change is adopted, no matter which month they retire. The adopted assumed rate will be aligned with the new actuarial equivalency factors (AEFs), which will allow for a clear effective date for all transactions that involve calculations using both the rate and AEF components.

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2. Tax Deferred Annuities

The District provides tax deferred annuity contracts established under Section 403(b) of the Internal Revenue Code. Participation in the program is voluntary. Contributions are made from salary deductions from participating employees within the limits specified in the Code.

3. Early Retirement

Plan Description

The District's collective bargaining agreements with certified personnel and administrators include provisions for early retirement benefits for personnel who have been regularly employed for a minimum of 15 consecutive years with the District. The early retirement allows qualified employees to be entitled to a one-time stipend payment of \$5,000, upon retirement. As of June 30, 2018 2 former employees received a one-time \$5,000 stipend upon retirement.

Contributions and Funding Policy

The benefits from this program are fully paid and, consequently, no contributions by employees are required. There is no obligation to fund these benefits in advance. The only obligation is to make current benefit payments due each fiscal year. Payments are made on a pay-as-you-go basis each year out of the Special Projects Fund. An estimate of this liability for current retirees is done annually. There is no separately issued financial report for the plan. The annual expenditures recognized on a budgetary basis for the years ended June 30, 2016, 2017 and 2018 were \$192,339, \$126,447, and \$99,164 respectively.

Funded Status

The District accounts for the early retirement benefits in accordance with GASB Statement No. 27, *Accounting and Financial Reporting by Employers for Pensions*. As of June 30, 2018, the actuarial accrued liability (AAL) for benefits was \$132,431, and the actuarial value of assets was \$0, resulting in an unfunded accrued liability (UAAL) of \$132,431, and a funded ratio of 0%.

Annual Cost and Net Benefit

The District's annual post-employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 27. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 3 years. The following table shows the components of the District's annual stipend costs for the year, the amount actually contributed to the plan, and changes in the District's early retirement obligation.

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Methods and Assumptions

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer (ARC) are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The unfunded accrued liability is being amortized over an open three-year amortization period.

C. Other Post-Employment Benefits (GASB 75) RHIA - Oregon PERS Plan

1. Oregon Public Employees Retirement System (PERS) Retirement Health Insurance Account (RHIA) Other Post-Employment Benefit (OPEB) Plan (the Plan)

General Information about the OPEB Plan

Name of OPEB Plan

The Oregon PERS RHIA consists of a single cost-sharing multiple-employer defined benefit OPEB plan.

Description of Benefit Terms

Plan Benefits - PERS RHIA (Chapter 238)

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A, and the Internal Revenue Code Section 401(a).

OPEB Membership

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The ORS Chapter 238 Defined Benefit OPEB Plan is closed to new members hired on or after August 29, 2003.

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 (C) enroll in a PERS-sponsored health plan.

As of June 30, 2017, the inactive RHIA plan participants currently receiving benefits totaled 44,769, and there were 61,208 active and 16,369 inactive members who meet the requirements to receive RHIA benefits when they retire.

Basis of Accounting

Contributions for employers are recognized on the accrual basis of accounting. Employer contributions to PERS are calculated based on creditable compensation for active members reported by employers. Employer contributions are accrued when due pursuant to legal requirements.

Consistent with GASB Statement No. 75, paragraph 59(a), employer proportions are determined as a measure of the proportionate relationship of the employer to all employers consistent with the manner in which contributions to the OPEB plan are determined.

Contributions

Employer contributions for the year ended June 30, 2018 were \$77,562.

OPEB RHIA Plan Comprehensive Annual Financial Report (CAFR)

All assumptions, methods, and plan provisions used in these calculations are described in the Oregon PERS RHIA Cost-Sharing Multiple-Employer OPEB Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the year ended June 30, 2017. That independently audited report was dated April 11, 2018 and can be found at:

https://www.oregon.gov/pers/EMP/Documents/GASB/2018/GASB_75_06.30.2017.pdf

Proportionate Share Allocation Methodology

The basis for the employer's proportion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers. If the employer did not make contributions during the fiscal year, their proportionate share will be set to zero and the employer will be allocated no proportionate share of the OPEB amounts.

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Actuarial Methods and Assumptions:

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study	2014, published September 23, 2015
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.50 percent
Discount Rate	7.50 percent
Projected Salary Increases	3.50 percent
Retiree healthcare participation	Healthy retirees: 38%; disabled retirees: 20%
Mortality	<p>Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex distinct, generational per scale BB, disabled mortality table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits 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 on the 2014 Experience Study, which reviewed experience for the four-year period ended December 31, 2014.

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Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2017 was 7.50. 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 RHIA 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 OPEB plan investments for the RHIA was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return

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

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

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

Depletion Date Projection

GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses.

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

At June 30, 2018, the District reported an asset of \$63,883 for its proportionate share of the OPEB asset. The OPEB asset was measured at June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date.

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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 December 31, 2017 the District's proportion was 0.15307091%.

For the year ended June 30, 2018, the District recognized OPEB credit of \$394. At June 30, 2018, 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
Net differences between projected and actual earnings on investments	\$ -	\$ (29,587)
Changes in proportionate share	-	(1,990)
Total (prior to post-MD contributions)	-	(31,577)
Contributions subsequent to the MD	77,562	-
Total	\$ 77,562	\$ (31,577)

Differences between expected and actual experience, changes in assumptions, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service life determined as of the beginning of the June 30, 2017 measurement period is 3.7 years.

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year ended June 30, 2018.

Other amounts reported by the District as deferred outflows or inflows of resources related to OPEB will be recognized in OPEB expense in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
2019	\$ (8,134)
2020	(8,134)
2021	(7,913)
2022	(7,397)
2023	-

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

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

District's proportionate share of the net OPEB (asset) liability:

1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
\$ 8,905	\$ (63,883)	\$ (125,793)

Changes in Assumptions

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

D. Other Post-Employment Benefits (GASB 75) - District Medical Benefit Plan

1. Other Post-Employment Benefit (OPEB) District Medical Benefit Plan (the Plan)

General Information about the OPEB Plan

Name of OPEB Plan

The District Medical Benefit Plan consists of a single-employer retiree benefit plan that provides post-employment health, dental, vision, and life insurance benefits to eligible employees and their dependents.

Description of Benefit Terms

Plan Benefits - Implicit Medical Benefit

Plan benefits are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapter 243. ORS stipulated that for the purpose of establishing health care premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims costs, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District's implicit employer contributions.

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The calculated OPEB liability is derived using the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members at that point.

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

Medical Benefit Membership and Eligibility

Benefits and eligibility for members are established through the collective bargaining agreements. All classes of employee are eligible to continue coverage upon retirement. Qualified spouses, domestic partners, and children may qualify for coverage.

Medical Benefit Duration and Amount

Coverage for retirees and eligible dependents continues until Medicare eligibility for each individual (or until dependent children become ineligible).

Participant Statistics

As of June 30, 2018, there were 351 active members and 16 retired participants in the Medical Benefit plan. The average age of participants is 46 and 63.1, respectively.

The District did not establish an irrevocable trust (or equivalent arrangement) to account for this plan.

Funding Policy

The benefits from this program are paid by the District 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.

Actuarial Methods and Assumptions:

The District engaged an actuary to perform an evaluation as of June 30, 2018 using age entry normal, level percent of salary Actuarial Cost Method.

The Single Employer Pension Plan liability was determined using the following actuarial assumptions, applied to all periods including the measurement:

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Valuation Date	July 1, 2017
Measurement Dates/Fiscal Year Ends	June 30, 2017 through June 30, 2019
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Interest Discount	3.58 percent discount rate assumption
General Inflation	2.50 percent per year
Salary Scale	3.50 percent per year

Election and lapse rates: 30% of eligible employees - 60% of male members and 35% of female members will elect spouse coverage; 5% annual lapse rate.

Expected healthcare costs were developed using a composite of the premiums due for retirees members electing coverage as of July 1, 2017.

Milliman's Health Cost Guidelines were used to allocate costs by age and gender. Retirees' costs include a load for expected health status of retirees relative to active employees and spouses.

For the period July 1, 2017 through June 30, 2018, current medical premiums due for retirees and their spouses were modeled using an average monthly premium of \$617 per retiree per month, and \$615 per spouse per month. Dental and vision premiums were modeled using average monthly premiums of \$61 per retiree and \$60 per spouse.

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Table for males and females, as appropriate.

Turnover rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by years of service. Disability rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by employee age.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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June 30, 2018

Changes in Medical Benefit OPEB Liability

Total OPEB Liability at June 30, 2017, as restated	\$	<u>849,597</u>
Changes for the year:		
Service cost		82,792
Interest		24,618
Change in assumptions		(35,702)
Benefit payments		<u>(138,106)</u>
Net changes		<u>(66,398)</u>
Total OPEB Liability at June 30, 2018	\$	<u>783,199</u>

At June 30, 2018, 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
Changes in assumptions	\$ -	\$ (30,877)
Benefit payments	74,446	-
Total	<u>\$ 74,446</u>	<u>\$ (30,877)</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2019	\$ (4,825)
2020	\$ (4,825)
2021	\$ (4,825)
2022	\$ (4,825)
2023	\$ (4,825)
Thereafter	\$ (6,752)

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Sensitivity of the Net OPEB Liability to Changes in Discount and Trend Rates

The following presents the net OPEB liability, calculated using the discount rate of 3.58%, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower or 1-percentage-point higher than the current rate:

June 30 Disclosure	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	\$ 832,482	\$ 783,199	\$ 736,803

The following presents the net OPEB liability, calculated using the trend rate, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower or 1-percentage-point higher than the current rate:

June 30 Disclosure	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 715,905	\$ 783,199	\$ 861,400

E. Restatement

Government-Wide Statements	Governmental Activities
Net position - beginning, as originally reported	\$ (5,011,520)
To restate capital lease balances	(231,714)
To record beginning OPEB RHIA balance	(44,295)
To record beginning OPEB medical benefit	<u>(849,597)</u>
Net position - beginning, as restated	<u>\$ (6,137,126)</u>

F. Concentrations

1. Collective Bargaining Agreement

At June 30, 2018, the District had approximately 430 full-time and 35 part-time employees who are accounted for under the governmental activities of the District. Of this total, 87% are covered under a collective bargaining agreement. The existing agreement was ratified on July 1, 2016 and expires on June 30, 2019.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

G. New Pronouncements

For the fiscal year ended June 30, 2018, the District implemented the following new accounting standards:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. It requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities.

GASB Statement No. 85, *Omnibus 2017* - This statement addresses practice issues identified during implementation of other GASB Statements, including blending component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* - This statement addresses the accounting and financial reporting for in-substance defeasance of debt where existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt.

The District will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements for implementing any of the following pronouncements:

GASB Statement No. 84, *Fiduciary Activities* - This statement established criteria and guidance for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes, as well as the reporting requirements for these fiduciary funds. The statement is effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 87, *Leases* - This statement addresses the accounting and financial reporting for leases by governments, requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. The statement is effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements* - This statement addresses the information that is disclosed in the notes to government financial statements related to debt, including borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for fiscal years beginning after June 15, 2018.

H. Subsequent Events

Management has evaluated subsequent events through January 7, 2019, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND DISTRICT CONTRIBUTIONS

OREGON PERS SYSTEM

Schedule of the District's Proportionate Share of the Net Pension Liability

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.12209623%	0.10597055%	0.09574387%	0.06824161%
District's proportionate share of the net pension liability (asset)	\$ 16,458,618	\$ 15,908,640	\$ 5,497,097	\$ (1,546,843)
District's covered-employee payroll	\$ 15,355,468	\$ 14,861,774	\$ 15,072,780	\$ 14,766,855
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	107%	107%	36%	-10%
Plan fiduciary net position as a percentage of the total pension liability	83%	92%	92%	104%

Schedule of District Contributions

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,116,152	\$ 2,377,117	\$ 2,179,417	\$ 2,703,361
Contributions in relation to the contractually required contribution	<u>(1,116,152)</u>	<u>(2,377,117)</u>	<u>(2,179,417)</u>	<u>(2,703,361)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 15,512,342	\$ 17,568,345	\$ 15,615,031	\$ 15,072,780
Contributions as a percentage of covered-employee payroll	7%	14%	14%	18%

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
OPEB LIABILITY (ASSET) AND DISTRICT CONTRIBUTIONS

OREGON PERS SYSTEM

**Schedule of the District's Proportionate Share of the OPEB Liability
(Asset)**

	2018	2017
District's proportion of the OPEB liability (asset)	0.153070910%	0.163112270%
District's proportionate share of the OPEB liability (asset)	\$ (63,883)	\$ 44,295
District's covered-employee payroll (from actuarial exhibits)	\$ 15,355,468	\$ 14,861,774
District's proportionate share of the OPEB liability (asset) as a percentage of its covered-employee payroll	-0.42%	0.30%
Plan fiduciary net position as a percentage of the total OPEB liability	108.88%	94.15%

Schedule of District Contributions

	2018	2017
Contractually required contribution	\$ 77,562	\$ 74,959
Contributions in relation to the contractually required contribution	77,562	74,959
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 15,512,342	\$ 17,568,345
Contributions as a percentage of covered-employee payroll	1%	0%

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

SCHEDULES OF CHANGES IN OTHER POST EMPLOYMENT BENEFITS (OPEB)
LIABILITY AND RELATED RATIOS - MEDICAL BENEFIT

DISTRICT MEDICAL BENEFIT PLAN

Schedule of Changes	<u>2018</u>
Total Medical Benefit Pension Liability - beginning, as restated	<u>\$ 849,597</u>
Changes for the year:	
Service Cost	\$ 82,792
Interest	24,618
Change in assumptions	(35,702)
Benefit Payments	<u>(138,106)</u>
Net changes for the year	<u>(66,398)</u>
Total Medical Benefit Pension Liability - ending	<u>\$ 783,199</u>
District's covered-employee payroll	\$ 15,512,342
Net Medical Benefit Pension Liability as a Percentage of Covered Payroll	5.05%

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Local revenue	\$ 7,022,612	\$ (201,006)	\$ 6,821,606
Intermediate revenue	453,000	15,792	468,792
State revenue	20,444,719	680,886	21,125,605
Federal revenue	-	118,822	118,822
	<u>27,920,331</u>	<u>614,494</u>	<u>28,534,825</u>
EXPENDITURES			
Current			
Instruction	16,298,913	(459,696)	15,839,217
Support services	12,087,373	(461,740)	11,625,633
Debt service	50,000	(50,000)	-
Contingency	1,000,000	(1,000,000)	-
	<u>29,436,286</u>	<u>(1,971,436)</u>	<u>27,464,850</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,515,955)</u>	<u>2,585,930</u>	<u>1,069,975</u>
OTHER FINANCING SOURCES (USES)			
Lease purchase receipts	476,955	(50,000)	426,955
Transfers in	150,000	(150,000)	-
Transfers out	(1,411,000)	-	(1,411,000)
	<u>(784,045)</u>	<u>(200,000)</u>	<u>(984,045)</u>
Net change in fund balance	(2,300,000)	2,385,930	85,930
Fund balance - beginning	<u>2,300,000</u>	<u>(233,595)</u>	<u>2,066,405</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 2,152,335</u>	<u>\$ 2,152,335</u>

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

SPECIAL REVENUE FUND

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES				
Local revenue	\$ -	\$ -	\$ 33,016	\$ 33,016
Intermediate revenue	-	-	8,718	8,718
State revenue	600,000	650,000	(309,788)	340,212
Federal revenue	2,059,521	2,076,521	(279,756)	1,796,765
Total revenues	<u>2,659,521</u>	<u>2,726,521</u>	<u>(547,810)</u>	<u>2,178,711</u>
EXPENDITURES				
Current				
Instruction	2,241,948	2,291,948	(389,857)	1,902,091
Support services	403,573	410,573	(152,332)	258,241
Enterprise and community services	15,000	25,000	(6,834)	18,166
Total expenditures	<u>2,660,521</u>	<u>2,727,521</u>	<u>(549,023)</u>	<u>2,178,498</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,000)</u>	<u>(1,000)</u>	<u>1,213</u>	<u>213</u>
Fund balance - beginning	<u>1,000</u>	<u>1,000</u>	<u>1,361</u>	<u>2,361</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,574</u>	<u>\$ 2,574</u>

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

SPECIAL PROJECTS FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Local revenue	\$ 1,862,075	\$ 650,544	\$ 2,512,619
Intermediate revenue	321,000	(156,206)	164,794
State revenue	22,000	2,736	24,736
Federal revenue	1,326,513	(194,569)	1,131,944
Total revenues	3,531,588	302,505	3,834,093
EXPENDITURES			
Current			
Instruction	2,462,041	(367,833)	2,094,208
Support services	972,376	(310,485)	661,891
Enterprise and community services	2,229,475	(266,690)	1,962,785
Facilities acquisition and construction	17,000	(17,000)	-
Debt service	81,945	-	81,945
Contingency	323,280	(323,280)	-
Total expenditures	6,086,117	(1,285,288)	4,800,829
Excess (deficiency) of revenues over (under) expenditures	(2,554,529)	1,587,793	(966,736)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,063,000	-	1,063,000
Transfers out	(200,000)	-	(200,000)
Total other financing sources (uses)	863,000	-	863,000
Net change in fund balance	(1,691,529)	1,587,793	(103,736)
Fund balance - beginning	1,691,529	402,166	2,093,695
Fund balance - ending	\$ -	\$ 1,989,959	\$ 1,989,959

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND SCHEDULES

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Local revenue	\$ 2,663,488	\$ 395,718	\$ 3,059,206
EXPENDITURES			
Debt service	<u>2,917,182</u>	<u>-</u>	<u>2,917,182</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(253,694)</u>	<u>395,718</u>	<u>142,024</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>203,700</u>	<u>-</u>	<u>203,700</u>
Net change in fund balance	(49,994)	395,718	345,724
Fund balance - beginning	<u>217,000</u>	<u>274,857</u>	<u>491,857</u>
Fund balance - ending	<u>\$ 167,006</u>	<u>\$ 670,575</u>	<u>\$ 837,581</u>

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Local revenue	\$ 634,443	\$ (179,925)	\$ 454,518
State revenue	4,000,000	(4,000,000)	-
Total revenues	4,634,443	(4,179,925)	454,518
EXPENDITURES			
Current			
Support services	528,013	(196,959)	331,054
Facilities acquisition and construction	33,702,301	(7,286,398)	26,415,903
Contingency	6,355,086	(6,355,086)	-
Total expenditures	40,585,400	(13,838,443)	26,746,957
Excess (deficiency) of revenues over (under) expenditures	(35,950,957)	9,658,518	(26,292,439)
OTHER FINANCING SOURCES (USES)			
Transfers in	270,000	(700)	269,300
Transfers out	(75,000)	-	(75,000)
Total other financing sources (uses)	195,000	(700)	194,300
Net change in fund balance	(35,755,957)	9,657,818	(26,098,139)
Fund balance - beginning	35,755,957	(871,186)	34,884,771
Fund balance - ending	\$ -	\$ 8,786,632	\$ 8,786,632

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
 BUDGET AND ACTUAL

INTERNAL SERVICE FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES	\$ 2,141,260	\$ (129,911)	\$ 2,011,349
EXPENSES			
Debt service	2,151,260	-	2,151,260
Excess (deficiency) of revenues over (under) expenses	(10,000)	(129,911)	(139,911)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	150,000	150,000
Net change in fund balance	(10,000)	20,089	10,089
Net position - beginning	160,000	1,744	161,744
Net position - ending	\$ 150,000	\$ 21,833	\$ 171,833

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Local revenue	\$ 3,880	\$ 2,413	\$ 6,293
EXPENDITURES			
Current			
Instruction	46,000	(42,000)	4,000
Support services	9,780	(8,283)	1,497
Enterprise and community services	20,000	(13,426)	6,574
Contingency	288,200	(288,200)	-
Total expenditures	363,980	(351,909)	12,071
Excess (deficiency) of revenues over (under) expenditures	(360,100)	354,322	(5,778)
Fund balance - beginning	360,100	364	360,464
Fund balance - ending	\$ -	\$ 354,686	\$ 354,686

OTHER FINANCIAL SCHEDULES

SOUTH LANE SCHOOL DISTRICT NO. 45J3

Cottage Grove, Oregon

REVENUE SUMMARY - ALL FUNDS

June 30, 2018

Revenue from Local Sources	Fund 100	Fund 200	Fund 300	Fund 400
1110 Ad Valorem Taxes Levied by District	\$ 6,516,328.42	\$ -	\$ 3,024,844.87	\$ -
1130 Construction Excise Tax	-	-	-	101,892.75
1190 Penalties and Interest on Taxes	35,216.78	-	-	-
1312 Regular Day School Tuition - Other Dist Within State	33,106.04	-	-	-
1500 Earnings on Investments	125,423.17	1,292.47	34,360.82	252,218.13
1600 Food Service	-	293,032.87	-	-
1700 Extracurricular Activities	-	892,649.91	-	-
1800 Community Service Activities	8,320.00	34,721.19	-	-
1910 Rentals	-	-	-	32,214.25
1920 Contributions and Donations From Private Sources	12,241.63	591,896.70	-	18,414.05
1960 Recovery of Prior Year Expenditures	9,182.20	-	-	-
1970 Services Provided to Other Funds	-	-	-	-
1980 Fees Charged to Grants	-	-	-	-
1990 Miscellaneous	81,777.10	732,026.08	-	49,778.63
Total Revenue from Local Sources	\$ 6,821,595.34	\$ 2,545,619.22	\$ 3,059,205.69	\$ 454,517.81
Revenue from Intermediate Sources	Fund 100	Fund 200	Fund 300	Fund 400
2101 County School Funds	\$ 41,400.58	\$ -	\$ -	\$ -
2200 Restricted Revenue	427,391.36	173,512.38	-	-
Total Revenue from Intermediate	\$ 468,791.94	\$ 173,512.38	\$ -	\$ -
Revenue from State Sources	Fund 100	Fund 200	Fund 300	Fund 400
3101 State School Fund - General Support	\$ 20,623,025.34	\$ -	\$ -	\$ -
3103 Common School Fund	336,278.48	-	-	-
3299 Other Restricted Grants-in-Aid	166,302.05	364,948.21	-	-
Total Revenue from State Sources	\$ 21,125,605.87	\$ 364,948.21	\$ -	\$ -
Revenue from Federal Sources	Fund 100	Fund 200	Fund 300	Fund 400
4500 Restricted Revenue From the Federal Government Through the State	\$ -	\$ 2,837,390.11	\$ -	\$ -
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies	-	5,937.00	-	-
4800 Federal Forest Fees	118,821.67	-	-	-
4900 Revenue for/on Behalf of the District	-	85,381.07	-	-
Total Revenue from Federal Sources	\$ 118,821.67	\$ 2,928,708.18	\$ -	\$ -
Revenue from Other Sources	Fund 100	Fund 200	Fund 300	Fund 400
5100 Long Term Debt Financing Sources	\$ 426,955.00	\$ -	\$ -	\$ -
5200 Interfund Transfers	-	1,063,000.00	203,700.00	269,300.00
5300 Sale of Fixed Assets	-	-	-	-
5400 Resources - Beginning Fund Balance	2,066,405.00	2,096,057.02	491,856.95	34,884,770.52
Total Revenue from Other Sources	\$ 2,493,360.00	\$ 3,159,057.02	\$ 695,556.95	\$ 35,154,070.52
Grand Totals	\$ 31,028,174.82	\$ 9,171,845.01	\$ 3,754,762.64	\$ 35,608,588.33

Fund 600	Fund 700
\$ -	\$ -
-	-
-	-
-	-
11,966.93	6,292.83
-	-
-	-
-	-
-	-
-	-
1,999,382.52	-
-	-
-	-
\$ 2,011,349.45	\$ 6,292.83

Fund 600	Fund 700
\$ -	\$ -
-	-
\$ -	\$ -

Fund 600	Fund 700
\$ -	\$ -
-	-
-	-
\$ -	\$ -

Fund 600	Fund 700
\$ -	\$ -
-	-
-	-
-	-
\$ -	\$ -

Fund 600	Fund 700
\$ -	\$ -
150,000.00	-
-	-
161,744.00	360,463.61
\$ 311,744.00	\$ 360,463.61
\$ 2,323,093.45	\$ 366,756.44

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

EXPENDITURE SUMMARY - GENERAL FUND

June 30, 2018

Instruction Expenditures	Totals	Object 100	Object 200
1111 Elementary, K-5 or K-6	\$ 5,311,508.16	\$ 3,548,565.85	\$ 1,666,139.00
1121 Middle/Junior High Programs	2,420,745.21	1,584,066.04	765,448.19
1131 High School Programs	4,160,920.05	2,723,130.14	1,333,023.11
1210 Programs for the Talented and Gifted	89.57	56.29	4.92
1220 Restrictive Programs for Students with Disabilities	2,357,426.03	1,365,198.45	636,536.43
1280 Alternative Education	1,369,760.55	-	-
1291 English Second Language Programs	218,753.94	136,686.58	80,902.73
1293 Migrant Education	-	-	-
Total Instruction Expenditures	\$ 15,839,203.51	\$ 9,357,703.35	\$ 4,482,054.38
Support Services Expenditures	Totals	Object 100	Object 200
2120 Guidance Services	\$ 469,993.43	\$ 283,510.78	\$ 132,636.76
2130 Health Services	180,611.36	113,806.82	62,645.60
2140 Psychological Services	241,175.94	166,732.53	74,443.41
2150 Speech Pathology and Audiology Services	292,750.72	201,968.99	89,987.73
2160 Other Student Treatment Services	161,830.83	4,050.00	1,022.27
2190 Service Direction, Student Support Services	255,958.31	151,547.00	87,411.03
2210 Improvement of Instruction Services	249,613.57	156,810.75	77,544.82
2220 Educational Media Services	249,330.57	148,227.93	73,499.22
2230 Assessment & Testing	13,389.56	8,406.20	2,564.19
2310 Board of Education Services	15,064.35	-	-
2320 Executive Administration Services	354,687.13	195,307.63	113,203.35
2410 Office of the Principal Services	2,429,203.39	1,564,691.10	863,012.29
2520 Fiscal Services	435,035.44	214,186.26	117,141.78
2540 Operation and Maintenance of Plant Services	2,644,834.19	915,839.07	600,838.19
2550 Student Transportation Services	2,774,163.11	1,125,150.29	759,294.24
2640 Staff Services	348,799.86	203,474.09	99,787.91
2660 Technology Services	509,194.25	246,003.07	142,977.75
Total Support Services Expenditures	\$ 11,625,636.01	\$ 5,699,712.51	\$ 3,298,010.54
Other Uses Expenditures	Totals	Object 100	Object 200
5100 Debt Service	\$ -	\$ -	\$ -
5200 Transfers of Funds	1,411,000.00	-	-
Total Other Uses Expenditures	\$ 1,411,000.00	\$ -	\$ -
Grand Total	\$ 28,875,839.52	\$ 15,057,415.86	\$ 7,780,064.92

Object 300	Object 400	Object 500	Object 600	Object 700
\$ 21,774.79	\$ 75,028.52	\$ -	\$ -	\$ -
14,110.88	55,770.71	1,349.39	-	-
26,068.79	78,698.01	-	-	-
-	28.36	-	-	-
355,087.15	604.00	-	-	-
1,369,760.55	-	-	-	-
164.63	1,000.00	-	-	-
-	-	-	-	-
\$ 1,786,966.79	\$ 211,129.60	\$ 1,349.39	\$ -	\$ -

Object 300	Object 400	Object 500	Object 600	Object 700
\$ 53,845.89	\$ -	\$ -	\$ -	\$ -
1,053.07	2,966.37	-	139.50	-
-	-	-	-	-
-	-	-	794.00	-
156,758.56	-	-	-	-
17,000.28	-	-	-	-
6,565.53	8,392.47	-	300.00	-
7,921.28	19,682.14	-	-	-
8.90	2,410.27	-	-	-
3,473.87	3,637.73	-	7,952.75	-
40,941.89	3,302.51	-	1,931.75	-
-	-	-	1,500.00	-
85,339.45	8,615.41	-	9,752.54	-
836,773.92	75,867.98	-	215,515.03	-
66,406.89	352,518.12	426,955.00	43,838.57	-
14,251.21	30,916.65	-	370.00	-
96,417.36	574.96	-	23,221.11	-
\$ 1,386,758.10	\$ 508,884.61	\$ 426,955.00	\$ 305,315.25	\$ -

Object 300	Object 400	Object 500	Object 600	Object 700
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,411,000.00
\$ -	\$ -	\$ -	\$ -	\$ 1,411,000.00
\$ 3,173,724.89	\$ 720,014.21	\$ 428,304.39	\$ 305,315.25	\$ 1,411,000.00

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

EXPENDITURE SUMMARY - SPECIAL REVENUE FUND

June 30, 2018

Instruction Expenditures	Totals	Object 100	Object 200
1111 Elementary, K-5 or K-6	\$ 193,480.19	\$ 76,696.40	\$ 34,643.37
1113 Elementary Extracurricular	132,995.85	-	-
1121 Middle/Junior High Programs	84,976.33	33,099.20	20,308.33
1122 Middle/Junior High School Extracurricular	99,796.81	-	-
1131 High School Programs	344,947.62	154,246.98	61,430.13
1132 High School Extracurricular	1,077,453.03	298,422.80	65,290.70
1140 Pre-Kindergarten Programs	500,107.54	288,961.58	176,450.72
1210 Programs for the Talented and Gifted	3,970.34	3,386.00	584.34
1220 Restrictive Programs for Studends with Disabilities	613,851.38	341,860.66	270,206.41
1271 Remediation	11,310.92	8,416.00	2,894.92
1272 Title I	752,430.10	416,075.67	268,432.68
1280 Alternative Education	180,964.83	117,751.82	54,000.81
Total Instruction Expenditures	\$ 3,996,284.94	\$ 1,738,917.11	\$ 954,242.41
Support Services Expenditures	Totals	Object 100	Object 200
2110 Attendance and Social Work Services	\$ 164,473.15	\$ 76,977.01	\$ 27,701.44
2130 Health Services	102,379.89	40,773.00	29,640.06
2190 Service Direction, Student Support Services	1,101.05	572.76	112.53
2210 Improvement of Instruction Services	289,965.96	98,174.00	41,410.53
2240 Instructional Staff Development	73,997.08	13,738.67	4,277.72
2550 Student Transportation Services	1,050.53	-	-
2630 Information Services	48,045.89	24,528.28	11,625.19
2640 Staff Services	23,000.00	18,130.24	4,869.76
2660 Technology Services	87,720.49	-	-
2690 Other Support Services - Central	62,030.36	15,564.39	3,104.85
2700 Supplemental Retirement Program	66,368.05	17,775.00	48,593.05
Total Support Services Expenditures	\$ 920,132.45	\$ 306,233.35	\$ 171,335.13
Enterprise and Community Services Expenditures	Totals	Object 100	Object 200
3100 Food Services	\$ 1,518,052.69	\$ 571,957.86	\$ 338,403.12
3300 Community Services	462,896.06	100,691.39	44,091.27
Total Enterprise and Community Services Expenditures	\$ 1,980,948.75	\$ 672,649.25	\$ 382,494.39
Other Uses Expenditures	Totals	Object 100	Object 200
5100 Debt Service	\$ 81,944.89	\$ -	\$ -
5200 Transfers of Funds	\$ 200,000.00	\$ -	\$ -
Total Other Uses Expenditures	\$ 281,944.89	\$ -	\$ -
Grand Total	\$ 7,179,311.03	\$ 2,717,799.71	\$ 1,508,071.93

Object 300	Object 400	Object 500	Object 600	Object 700
\$ 30,874.64	\$ 51,265.78	\$ -	\$ -	\$ -
34,311.66	94,917.65	-	3,766.54	-
2,019.52	29,549.28	-	-	-
4,157.00	80,886.53	-	14,753.28	-
4,051.57	125,218.94	-	-	-
127,650.84	524,314.58	-	61,774.11	-
23,137.53	10,731.21	-	826.50	-
-	-	-	-	-
1,659.85	124.46	-	-	-
-	-	-	-	-
1,687.85	66,233.90	-	-	-
5,918.04	3,294.16	-	-	-
\$ 235,468.50	\$ 986,536.49	\$ -	\$ 81,120.43	\$ -

Object 300	Object 400	Object 500	Object 600	Object 700
\$ 35,046.67	\$ 24,748.03	\$ -	\$ -	\$ -
19,711.64	12,255.19	-	-	-
127.76	288.00	-	-	-
5,942.06	144,439.37	-	-	-
39,310.77	16,669.92	-	-	-
-	1,050.53	-	-	-
2,892.79	2,476.63	-	6,523.00	-
-	-	-	-	-
2,143.92	83,644.09	-	1,932.48	-
19,096.27	10,713.85	-	13,551.00	-
-	-	-	-	-
\$ 124,271.88	\$ 296,285.61	\$ -	\$ 22,006.48	\$ -

Object 300	Object 400	Object 500	Object 600	Object 700
\$ 13,882.69	\$ 589,118.02	\$ -	\$ 4,691.00	\$ -
314,500.00	3,613.40	-	-	-
\$ 328,382.69	\$ 592,731.42	\$ -	\$ 4,691.00	\$ -

Object 300	Object 400	Object 500	Object 600	Object 700
\$ -	\$ -	\$ -	\$ 81,944.89	\$ -
\$ -	\$ -	\$ -	\$ -	\$ 200,000.00
\$ -	\$ -	\$ -	\$ 81,944.89	\$ 200,000.00
\$ 688,123.07	\$ 1,875,553.52	\$ -	\$ 189,762.80	\$ 200,000.00

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

EXPENDITURE SUMMARY - DEBT SERVICE FUND

June 30, 2018

Other Uses Expenditures

5100 Debt Service

	Totals	Object 600
	\$ 2,917,181.50	\$ 2,917,181.50
Total Other Uses Expenditures	\$ 2,917,181.50	\$ 2,917,181.50
Grand Total	\$ 2,917,181.50	\$ 2,917,181.50

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

EXPENDITURE SUMMARY - CAPITAL PROJECTS FUND

June 30, 2018

Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2540 Operation and Maintenance of Plant Services	\$ 331,054.24	\$ 5,000.00	\$ 873.84	\$ 103,915.14	\$ 185,685.17	\$ 32,437.60	\$ 3,142.49	\$ -
Total Support Services Expenditures	\$ 331,054.24	\$ 5,000.00	\$ 873.84	\$ 103,915.14	\$ 185,685.17	\$ 32,437.60	\$ 3,142.49	\$ -
 Facilities Acquisition and								
4150 Building Acquisition, Construction, Improvement	\$ 26,415,902.23	\$ 147,052.76	\$ 68,797.01	\$ 992,576.01	\$ 497,530.56	\$ 24,659,077.40	\$ 50,868.49	\$ -
Total Facilities Acquisition and Construction	\$ 26,415,902.23	\$ 147,052.76	\$ 68,797.01	\$ 992,576.01	\$ 497,530.56	\$ 24,659,077.40	\$ 50,868.49	\$ -
 Other Uses Expenditures								
5200 Transfers of Funds	\$ 75,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000.00
Total Other Uses Expenditures	\$ 75,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000.00
Grand Total	\$ 26,821,956.47	\$ 152,052.76	\$ 69,670.85	\$ 1,096,491.15	\$ 683,215.73	\$ 24,691,515.00	\$ 54,010.98	\$ 75,000.00

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

EXPENDITURE SUMMARY - INTERNAL SERVICE FUND

June 30, 2018

Other Uses Expenditures

5100 Debt Service

	Totals	Object 600
	\$ 2,151,260.00	\$ 2,151,260.00
Total Other Uses Expenditures	\$ 2,151,260.00	\$ 2,151,260.00
Grand Total	\$ 2,151,260.00	\$ 2,151,260.00

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

EXPENDITURE SUMMARY - TRUST AND AGENCY FUNDS

June 30, 2018

Instruction Expenditures	Totals	Object 300	Object 400	Object 600
1132 High School Extracurricular	\$ 4,000.00	\$ -	\$ -	\$ 4,000.00
Total Instruction Expenditures	\$ 4,000.00	\$ -	\$ -	\$ 4,000.00
Support Services Expenditures	Totals	Object 300	Object 400	Object 600
2130 Health Services	\$ 1,496.78	\$ -	\$ 1,496.78	\$ -
Total Support Services Expenditures	\$ 1,496.78	\$ -	\$ 1,496.78	\$ -
Enterprise and Community Services	Totals	Object 300	Object 400	Object 600
3300 Community Services	\$ 6,574.00	\$ 6,574.00	\$ -	\$ -
Total Enterprise and Community Services	\$ 6,574.00	\$ 6,574.00	\$ -	\$ -
Grand Total	\$ 12,070.78	\$ 6,574.00	\$ 1,496.78	\$ 4,000.00

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR THE RETIREMENT OF
 BONDED DEBT

For the Year Ended June 30, 2018

Fiscal Year	TOTAL ALL REQUIREMENTS			GENERAL OBLIGATION BONDS 2012 Refunding		
	Total	Principal	Interest	Total	Principal	Interest
2019	\$ 5,095,287	\$ 2,416,920	\$ 2,678,367	\$ 1,865,850	\$ 1,410,000	\$ 455,850
2020	5,305,266	2,535,284	2,769,982	1,939,700	1,505,000	434,700
2021	5,529,821	2,663,952	2,865,869	2,022,125	1,610,000	412,125
2022	5,684,074	2,811,275	2,872,799	2,033,050	1,720,000	313,050
2023	5,879,811	2,967,209	2,912,602	2,076,925	1,835,000	241,925
2024	6,019,523	4,685,000	1,334,523	2,136,375	1,985,000	151,375
2025	6,293,642	5,150,000	1,143,642	2,248,750	2,145,000	103,750
2026	6,523,532	5,645,000	878,532	-	-	-
2027	6,766,868	6,160,000	606,868	-	-	-
2028	5,094,480	4,785,000	309,480	-	-	-
2029	5,659,700	5,530,000	129,700	-	-	-
2030	3,473,557	2,615,000	858,557	-	-	-
2031	3,643,035	2,685,000	958,035	-	-	-
2032	3,820,778	2,760,000	1,060,778	-	-	-
2033	3,999,505	2,835,000	1,164,505	-	-	-
2034	4,182,850	2,915,000	1,267,850	-	-	-
2035	4,369,016	2,995,000	1,374,016	-	-	-
2036	4,557,765	3,075,000	1,482,765	-	-	-
2037	4,759,655	3,160,000	1,599,655	-	-	-
2038	4,954,206	3,245,000	1,709,206	-	-	-
2039	5,151,541	3,335,000	1,816,541	-	-	-
2040	5,361,175	3,433,000	1,928,175	-	-	-
2041	5,566,328	3,525,000	2,041,328	-	-	-
TOTALS	\$ 117,691,415	\$ 81,927,640	\$ 35,763,775	\$ 14,322,775	\$ 12,210,000	\$ 2,112,775

(Continued)

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR THE RETIREMENT OF
 BONDED DEBT

For the Year Ended June 30, 2018

(Continued)

Fiscal Year	GENERAL OBLIGATION BONDS 2016A			GENERAL OBLIGATION BONDS 2016B		
	Total	Principal	Interest	Total	Principal	Interest
2019	\$ 348,650	\$ 340,000	\$ 8,650	\$ 563,688	\$ -	\$ 563,688
2020	381,696	367,000	14,696	563,688	-	563,688
2021	-	-	-	958,688	395,000	563,688
2022	-	-	-	977,888	430,000	547,888
2023	-	-	-	1,000,688	470,000	530,688
2024	-	-	-	1,021,888	510,000	511,888
2025	-	-	-	1,046,488	555,000	491,488
2026	-	-	-	3,384,288	2,915,000	469,288
2027	-	-	-	3,477,688	3,125,000	352,688
2028	-	-	-	3,572,688	3,345,000	227,688
2029	-	-	-	3,659,700	3,530,000	129,700
2030	3,473,557	2,615,000	858,557	-	-	-
2031	3,643,035	2,685,000	958,035	-	-	-
2032	3,820,778	2,760,000	1,060,778	-	-	-
2033	3,999,505	2,835,000	1,164,505	-	-	-
2034	4,182,850	2,915,000	1,267,850	-	-	-
2035	4,369,016	2,995,000	1,374,016	-	-	-
2036	4,557,765	3,075,000	1,482,765	-	-	-
2037	4,759,655	3,160,000	1,599,655	-	-	-
2038	4,954,206	3,245,000	1,709,206	-	-	-
2039	5,151,541	3,335,000	1,816,541	-	-	-
2040	5,361,175	3,433,000	1,928,175	-	-	-
2041	5,566,328	3,525,000	2,041,328	-	-	-
TOTALS	<u>\$ 54,569,757</u>	<u>\$ 37,285,000</u>	<u>\$ 17,284,757</u>	<u>\$ 20,227,380</u>	<u>\$ 15,275,000</u>	<u>\$ 4,952,380</u>

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR THE RETIREMENT OF
 BONDED DEBT

For the Year Ended June 30, 2018

(Continued)

Fiscal Year	QUALIFIED ZONE ACADEMY BONDS 2008			LIMITED TAX PENSION BONDS SERIES 2003		
	Total	Principal	Interest	Total	Principal	Interest
2019	\$ 69,489	\$ 65,000	\$ 4,489	\$ 2,256,260	\$ 601,920	\$ 1,654,340
2020	68,618	65,000	3,618	2,366,260	598,284	1,767,976
2021	67,747	65,000	2,747	2,481,261	593,952	1,887,309
2022	71,876	70,000	1,876	2,601,260	591,275	2,009,985
2023	70,938	70,000	938	2,731,260	592,209	2,139,051
2024	-	-	-	2,861,260	2,190,000	671,260
2025	-	-	-	2,998,404	2,450,000	548,404
2026	-	-	-	3,139,244	2,730,000	409,244
2027	-	-	-	3,289,180	3,035,000	254,180
2028	-	-	-	1,521,792	1,440,000	81,792
TOTALS	\$ 348,668	\$ 335,000	\$ 13,668	\$ 26,246,181	\$ 14,822,640	\$ 11,423,541

QUALIFIED ZONE ACADEMY BONDS
2014

Fiscal Year	Total	Principal	Interest
2029	\$ 2,000,000	\$ 2,000,000	\$ -

SOUTH LANE SCHOOL DISTRICT NO. 45J3
TAXPAYER PROPERTY VALUES BY YEAR
For the Seven Years Ended June 30,

Fiscal Year	Lane County		Douglas County		Total District	
	Real Market Value	AV Used to Calculate Rates	Real Market Value	AV Used to Calculate Rates	Real Market Value	AV Used to Calculate Rates
2018	\$2,436,194,690	\$1,496,246,775	\$3,228,704	\$2,677,760	\$2,439,423,394	\$1,498,924,535
2017	\$2,255,987,221	\$1,442,250,882	\$3,381,550	\$2,831,903	\$2,259,368,771	\$1,445,082,785
2016	2,476,522,544	1,395,551,996	3,437,002	2,702,157	1,745,998,932	1,398,254,153
2015	2,056,195,266	1,335,326,342	3,301,806	2,608,978	1,633,833,232	1,337,935,320
2014	1,964,115,239	1,286,426,813	2,864,457	2,170,090	1,551,174,830	1,288,596,903
2013	1,902,470,085	1,245,736,175	3,054,477	2,073,423	1,506,594,960	1,247,809,598
2012	1,969,363,759	1,241,341,323	3,007,987	2,121,018	1,574,068,876	1,243,462,341
2011	2,015,108,168	1,213,407,398	3,060,713	2,081,328	1,631,543,761	1,215,488,726

Permanent Tax Rate \$4.7532 per \$1,000 of Assessed Value

SOUTH LANE SCHOOL DISTRICT NO. 45J3
TOP TAXPAYERS IN LANE COUNTY
For the Year Ended June 30, 2018

Taxpayer	Business/Service	Tax (1)	Assessed Value (2)	Percent of Value
International Paper (IP Eat Three LLC)	Wood Products	\$3,769,419	\$304,861,835	0.94%
Comcast Corporation	Telecommunications	3,565,433	208,134,400	0.65%
Valley River Center LLC	Retail/Commercial	2,100,062	123,128,734	0.38%
Verizon Communications	Telecommunications	1,723,831	110,046,000	0.34%
Shepard Investment Group LLC	Apartments	1,635,685	93,466,487	0.29%
Century Link	Telecommunications	1,557,611	100,479,300	0.31%
Northwest Natural Gas Co.	Natural Gas Utility	1,536,207	106,087,000	0.33%
Peace Health	Medical Services	1,305,206	661,019,656	2.05%
Gate Way Mall Partners	Retail/Commercial	1,285,788	73,987,847	0.23%
Weyerhaeuser Company	Wood Products	1,285,432	144,937,084	0.45%
Subtotal - ten of County's largest taxpayers			1,926,148,343	5.97%
All other County's largest taxpayers			30,341,034,074	94.03%
Total County			32,267,182,417	100.00%

(1) Tax amount is the total tax paid by the taxpayer within the boundaries of the District and County, respectively. This amount is distributed to individual local governments by the County. A breakdown of amount paid to each individual local government is not available.

(2) Assessed value does not exclude offsets such as urban renewal and farm tax credits

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY
STATE REGULATIONS**



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

Board of Directors
South Lane School District No. 45J3
Cottage Grove, Oregon 97424

We have audited the basic financial statements of South Lane School District No. 45J3 as of and for the year ended June 30, 2018, and have issued our report thereon dated January 7, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether South Lane School District No. 45J3's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

Deposit of public funds with financial institutions (ORS Chapter 295)

Indebtedness limitations, restrictions, and repayment

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

State school fund factors and calculation

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be significant deficiencies or material weaknesses, as defined above. 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.

This report is intended solely for the information and use of the board of directors and management of South Lane School District No. 45J3 and the Oregon Secretary of State, and is not intended to be, and should not be used by anyone other than these parties.


Accuity, LLC

January 7, 2019

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

SUPPLEMENTAL INFORMATION REQUIRED BY OREGON DEPARTMENT OF EDUCATION

For the Year Ended June 30, 2018

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

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

	Objects 325 and 326
Function 2540	\$ 527,088
Function 2550	\$ 16,361

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

\$ 1,349

Exclude these functions: Exclude these functions:

1113, 1122, and 1132	Co-curricular Activities	4150	Construction
1140	Pre-Kindergarten	2550	Pupil Transportation
1300	Continuing Education	3100	Food Service
1400	Summer School	3300	Community Services

SINGLE AUDIT SECTION

SOUTH LANE SCHOOL DISTRICT NO. 45J3
LANE COUNTY OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

<u>Program Title</u>	<u>Pass Through Organization</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Education:					
Title I, Part A Cluster	Oregon Department of Education	84.010	45700	\$ 700,849	
	Oregon Department of Education	84.010	41164	76,283	
Total Title I, Part A Cluster				<u>777,132</u>	<u>n/a</u>
Title IIA - Teacher Quality	Oregon Department of Education	84.367	45915	\$ 102,362	
	Oregon Department of Education	84.367	41419	15,551	
Total Title IIA - Teacher Quality				<u>117,913</u>	<u>n/a</u>
Special Education Cluster	Oregon Department of Education	84.027	45263	\$ 514,255	
	Oregon Department of Education	84.027	41625	53,817	
	Oregon Department of Education	84.027	45508	2,677	
	Oregon Department of Education	84.027	40684	2,484	
	Oregon Department of Education	84.027	37256	3,264	
	Oregon Department of Education	84.027	44501	1,101	
	Oregon Department of Education	84.027	46547	4,710	
	Oregon Department of Education	84.027	42761	3,062	
	Oregon Department of Education	84.027	45082	97	
Total Special Education Cluster				<u>585,467</u>	<u>n/a</u>
Title IVA - Student Support	Oregon Department of Education	84.424	47829	\$ 15,679	
Total Title IVA - Student Support				<u>15,679</u>	<u>n/a</u>
Carl D. Perkins - Basic	Lane Educational Service District	84.048	N/A	\$ 19,772	
Total Carl D. Perkins - Basic				<u>19,772</u>	<u>n/a</u>
Youth Transition Program	Lane Educational Service District	84.126A	N/A	\$ 37,353	
Total Youth Transition Program				<u>37,353</u>	<u>n/a</u>
Gear Up Program - Regular	Oregon University System	84.334	ED159A-R	\$ 24,902	
Total Gear Up Program - Regular				<u>24,902</u>	<u>n/a</u>
Total U.S. Department of Education				<u>1,578,218</u>	<u>n/a</u>

SOUTH LANE SCHOOL DISTRICT NO. 45J3
LANE COUNTY OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

(Continued)

<u>Program Title</u>	<u>Pass Through Organization</u>	<u>Federal CFDA Number</u>	<u>Through Pass Through Entity Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Labor:					
WIA Cluster	US Department of Labor	17.259	31061	\$ 157,603	
	Bureau of Land Management	17.259	1126	1,721	
	US Army Corps of Engineers	17.259	W9127N-16-2-0004-0001	1,954	
	US Army Corps of Engineers	17.259	W9127N-11-2-0001-0004	-	
Total WIA Cluster				<u>161,278</u>	<u>n/a</u>
Total U.S. Department of Labor				<u>161,278</u>	<u>n/a</u>
U.S. Department of Health & Human Services:					
Child Care and Development Block Grant	Oregon Employment Department	93.575	9980	\$ 5,937	
Total U.S. Department of Health & Human Services				<u>5,937</u>	<u>n/a</u>
U.S. Department of Agriculture:					
Child Nutrition Cluster:					
Donated Commodities (Non-Cash Assist)	Oregon Department of Education	10.553/555	N/A	85,381	
School Breakfast Program	Oregon Department of Education	10.553	N/A	294,537	
National School Lunch Program	Oregon Department of Education	10.555	N/A	642,332	
Total Child Nutrition Cluster				<u>1,022,250</u>	<u>n/a</u>
Farm to School	Oregon Department of Education	10.575	40085	\$ 25,360	
Fresh Fruit and Vegetable Program	Oregon Department of Education	10.582	N/A	\$ 97,344	
Schools and Roads	Lane County	10.665	N/A	\$ 118,822	
Umpqua Forest	Umpqua National Forest	10.679	13-PA-11061500-008	\$ 23,362	
				<u>264,888</u>	<u>n/a</u>
Total U.S. Department of Agriculture				<u>1,287,138</u>	<u>n/a</u>
U.S. Department of the Interior:					
Secure Rural Schools	Bureau of Land Management	15.234	L12AC20527-2	\$ 14,960	
Total Grants Expended or Passed Through to Subrecipients				<u>3,047,531</u>	<u>n/a</u>

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

I. PURPOSE OF SCHEDULE

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of South Lane School District No. 45J3's under programs of the federal government for the year ended June 30, 2018. 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 Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of South Lane School District No. 45J3, it is not intended to and does not present the financial position, changes in net position, or cash flows of South Lane School District No. 45J3.

II. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. South Lane School District No. 45J3 has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

B. Federal Financial Assistance

Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, non-monetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the schedule of expenditures of federal awards, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

C. Major Programs

The Uniform Guidance establishes criteria to be used in defining major federal financial assistance programs. Major programs for the District are those programs selected for testing by the auditor using a risk assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance.

D. Reporting Entity

The reporting entity is fully described in the notes to the District's basic financial statements. Additionally, the schedule of expenditures of federal awards includes all federal programs administered by the District for the year ended June 30, 2018.

E. Revenue and Expenditure Recognition

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting.



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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
South Lane School District No. 45J3
Cottage Grove, Oregon 97424

We have audited 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, the financial statements of the governmental activities, the business-type activities, and each major fund of South Lane School District No. 45J3 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 7, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be 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 South Lane School District No. 45J3's financial statements are free of 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Accuity, LLC

Albany, Oregon
January 7, 2019



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
South Lane School District No. 45J3
Cottage Grove, Oregon 97424

Report on Compliance for Each Major Federal Program

We have audited South Lane School District No. 45J3 compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, South Lane School District No. 45J3 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of South Lane School District No. 45J3 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This 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.



Accuity, LLC

Albany, Oregon
January 7, 2019

SOUTH LANE SCHOOL DISTRICT NO. 45J3
Cottage Grove, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's opinion issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.010	Title I, Part A

Dollar threshold used to distinguish between Type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes