

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
Phoenix, Oregon**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2016

WITH

INDEPENDENT AUDITOR'S REPORTS



A Kosmatka, Donnelly, and Piels Company
640 Superior Court, Medford, OR 97504

JACKSON COUNTY SCHOOL DISTRICT NO. 4
Phoenix, Oregon
June 30, 2016

BOARD OF DIRECTORS AS OF JUNE 30, 2016

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

ADMINISTRATIVE OFFICE:

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

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

JACKSON COUNTY SCHOOL DISTRICT NO. 4
Phoenix, Oregon
June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Jackson County School District No. 4 (the District), Oregon, as of and for the year ended June 30, 2016, 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 presentation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress (other postemployment benefits), certain pension schedules, and the general fund and special revenue major governmental funds budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to management's discussion and analysis, the schedule of funding progress (other postemployment benefits) and pension schedules in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on management's discussion and analysis, the schedule of funding progress (other postemployment benefits) and pension schedules because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The general fund and special revenue major governmental funds budgetary comparison information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general fund and special revenue major governmental funds budgetary comparison information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information

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

The other supplementary information and schedule of expenditures of federal awards is the responsibility of management and was derived from, and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards and Oregon State Regulations

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, 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 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.

In accordance with Oregon State Regulation, we have also issued our report dated December 15, 2016 on our consideration of the District's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.

Stewart C. Parmele, CPA, Partner

Stewart C. Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 15, 2016

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

As management of Jackson County School District No. 4 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here.

Financial Highlights

- In the government-wide statements, the liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at June 30, 2016 by \$3.40 million (net position).
- The District's net investment in capital assets is \$14.03 million. The District has a net position restricted for scholarships and debt service of \$729 thousand.
- The District's total net position decreased by \$3.105 million. In the prior year, the District's total net position increased by \$4.78 million. The District's total expenditures increased from the prior year, \$24.10 million to \$33.79 million. The \$9.69 million expenditure increase, is due primarily to a \$5.60 million pension expense adjustment, and a prior year pension adjustment reported as a reduction to expense of \$2.68 million. In addition, District revenues increased from the prior year, \$28.88 to \$30.68 million.
- The District's governmental funds report combined ending fund balance of \$4.09 million, an increase of \$1.10 million in comparison with the prior year. Approximately 46 percent of this total amount, \$1.88 million, is available for spending at the District's discretion. A \$454 thousand State School Fund revenue deduction is expected in 2016-17 due to higher than expected property taxes received in 2015-16, which negatively affected funding for 2016-17.
- At the end of the fiscal year, fund balance for the general fund was \$2.16 million, up from \$1.25 million in the prior year, an increase of \$914 thousand. This increase includes a State School Fund revenue positive adjustment from 2014-15 of \$382 thousand. Total fund balance in the General Fund represented about 8.90 percent of total General Fund expenditures, up from 5.31 percent in the prior year.
- The District's total liabilities and deferred inflows increased by \$3.78 million during the 2015-16 fiscal year. The major reason for this increase was the inclusion of net pension liabilities of \$6.66 million. In contrast, the prior year Statement of Net Position reflected net pension assets of \$2.96 million.

Overview of the Financial Statements

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

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

Government-wide financial statements

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

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Overview of the Financial Statements (continued)

Government-wide financial statements continued

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

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

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

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

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

Fund financial statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide Statements of Net Position and Activities, respectively.

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

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

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Overview of the Financial Statements (continued)

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 7 through 28 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This Management's Discussion and Analysis, is considered required supplementary information. Other required supplementary information displaying budgetary comparison schedules for all governmental funds can be found on pages 29 to 32 of this report.

Government-wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$3.40 million at June 30, 2016. At June 30, 2015, District liabilities and deferred inflows of resources were greater than assets and deferred outflows of resources by \$297 thousand.

Capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent about 66 percent of total assets and deferred outflows. The remaining assets consist mainly of investments, cash, grants and property taxes receivable, and deferred outflows related to pensions. At June 30, 2015, capital assets represented approximately 70 percent of total assets and deferred outflows.

The District's largest liability (89 percent) is for the repayment of long-term debt and obligations including general obligation and limited tax pension bonds, and post-employment benefit and pension obligations. Current liabilities, representing about 11 percent of the District's total liabilities and deferred inflows, consist almost entirely of payables on accounts, salaries and benefits, and the current portion of long-term debt. In the prior year, the repayment of general obligation and limited tax pension bonds, and post-employment and pension obligations was also the District's largest liability while current liabilities represented about 12 percent of total liabilities and deferred inflows.

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

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Government-wide Financial Analysis (continued)

Statement of Net Position (continued)

	Governmental Activities		Increase (Decrease)
	June 30, 2016	June 30, 2015	From June 30, 2015
Assets:			
Current assets	\$ 6,308	\$ 5,017	\$ 1,291
Other assets	-	2,955	(2,955)
Capital assets	20,431	21,180	(749)
Total assets	26,739	29,152	(2,413)
Deferred outflows	4,158	1,070	3,088
Total assets and deferred outflows	30,897	30,222	675
Liabilities:			
Current liabilities	3,796	3,512	284
Other liabilities	6,660	-	6,660
Long-term liabilities	19,072	21,305	(2,233)
Total liabilities	29,528	24,817	4,711
Deferred inflows	4,771	5,702	(931)
Total liabilities and deferred inflows	34,299	30,519	3,780
Net position:			
Net investment in capital assets	14,035	13,135	900
Restricted for debt service	729	680	49
Unrestricted	(18,166)	(14,112)	(4,054)
Total net position	\$ (3,402)	\$ (297)	\$ (3,105)

During the current fiscal year, the District's net position decreased by \$3.105 million.

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Government-wide Financial Analysis (continued)

Governmental activities

As previously stated, most District activities are governmental in nature, and during the current fiscal year, the District's net position decreased by \$3.105 million. The key elements of the change in the District's net position for the year ended June 30, 2016 are as follows:

	<u>Governmental Activities</u>		Increase (Decrease)
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	From <u>June 30, 2015</u>
Revenues:			
Program revenues:			
Charges for services	\$ 879	\$ 872	\$ 7
Operating grants and contributions	2,641	2,696	(55)
General revenues:			
Property taxes	9,617	8,961	656
Construction excise tax	161	145	16
State school fund - general support	16,797	15,734	1,063
Common school fund	313	252	61
Federal forest fees	41	43	(2)
Earnings on investments	51	33	18
Other	180	143	37
Total revenues	<u>30,680</u>	<u>28,879</u>	<u>1,801</u>
Expenses:			
Instruction	18,716	12,400	6,316
Support services	11,778	8,600	3,178
Enterprise and community services	1,511	1,084	427
Facilities acquisition and construction	1	-	1
Unallocated depreciation	895	902	(7)
Fees and Interest on long-term debt	885	1,118	(233)
Total expenses	<u>33,786</u>	<u>24,104</u>	<u>9,682</u>
Change in net position	<u>\$ (3,106)</u>	<u>\$ 4,775</u>	<u>\$ (7,881)</u>

- Program revenues decreased by \$48 thousand in 2015-16 mainly due to a decrease in operating grants and contributions.
- General revenues increased by \$1.80 million in 2015-16 due to increases from property taxes and state school fund.
- Instruction, support services and enterprise and community services expenses increased by \$9.92 million due primarily to a \$5.60 million PERS pension expense recognized this year, and a prior year net pension adjustment of \$2.68 million recognized as a reduction to expense.

Financial Analysis of the District's Funds

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

Governmental funds

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

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Financial Analysis of the District's Funds (continued)

Governmental funds continued

At June 30, 2016, the District's governmental funds reported combined ending fund balances of \$4.09 million, an increase of \$1.10 million in comparison with the prior year. About \$1.88 million (46 percent) of the ending fund balance constitutes *unassigned ending fund balance*, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the District. As of June 30, 2016, fund balance was \$2.16 million, up from \$1.25 million in the prior year. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 8.90 percent of total General Fund expenditures. The fund balance increased by \$914 thousand during the current fiscal year.

The Special Revenue Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes. As of June 30, 2016, the District has a total fund balance of \$1.81 million. In the prior year total fund balance was \$1.67 million.

The Debt Service Fund has a total fund balance of \$114 thousand, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year was \$49 thousand.

General Fund Budgetary Highlights

Original budget compared to final budget. During 2015-16 there were two budget appropriation transfers within the General Fund to reallocate funds to cover higher than anticipated expenses in instruction and support services.

Final budget to actual results

The most significant difference between estimated and actual revenue was the revenue received from state and local sources. Estimated revenues were \$23.89 million and actual revenue was \$25.24 with a difference of \$1.35 million. The State School Funding was higher than anticipated including a prior year adjustment. Property taxes were also higher than estimated.

Capital Asset and Debt Administration

Capital assets

The District's investment in capital assets includes land, buildings and improvements, and vehicles and equipment. As of June 30, 2016, the District had invested over \$20.43 million in capital assets, net of depreciation, as shown in the following table:

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>From June 30, 2015</u>
Capital assets (net of depreciation):			
Land	\$ 2,188,639	\$ 2,188,639	\$ -
Construction in progress	39,882	48,050	(8,168)
Buildings and improvements	17,140,794	17,782,018	(641,224)
Vehicles and equipment	1,061,963	1,160,956	(98,993)
Total capital assets	<u>\$ 20,431,278</u>	<u>\$ 21,179,663</u>	<u>\$ (748,385)</u>

During the year, the District's investment in capital assets, net of depreciation, decreased by nearly \$748 thousand. The District's current year depreciation expense was approximately \$895 thousand.

Additional information of the District's capital assets can be found in Note 1 on page 10 and Note 4 on page 14 of this report.

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Capital Asset and Debt Administration continued

Long-term debt

At the end of the current fiscal year, the District had total bonded debt outstanding of \$19.59 million, consisting of general obligation debt net of unamortized premium/discount, compared to about \$21.68 million in the prior year.

During the current year, the District's total debt decreased by \$2.09 million (11 percent), a result of current year principal payments made.

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

Additional information on the District's long-term debt can be found in Note 1 on page 10 and Note 7 on pages 15-17 of this report.

Economic Factors and Next Year's Budget

The most significant economic factors for the District are the State of Oregon's School Fund formula and property taxes. For the year ended June 30, 2016 these two areas provided 87 percent of the District's revenues. Past state wide revenue shortfalls have made funding in subsequent years uncertain, especially when considering that enrollment declined slightly the past three years.

A State School Fund revenue deduction of \$454 thousand is expected in 2016-2017 due to higher than expected property taxes received in 2015-2016 that were not deducted from the State School Fund formula for 2015-2016.

Salaries and benefit costs are expected to increase slightly in 2016-2017 based on current contractual obligations.

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

The District's Budget Committee and School Board considered these factors while preparing the budget for the 2016-2017 fiscal year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS:	
ASSETS:	
Cash and investments	\$ 4,511,005
Receivables	1,492,850
Prepaid expenses	287,831
Inventories	15,788
Capital assets, net	
Land	2,188,639
Construction in progress	39,882
Buildings and improvements	17,140,794
Machinery and equipment	1,061,963
TOTAL ASSETS	26,738,752
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows related to pensions	4,158,227
TOTAL ASSETS AND DEFERRED OUTFLOWS	30,896,979
LIABILITIES AND DEFERRED INFLOWS:	
LIABILITIES:	
Accounts payable	197,934
Accrued payroll liabilities	1,198,317
Accrued interest payable	35,345
Unearned revenue	128,504
Net pension liabilities	6,659,694
Other post employment benefit obligation	1,721,787
Bonds payable, net of unamortized premium/discount	
Due within one year	2,236,914
Due in more than one year	17,349,743
TOTAL LIABILITIES	29,528,238
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	4,771,217
TOTAL LIABILITIES AND DEFERRED INFLOWS	34,299,455
NET POSITION:	
Net investment in capital assets	14,034,621
Restricted	729,441
Unrestricted	(18,166,538)
TOTAL NET POSITION	\$ (3,402,476)

See notes to basic financial statements

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 18,715,518	\$ 609,327	\$ 929,282	\$ (17,176,909)
Supporting services	11,777,671	55,605	653,473	(11,068,593)
Enterprise & community services	1,511,311	214,205	1,058,020	(239,086)
Facilities acquisition and construction	651	-	-	(651)
Fees and interest on long-term debt	885,381	-	-	(885,381)
Unallocated depreciation	895,269	-	-	(895,269)
Total government activities	\$ 33,785,801	\$ 879,137	\$ 2,640,775	\$ (30,265,889)

General revenues:

Property taxes levied for general purposes	7,833,149
Property taxes levied for debt service	1,783,482
Construction excise tax	160,830
Contributions	5,833
Earnings on investments	51,065
State school fund - general support	16,796,944
Common school fund	312,975
Federal forest fees	41,396
Miscellaneous	174,599
Total general revenues	27,160,273
CHANGE IN NET POSITION	(3,105,616)
NET POSITION - July 1, 2015	(296,860)
NET POSITION - June 30, 2016	\$ (3,402,476)

FUND FINANCIAL STATEMENTS

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Special Revenue Fund	Debt Service Fund	Total
ASSETS				
Cash and investments	\$ 2,776,456	\$ 1,641,751	\$ 92,798	\$ 4,511,005
Receivables	851,669	500,437	140,744	1,492,850
Prepays	282,200	5,631	-	287,831
TOTAL ASSETS	\$ 3,910,325	\$ 2,147,819	\$ 233,542	\$ 6,291,686
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 89,211	\$ 108,723	\$ -	\$ 197,934
Accrued payroll liabilities	1,097,468	100,849	-	1,198,317
Unearned revenue	-	128,504	-	128,504
TOTAL LIABILITIES	1,186,679	338,076	-	1,524,755
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	559,418	-	119,357	678,775
TOTAL DEFERRED INFLOWS	559,418	-	119,357	678,775
Fund Balances:				
Nonspendable	282,200	5,631	-	287,831
Restricted for scholarships	-	615,256	-	615,256
Restricted for debt service	-	-	114,185	114,185
Assigned	-	1,188,856	-	1,188,856
Unassigned	1,882,028	-	-	1,882,028
TOTAL FUND BALANCES	2,164,228	1,809,743	114,185	4,088,156
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,910,325	\$ 2,147,819	\$ 233,542	\$ 6,291,686

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2016**

TOTAL FUND BALANCES		\$ 4,088,156
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 44,846,410	
Accumulated depreciation	<u>(24,415,132)</u>	20,431,278
The asset (liability) associated with the District's pension (OPERS) is not recorded in the governmental funds as it is not available nor payable currently.		(6,659,694)
In the governmental funds, inventory is accounted for under the purchase method and the current value is not reported in the fund balance sheet.		15,788
A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.		678,775
The net deferred outflow/(inflow) associated with the District's pension (OPERS) is not recorded in the governmental funds as it is not available nor payable currently.		(612,990)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather recognized as an expenditure when due. These liabilities consist of:		
Accrued interest payable		(35,345)
Bonds payable, net of bond premium		(19,586,657)
The other post employment benefit liability obligation is not reported with the governmental funds.		<u>(1,721,787)</u>
TOTAL NET POSITION		<u><u>\$ (3,402,476)</u></u>

JACKSON COUNTY SCHOOL DISTRICT NO. 4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Total
REVENUES				
Property taxes and other taxes	\$ 7,798,578	\$ 160,830	\$ 1,768,256	\$ 9,727,664
Intergovernmental	17,151,315	2,575,602	-	19,726,917
Charges for services	131,038	725,249	-	856,287
Local grants and contributions	-	64,573	-	64,573
Investment earnings	38,689	6,742	5,634	51,065
Miscellaneous	120,235	90,884	-	211,119
TOTAL REVENUES	25,239,855	3,623,880	1,773,890	30,637,625
EXPENDITURES				
Current				
Instruction	13,873,256	1,427,010	-	15,300,266
Support services	9,197,673	627,759	-	9,825,432
Enterprise and community services	-	1,285,811	-	1,285,811
Debt service	1,255,160	-	1,724,962	2,980,122
Facilities and acquisition	-	147,280	-	147,280
TOTAL EXPENDITURES	24,326,089	3,487,860	1,724,962	29,538,911
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	913,766	136,020	48,928	1,098,714
NET CHANGE IN FUND BALANCE	913,766	136,020	48,928	1,098,714
FUND BALANCE, July 1, 2015	1,250,462	1,673,723	65,257	2,989,442
FUND BALANCE, June 30, 2016	\$ 2,164,228	\$ 1,809,743	\$ 114,185	\$ 4,088,156

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

NET CHANGE IN FUND BALANCE		\$ 1,098,714
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Government funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Expenditures for capital assets	\$ 154,124	
Loss in disposal of assets	(7,240)	
Less current year depreciation	<u>(895,269)</u>	(748,385)
<p>The issuance on long-term debt provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Debt principal repaid		2,088,000
<p>Governmental funds report the effect of premiums, deferred charges and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences:</p>		
Amortization of premium (discount)		4,915
<p>In the Statement of Activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as an interest expense when due.</p>		
Interest paid	887,208	
Interest expense	<u>(885,381)</u>	1,827
<p>Governmental funds do not report inventory balances under the purchase method of accounting for inventory while the Statement of Net Position does. This is the change in inventory in the current period.</p>		
		(1,511)
<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>		
		49,798
<p>Governmental funds report pension contributions as expenditures. In the statement of activities, the cost of pension benefits earned (actuarially determined) net of employee contributions is reported as either pension expense or income. This is the net change in pension related items.</p>		
		(5,595,895)
<p>The change in the net post employment benefit obligation is not recognized in the governmental funds.</p>		
		(3,079)
CHANGE IN NET POSITION		<u><u>\$ (3,105,616)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies

The Reporting Entity

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

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

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

Basis of Presentation

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

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

Measurement Focus and Basis of Accounting

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

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

In addition to assets, the statements of financial position (government-wide) and the balance sheet (governmental funds) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one type of deferred outflow, which arises only under the full accrual basis of accounting (i.e. government-wide financials) that qualifies for reporting in this category. Accordingly, the item, a deferred amount related to pensions is reported only in the government-wide statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of deferred inflow, which arises only under the 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 District has one type of deferred inflow which arises only under the full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, deferred amounts related to pensions, is reported in the government-wide statement of net position.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

Cash, Cash Equivalents and Investments

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

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

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

Property Taxes Receivable

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

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

Accounts and Other Receivables

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

Grants

Unreimbursed grant expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Grant monies received prior to the occurrence of qualifying expenditures are recorded as deferred revenue.

Inventories

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

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

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets

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

Buildings and improvements - 50 years
Equipment - 3 to 15 years

Post Employment Health Care Benefits

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

Retirement Plans

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

Compensated Absences

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

Long-term Debt

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

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

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position/Fund Balance

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

- a. *Net investment in capital assets* – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources related to those assets.
- b. *Restricted net position* – consists of net position with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position is reduced by liabilities and deferred inflows or resources related to the restricted assets.
- c. *Unrestricted net position* – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

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

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

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

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

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

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

Budget

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

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

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers within a fund between the levels of control (major function levels) with Board approval.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Note 2 - Cash and Investments

Cash and investments are comprised of the following as of June 30, 2016:

Petty cash	\$	253
Deposits with financial institutions:		
Demand deposits		979,189
Local Government Investment Pool		3,531,563
Total cash and investments	<u>\$</u>	<u>4,511,005</u>

Deposits. The Governmental Accounting Standards Boards has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the District at June 30, 2016. If bank deposits at year end are not entirely insured or collateralized with securities held by the District or by its agent in the District's name, the District must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits. For the fiscal year ended June 30, 2016, the carrying amounts of the District deposits in various financial institutions were \$979,189 and the bank balances were \$1,229,451. All deposits are held in the name of the District. Of the bank balance, \$869,308 is not covered by federal depository insurance. However, the balance is covered by the State of Oregon shared liability structure for participating bank depositories in Oregon.

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

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

Investments. The District has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2016. The Oregon Short-term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 2 - Cash and Investments (continued)

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

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

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

State of Oregon statutes restrict the types of investments in which the District may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool. As of June 30, 2016 and for the year then ended, the District was in compliance with the aforementioned State of Oregon statutes.

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

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

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

<u>Investment Type</u>	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Fair Value</u>
Local Government Investment Pool	1 day	100%	<u>\$ 3,531,563</u>

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 3 - Receivables

Receivables are comprised of the following as of June 30, 2016:

	Property Taxes	Grants	Other	Total
General Fund	\$ 657,956	\$ -	\$ 193,713	\$ 851,669
Special Revenue Fund	-	500,437	-	500,437
Debt Service Fund	140,744	-	-	140,744
	<u>\$ 798,700</u>	<u>\$ 500,437</u>	<u>\$ 193,713</u>	<u>\$ 1,492,850</u>

Note 4 - Capital Assets

The changes in capital assets for the year ended June 30, 2016 are as follows:

	Balance July 1, 2015	Additions	Disposals / Transfers	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 2,188,639	\$ -	\$ -	\$ 2,188,639
Construction in progress	48,050	31,432	(39,600)	39,882
Total capital assets not being depreciated	<u>\$ 2,236,689</u>	<u>\$ 31,432</u>	<u>\$ (39,600)</u>	<u>\$ 2,228,521</u>
Capital assets being depreciated:				
Building & Improvements	\$ 35,330,991	\$ 115,197	\$ 39,600	\$ 35,485,788
Equipment/Fixtures/Vehicles	7,139,851	7,495	(15,245)	7,132,101
Total capital assets being depreciated	<u>\$ 42,470,842</u>	<u>\$ 122,692</u>	<u>\$ 24,355</u>	<u>\$ 42,617,889</u>
Less accumulated depreciation for:				
Building & Improvements	\$ (17,548,973)	\$ (796,021)	\$ -	\$ (18,344,994)
Equipment/Fixtures/Vehicles	(5,978,895)	(99,248)	8,005	(6,070,138)
Total accumulated depreciation	<u>\$ (23,527,868)</u>	<u>\$ (895,269)</u>	<u>\$ 8,005</u>	<u>\$ (24,415,132)</u>
Total capital assets (net)				
Land	\$ 2,188,639	\$ -	\$ -	\$ 2,188,639
CIP	48,050	31,432	(39,600)	39,882
Building & Improvements	17,782,018	(680,824)	39,600	17,140,794
Equipment/Fixtures/Vehicles	1,160,956	(91,753)	(7,240)	1,061,963
Total capital assets (net)	<u>\$ 21,179,663</u>	<u>\$ (741,145)</u>	<u>\$ (7,240)</u>	<u>\$ 20,431,278</u>

Unallocated depreciation expense for fiscal year 2016 totaled \$895,269.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 5 - Unavailable/Unearned Revenues

Governmental funds report unavailable revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Government-wide financial statements report unearned revenue in connection with resources that have been received but not yet earned. At June 30, 2016, the various components consisted of the following:

	Unavailable	Unearned	Total
General Fund			
Property Taxes	\$ 559,418	\$ -	\$ 559,418
Special Revenue Fund			
Grants	-	128,504	128,504
Debt service fund			
Property taxes	119,357	-	\$ 119,357
Total inflows/unearned revenue	\$ 678,775	\$ 128,504	\$ 807,279

Note 6 - Operating Leases

The District leases copiers under non-cancellable operating leases. Total costs for such leases were \$43,613 for the fiscal year ended June 30, 2016. The future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30	Amount
2017	\$ 37,133
2018	29,998
2019	25,321
2020	17,958
2021	3,481
Total	\$ 113,891

Note 7 - Long-Term Debt

General Obligation Bonds

On April 15, 2001, the District issued a general obligation bond for \$16,200,000 bearing an interest rate of 4.00%, payable semiannually. The proceeds from the sale of the bonds were used to finance the costs of capital construction and capital improvements.

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

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

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 7 - Long-Term Debt (continued)

Principal payments are due annually on June 15 and interest payments are due semiannually on June 15 and December 15. The bonds mature in 2020 and carry an annual interest rate that varies from 2-3%.

Fiscal Year Ending June 30	Principal	Interest	Total	Interest Rate
2017	\$ 5,000	\$ 72,594	\$ 77,594	2.000%
2018	10,000	72,494	82,494	3.000%
2019	1,635,000	72,194	1,707,194	3.000%
2020	805,000	23,143	828,143	2.875%
Total	\$ 2,455,000	\$ 240,425	\$ 2,695,425	

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

Fiscal Year Ending June 30	Principal	Interest	Total	Interest Rate
2017	\$ 1,645,000	\$ 46,571	\$ 1,691,571	1.31%
2018	1,720,000	25,021	1,745,021	1.31%
2019	190,000	2,489	192,489	1.31%
Total	\$ 3,555,000	\$ 74,081	\$ 3,629,081	

Pension Obligation Bond

On February 6, 2004, the District entered into an agreement to participate in the Oregon School Board Association Limited Tax Pension Bonds. Bonds were issued in the amount of \$14,895,000, bearing an interest rate of 3.25% to 5.53%, payable semiannually. The bonds mature in 2028. The bonds maturing in the years 2016 through 2028 shall be subject to optional prepayment, in whole or in part on any date, at a prepayment price equal to par plus accrued interest.

Fiscal Year Ending June 30	Principal	Interest	Total	Interest Rate
2017	\$ 525,000	\$ 720,824	\$ 1,245,824	5.123%
2018	615,000	693,928	1,308,928	5.223%
2019	715,000	661,807	1,376,807	5.323%
2020	825,000	623,747	1,448,747	5.373%
2021	940,000	579,420	1,519,420	5.432%
2022-2026	6,825,000	1,975,675	8,800,675	5.473% - 5.528%
2027-2028	2,745,000	199,837	2,944,837	5.528%
Total	\$ 13,190,000	\$ 5,455,238	\$ 18,645,238	

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 7 - Long-Term Debt (continued)

OSBA FlexFund Obligation Bond

On October 30, 2012, the District entered into an agreement to participate in the Oregon School Boards Association (OSBA) FlexFund Program. Bonds were issued in the amount of \$602,000, bearing an interest rate of .75% to 3.0%, payable semiannually. The bonds mature in 2022. The bonds maturing in the years 2014 through 2017 are not subject to redemption prior to maturity. The bonds maturing on or after the year 2018 are subject to redemption from the proceeds of the optional prepayment of the Installment Financing Agreement. The Installment Financing Agreement is subject to optional prepayment by the Issuer, in whole or in part on any date, on and after June 1, 2017 at the price of par plus accrued interest, if any, to the date of redemption.

Fiscal Year Ending June 30	Principal	Interest	Total	Interest Rate
2017	\$ 57,000	\$ 8,288	\$ 65,288	1.600%
2018	57,000	7,376	64,376	1.800%
2019	62,000	6,350	68,350	2.000%
2020	62,000	5,110	67,110	2.375%
2021	62,000	3,638	65,638	2.625%
2022	67,000	2,010	69,010	3.000%
Total	\$ 367,000	\$ 32,772	\$ 399,772	

The changes in unmatured bond principal for the year ended June 30, 2016 are as follows:

	Original Issue	Outstanding July 1, 2015	Matured and Redeemed	Outstanding June 30, 2016
General Obligation Bonds				
2011 Series	\$ 2,490,000	\$ 2,460,000	\$ (5,000)	\$ 2,455,000
2015 Series	5,237,000	5,135,000	(1,580,000)	3,555,000
Total General Obligation	\$ 7,727,000	\$ 7,595,000	\$ (1,585,000)	\$ 6,010,000
Pension Obligation Bond				
2004 Series	\$ 14,895,000	\$ 13,635,000	\$ (445,000)	\$ 13,190,000
Total Pension Obligation	\$ 14,895,000	\$ 13,635,000	\$ (445,000)	\$ 13,190,000
OSBA FlexFund Obligation Bond				
2012 Series	\$ 602,000	\$ 425,000	\$ (58,000)	\$ 367,000
Total OSBA FlexFund Obligation	\$ 602,000	\$ 425,000	\$ (58,000)	\$ 367,000
Total Long Term Debt	\$ 23,224,000	\$ 21,655,000	\$ (2,088,000)	\$ 19,567,000
Unamortized Premium / (Discount)		\$ 24,572	\$ (4,915)	\$ 19,657
		\$ 21,679,572	\$ (2,092,915)	\$ 19,586,657

Interest paid on the above debt was \$892,123 and interest expense for the current fiscal year is \$885,381.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 8 - Permanently Restricted Net Position/Fund Balance

During the year ended June 30, 2009 the Fletcher Fish Memorial Scholarship fund (Scholarship fund) was established in the amount of \$612,555. The contribution is permanently restricted by the donor. Only the income from the fund shall be used to award scholarships to Phoenix High School graduates attending postsecondary educational institutions and shall be awarded based on academic accomplishments and financial need. Two scholarships may be awarded annually. At June 30, 2016 the balance of the Scholarship fund is \$615,256. The Scholarship fund is currently invested in the Local Government Investment Pool earning average interest rate of 0.875%.

Note 9 - Other Post-Employment Benefits

The District maintains two separate retiree benefit plans for certain retirees who were hired before July 1, 2003; a Medical benefit and a Stipend benefit. Retirees who are eligible must choose between either the Medical benefits or the Stipend benefit; they cannot receive both.

Post-Employment Health Insurance Subsidy

Plan Description. The District provides a single-employer defined benefit post-retirement health benefits program. This program covers all eligible full-time confidential, classified and administrative personnel of the District. This program was established in accordance with various employment contracts. No separate audited GAAP-basis report is issued related to this program. The program covers employees who have qualified for early retirement to receive health insurance benefits if employed by the District prior to July 1, 2003 and retire with at least 10 years of continuous service for Confidential employees, at least 20 years of continuous service for Classified employees and at least 15 years of experience for Administrative employees. Medical benefit is paid for eight years or until Medicare eligibility, whichever comes first. The benefit amount is the paid health care coverage currently being received by active employees. District contributions for Administrative and Confidential retirees are capped at \$1,602 per month, and Classified retirees are capped at \$1,166 per month. These caps are expected to inflate in future years.

Funding Policy. During fiscal year 2016 the District recognized, on a budgetary basis, expenditures of approximately \$110,520 for the post-employment healthcare benefits. The benefits from this program are paid by the District based on bargaining agreement language and contributions by employees may be required. The plan is not accounted for in a pension trust fund; therefore designated funds are not legally restricted to pay future benefits.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is reflected on the Statement of Net Position on the accrual basis, and is calculated on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over an open period of six years as a level percentage of payroll.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 9 - Other Post-Employment Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2016, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual Required Contribution (ARC)	\$ 145,207
Interest on Net OPEB Obligation	19,044
Adjustment to ARC	<u>(81,247)</u>
Annual OPEB cost	83,004
Less: Contribution made	<u>(110,520)</u>
Increase (Decrease) in net OPEB obligation	(27,516)
Net OPEB obligation - beginning of year	<u>387,054</u>
Net OPEB obligation - end of year	<u><u>\$ 359,538</u></u>

The District's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB contributions for 2016 are as follows:

Fiscal Year	Annual Required Contribution	Contribution Made	Funded Ratio	Net OPEB Obligation
2016	\$ 145,207	\$ 110,520	76.1%	\$ 359,538
2015	140,978	141,262	100.2%	387,054
2014	160,491	148,794	92.7%	445,548

Actuarial methods and assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial assumptions included: (1) an assumed inflation rate of 2.5% and an assumed annual premium inflation rate of 6.5% per year in 2015-16 grading down to 5.0% in 15 years, (2) range of retirement age for employees with fewer than 15 years, between 15 and 30 years, and more than 30 years of service, (3) mortality rates for active participants (4) turnover and disability rates by age and years of service, as developed by Oregon PERS, (5) marital status, (6) coverage of eligible children, (7) and no investment return, due to lack of assets set aside to fund this program.

Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits. The schedule of funding progress is required to report the last three actuarial valuations, the July 1, 2010, 2012, and 2014 are the valuations prepared to date.

The Projected Unit Credit Method was the valuation method used to determine the District's OPEB liability. The Projected Unit Credit Method is comprised of two components: normal cost, and amortization payments. In its application of this method the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries and medical premiums) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 9 - Other Post-Employment Benefits (continued)

Actuarial methods and assumptions (continued)

The present value of benefits accrued in as of the valuation date is called the accrued liability. The difference between the accrued liability and the actuarial value of plan assets is called the unfunded actuarial accrued liability (UAAL). All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial data are amortized separately. In additions, all gains or losses may be amortized each year. The UAAL is being amortized as a level percentage of payroll over future open periods.

Funded Status and Funding Progress. As of July 1, 2014 (the most recent valuation report) the actuarial accrued liability for benefits was \$659,665, and the actuarial value of assets was \$0, resulting in a UAAL of \$659,665. The covered payroll (annual payroll of active employees covered by the plan) was \$11,043,818 for fiscal year 2015 and the ratio of the UAAL to the covered payroll was 5.97%. Using a 6-year amortization period the Annual Required Contribution (ARC) for 2016 was actuarially determined to be \$145,207.

STIPEND

Plan Description. The District provides a single-employer defined benefit early retirement supplement program until the participants are eligible for full Social Security benefits. The program covers employees who have qualified for early retirement if employed by the District prior to July 1, 2003 and retire with at least 10 years of continuous service for Confidential employees, at least 20 years of continuous service for Classified employees and at least 15 years of experience for Administrative employees. Licensed employees are covered if employed by District prior to June 20, 2003 as a licensed employee, and retire with at least 15 years of full-time experience with District, or at least 10 years of full-time experience and on Step 15 of the salary schedule. Stipend benefit is paid for eight years or until eligible for full Social Security Benefits, whichever comes first. The benefit amount varies by employee class. Administrative retiree may elect to receive compensation in lieu of medical insurance, in the amount equal to the medical premium cap. Classified retiree may elect to receive \$100.00 per month in lieu of the insurance benefit. Confidential retiree may elect to receive compensation in lieu of medical insurance, in the amount equal to the medical premium. Licensed retiree receives 2.65% of the base Licensed salary per month. This amount is allowed to inflate post-retirement.

Funding Policy. The District pays for all the benefits. The contributions are financed on a pay-as-you-go basis. During fiscal year 2016 the District recognized, on a budgetary basis, expenditures of approximately \$384,556 for the early retirement supplement program.

Annual Pension Cost and Net Pension Obligation. The District's annual pension cost (expense) is reflected on the Statement of Net Position on the accrual basis, and is calculated on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 (or funding excess) over a period not to exceed 6 years. An amortization base of 6 years was used due to the large number of retirees currently receiving a stipend benefit. Given the current population, the District expects that number to decrease in future years.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 9 - Other Post-Employment Benefits (continued)

Annual Pension Cost and Net Pension Obligation (continued)

The following table shows the components of the District's annual pension cost for the year ending June 30, 2016, the amount actually contributed to the plan, and changes in the District's net pension obligation.

Annual Required Contribution (ARC)	\$ 576,740
Interest on Net OPEB Obligation	49,473
Adjustment to ARC	<u>(211,062)</u>
Annual OPEB cost	415,151
Less: Contribution made	<u>(384,556)</u>
Increase (Decrease) in net OPEB obligation	30,595
Net OPEB obligation - beginning of year	<u>1,331,654</u>
Net OPEB obligation - end of year	<u><u>\$ 1,362,249</u></u>

The District's annual pension cost, the contribution, the percentage of annual pension cost contributed to the plan, and the net pension obligation for 2016 are as follows:

Fiscal Year	Annual Required Contribution	Contribution Made	Percentage Contributed	Net OPEB Obligation
2016	\$ 576,740	\$ 384,556	66.7%	\$ 1,362,249
2015	559,942	320,267	57.2%	1,331,654
2014	666,399	292,184	43.8%	1,014,401

Actuarial methods and assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial assumptions included: (1) an assumed inflation rate of 2.5%, (2) range of retirement age for employees with fewer than 15 years, between 15 and 30 years, and more than 30 years of service, (3) mortality rates for active participants (4) turnover and disability rates by age and years of service, as developed by Oregon PERS, (5) marital status, (6) coverage of eligible children, (7) and no investment return, due to lack of assets set aside to fund this program.

Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits. The schedule of funding progress is required to report the last three actuarial valuations, the July 1, 2010, 2012, and 2014 are the valuations prepared to date.

The Projected Unit Credit Method was the valuation method used to determine the District's pension liability. The Projected Unit Credit Method is comprised of two components: normal cost, and amortization payments. In its application of this method the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 9 - Other Post-Employment Benefits (continued)

Annual Pension Cost and Net Pension Obligation (continued)

The present value of benefits accrued in as of the valuation date is called the accrued liability. The difference between the accrued liability and the actuarial value of plan assets is called the unfunded actuarial accrued liability (UAAL). All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial data are amortized separately. In additions, all gains or losses may be amortized each year. The UAAL is being amortized as a level percentage of payroll over future open periods.

Funded Status and Funding Progress. As of July 1, 2014 (the most recent valuation report) the actuarial accrued liability for benefits was \$2,734,359, and the actuarial value of assets was \$0, resulting in a UAAL of \$2,734,359. The covered payroll (annual payroll of active employees covered by the plan) was \$11,043,818 for fiscal year 2015 and the ratio of the UAAL to the covered payroll was 24.76%. Using a 6-year amortization period the Annual Required Contribution (ARC) for 2016 was actuarially determined to be \$576,740.

Note 10 - Pension Plan

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

Plan Benefits -

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

Tier One/Tier Two Retirement Benefit (Chapter 238)

The ORS Chapter 238 Defined Benefit 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 a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General Service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 10 - Pension Plan (continued)

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 the 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 COLA for fiscal year 2015 was capped at 1.5 percent for all benefit recipients. As a result of the Moro Decision (Everice Moro et al v. State of Oregon et al), the cap on the COLA was restored to 2.0 percent for fiscal year 2016 and beyond.

OPSRP Pension Program (Chapter 238A)

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

Pension Benefits - This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and Fire - 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

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.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 10 - Pension Plan (continued)

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

Benefit Changes After Retirement - Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living changes. The COLA for fiscal year 2015 was capped at 1.5 percent for all benefit recipients. As a result of the Moro Decision (Everice Moro et al v. State of Oregon et al), the cap on the COLA was restored to 2.0 percent for fiscal year 2016 and beyond.

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, 2013 actuarial valuation, which became effective July 1, 2015. 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, 2016 were \$849,199, excluding amounts to fund employer specific liabilities.

A 10 year schedule of Defined Benefit Pension Plan Contributions can be found beginning on page 62 of the June 30, 2015 PERS CAFR.

Pension Plan Comprehensive Annual Financial Report (CAFR) –

Oregon PERS produces an independently audited CAFR which can be found at:
http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Actuarial Valuation -

The employer contribution rates effective July 1, 2013, through June 30, 2015 and and July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by 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 amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 10 - Pension Plan (continued)

Actuarial Methods and Assumptions Used in Developing Total Pension Liability –

Valuation date	December 31, 2013
Measurement date	June 30, 2015
Experience Study	2014, published September 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.75 percent
Long-term expected rate of return	7.75 percent
Discount rate	7.75 percent
Projected salary increases	3.75 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p><i>Healthy retirees and beneficiaries:</i> RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p><i>Active members:</i> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p><i>Disabled retirees:</i> Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct 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 based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Proportionate Share Allocation Methodology -

The basis for the employer's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers. The contribution rate for every employer has at least two major components; Normal Cost Rate and Unfunded Actuarial Liability (UAL) Rate.

Since the December 31, 2013 actuarial valuation, the system-side actuarial accrued liability has increased primarily due to the *Moro* Decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 10 - Pension Plan (continued)

term contributions effort has been adjusted for the estimated impact of the *Moro* Decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.50%, which was effective January 1, 2016.

Discount Rate –

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Investment Rate of Return –

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means; see PERS' audited financial statements at:

http://www.oregon.gov/pers/docs/financial_reports/2015_cafr.pdf.

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

At June 30, 2016, the District reported a liability of \$6,659,694 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the District's proportion was approximately 0.1159 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$5,595,895. Pension expense was generated during the measurement period primarily as a result of less than anticipated investment returns at the OPERS level and factors associated with the *Moro* Decision. The \$5,595,895 was treated as an increase of payroll related expense in the Statement of Activities and allocated to Instruction, Supporting Services, and Community Services using allocation percentages of 61%, 35%, and 4% respectively.

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 10 - Pension Plan (continued)

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on investments:	\$ 3,239,811	\$ 4,276,708
Change in proportion and differences between employer contributions and proportionate share of contributions:	69,217	494,509
District's contributions subsequent to the measurement date:	849,199	-
Total	\$ 4,158,227	\$ 4,771,217

\$849,199 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as an decrease to the net pension liability in the year ended June 30, 2017.

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

Year Ended June 30	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2017	\$ (677,633)
2018	(677,633)
2019	(677,633)
2020	583,014
2021	(12,305)
Thereafter	-
Total	\$ (1,462,190)

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75 percent) or 1-percentage point higher (8.75 percent) than the current rate:

District's Net Pension Asset/(Liability)	1% Decrease (6.75)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Defined Benefit Pension Plan	\$ (16,072,923)	\$ (6,659,694)	\$ 1,273,186

JACKSON COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 11 - Contingencies

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

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

Note 12 - Current Vulnerability Due to Certain Concentrations

The District's operations are concentrated within Jackson County. In addition, substantially all the District's revenues for continuing operations are from federal, state, and local government agencies. In the normal course of operations, the District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 13 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year and the District has not been required to pay any settlements in excess of insurance coverage during the past four fiscal years ending June 30, 2016.

Note 14 - Subsequent Events

Management of the District has evaluated events and transactions occurring after June 30, 2016 through December 15, 2016, the date of the financial statements were available for issuance, for recognition and/or disclosure in the financial statements. The following event and transaction occurred after June 30, 2016 through the date the financial statements were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) unit credit (b)	Unfunded (funded) AAL (b - a)	Funded ratio (a / b)	Covered Payroll (c)	UAAL as a percentage of covered payroll [(b - a) / c]
7/1/2010	-	4,308,047	4,308,047	0%	12,491,000	34%
7/1/2012	-	3,771,268	3,771,268	0%	12,501,000	30%
7/1/2014	-	3,394,024	3,394,024	0%	11,043,818	31%

The above table represents the most recent actuarial valuation for the District's other postemployment benefits and provides information that approximates the funding progress of the plan.

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District proportion of the net pension asset/(liability)	0.1159930%	0.1303724%	0.1303724%
District's proportion of the net pension asset/(liability)	\$ (6,659,694)	\$ 2,955,170	\$ (6,653,095)
District's covered-employee payroll	\$ 10,917,979	\$ 10,954,483	\$ 11,043,818
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-61.00%	26.98%	-60.24%
Plan fiduciary net position as a percentage of the total pension liability	91.88%	103.59%	91.97%

Jackson County School District No. 4 Contributions

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

Note 1 - Changes of Benefit Terms and Assumptions -

the Moro Decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contributions effort has been adjusted for the estimated impact of the Moro Decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.50%, which was effective January 1, 2016.

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
REVENUES				
Local sources:				
Property taxes	\$ 7,392,500	\$ 7,392,500	\$ 7,798,578	\$ 406,078
Charges for services	100,000	88,000	131,038	43,038
Interest on investments	18,000	18,000	38,689	20,689
Miscellaneous	91,500	103,500	120,235	16,735
State sources:				
Basic school support	16,046,000	16,046,000	16,796,944	750,944
Intergovernmental	240,000	240,000	312,975	72,975
Federal sources:				
Intergovernmental	-	-	41,396	41,396
TOTAL REVENUES	23,888,000	23,888,000	25,239,855	1,351,855
EXPENDITURES				
Current:				
Instruction	13,564,826	13,939,826	13,873,256	66,570
Support services	9,267,074	9,592,074	9,197,673	394,401
Enterprise and community services	100	100	-	100
Operating Contingency	700,000	-	-	-
Debt service	1,256,000	1,256,000	1,255,160	840
TOTAL EXPENDITURES	24,788,000	24,788,000	24,326,089	461,911
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(900,000)	(900,000)	913,766	1,813,766
NET CHANGE IN FUND BALANCE	(900,000)	(900,000)	913,766	1,813,766
FUND BALANCE, July 1, 2015	1,100,000	1,100,000	1,250,462	150,462
FUND BALANCE, June 30, 2016	\$ 200,000	\$ 200,000	\$ 2,164,228	\$ 1,964,228

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
REVENUES				
Local sources:				
Taxes	\$ 183,000	\$ 183,000	\$ 160,830	\$ (22,170)
Charges for services	729,000	729,000	725,249	(3,751)
Donations	27,000	27,000	64,573	37,573
Interest on investments	6,920	6,920	6,742	(178)
Miscellaneous	66,800	66,800	80,113	13,313
Intermediate sources:				
Miscellaneous	12,050	12,050	10,771	(1,279)
State sources:				
Basic school support	12,500	12,500	10,749	(1,751)
Intergovernmental	310,900	310,900	275,496	(35,404)
Federal sources:				
Intergovernmental	2,412,842	2,412,842	2,289,357	(123,485)
TOTAL REVENUES	3,761,012	3,761,012	3,623,880	(137,132)
EXPENDITURES				
Current:				
Instruction	1,607,114	1,607,114	1,427,010	180,104
Support services	642,401	642,401	627,759	14,642
Enterprise and community services	1,311,297	1,311,297	1,285,811	25,486
Facilities acquisition and construction	725,500	725,500	147,280	578,220
TOTAL EXPENDITURES	4,286,312	4,286,312	3,487,860	798,452
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(525,300)	(525,300)	136,020	661,320
NET CHANGE IN FUND BALANCE	(525,300)	(525,300)	136,020	661,320
FUND BALANCE, July 1, 2015	1,673,988	1,673,988	1,673,723	(265)
FUND BALANCE, June 30, 2016	\$ 1,148,688	\$ 1,148,688	\$ 1,809,743	\$ 661,055

OTHER SUPPLEMENTARY INFORMATION

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Local sources:				
Property taxes	\$ 1,818,500	\$ 1,818,500	\$ 1,768,256	\$ (50,244)
Interest on investments	4,000	4,000	5,634	1,634
TOTAL REVENUES	<u>1,822,500</u>	<u>1,822,500</u>	<u>1,773,890</u>	<u>(48,610)</u>
EXPENDITURES				
Debt service	<u>1,818,000</u>	<u>1,818,000</u>	<u>1,724,962</u>	<u>93,038</u>
TOTAL EXPENDITURES	<u>1,818,000</u>	<u>1,818,000</u>	<u>1,724,962</u>	<u>93,038</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,500</u>	<u>4,500</u>	<u>48,928</u>	<u>44,428</u>
NET CHANGE IN FUND BALANCE	4,500	4,500	48,928	44,428
FUND BALANCE, July 1, 2015	<u>50,000</u>	<u>50,000</u>	<u>65,257</u>	<u>15,257</u>
FUND BALANCE, June 30, 2016	<u>\$ 54,500</u>	<u>\$ 54,500</u>	<u>\$ 114,185</u>	<u>\$ 59,685</u>

OTHER FINANCIAL SCHEDULES

JACKSON COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2016

	Tax Year	Uncollected July 1, 2015	Levy as Extended by Assessor	Discounts and Adjustments	Interest	Collections Per Treasurer	Uncollected June 30, 2016
GENERAL FUND:							
Current	2015-16		\$ 7,999,163	\$ (165,299)	\$ 4,208	\$ (7,519,052)	\$ 319,020
Prior	2014-15	\$ 306,778		(16,225)	8,000	(163,654)	134,899
	2013-14	131,521		4,179	7,446	(53,651)	89,495
	2012-13	86,917		6,916	10,196	(43,707)	60,322
	2011-12	61,949		(2,610)	4,961	(36,538)	27,762
	2010-11	10,823		(178)	1,535	(5,633)	6,547
	2009-10	7,102		108	1,023	(3,558)	4,675
	Prior	20,522		(4,495)	3,915	(4,706)	15,236
Total prior		625,612	-	(12,305)	37,076	(311,447)	338,936
TOTAL GENERAL FUND		\$ 625,612	\$ 7,999,163	\$ (177,604)	\$ 41,284	\$ (7,830,499)	\$ 657,956
Debt Service Fund							
Current	2015-16		\$ 1,820,614	\$ (37,622)	\$ 958	\$ (1,711,341)	\$ 72,609
Prior	2014-15	\$ 58,135		(3,075)	1,516	(31,013)	25,563
	2013-14	26,998		858	1,528	(11,013)	18,371
	2012-13	16,570		1,319	1,944	(8,332)	11,501
	2011-12	12,108		(510)	970	(7,142)	5,426
	2010-11	2,208		(36)	313	(1,149)	1,336
	2009-10	1,498		23	216	(750)	987
	Prior	6,091		(838)	1,117	(1,419)	4,951
Total prior		123,608	-	(2,259)	7,604	(60,818)	68,135
TOTAL DEBT SERVICE FUND		\$ 123,608	\$ 1,820,614	\$ (39,881)	\$ 8,562	\$ (1,772,159)	\$ 140,744

SCHOOL DISTRICT FINANCIAL
ACCOUNTING SUMMARIES

**2015 - 16 DISTRICT AUDIT REVENUE SUMMARY
Phoenix-Talent School District #4**

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
Revenue from Local Sources							
1110 Ad Valorem Taxes Levied by District	\$7,794,935		\$1,767,442				
1120 Local Option Ad Valorem Taxes Levied by District							
1130 Construction Excise Tax		\$160,830					
1190 Penalties and Interest on Taxes	\$3,643		\$814				
1200 Revenue from Local Governmental Units Other Than Districts							
1311 Regular Day School Tuition - From Individuals							
1312 Regular Day School Tuition - Other Dist Within State							
1313 Regular Day School Tuition - Other Districts Outside							
1320 Adult/Continuing Education Tuition							
1330 Summer School Tuition							
1411 Transportation Fees - From Individuals							
1412 Transportation Fees - Other Dist Within State							
1413 Transportation Fees - Other Districts Outside							
1420 Summer School Transportation Fees							
1500 Earnings on Investments	\$38,689	\$6,742	\$5,634				
1600 Food Service		\$204,507					
1700 Extracurricular Activities	\$52,169	\$520,742					
1800 Community Services Activities							
1910 Rentals	\$4,483						
1920 Contributions and Donations From Private Sources		\$64,573					
1930 Rental or Lease Payments From Private Contractors	\$36,000						
1940 Services Provided Other Local Education Agencies							
1950 Textbook Sales and Rentals							
1960 Recovery of Prior Years' Expenditure	\$6,343						
1970 Services Provided Other Funds							
1980 Fees Charged to Grants	\$32,043						
1990 Miscellaneous	\$120,235	\$80,113					
Total Revenue from Local Sources	\$8,088,540	\$1,037,507	\$1,773,890	\$0	\$0	\$0	\$0
Revenue from Intermediate Sources							
2101 County School Funds							
2102 General ESD Revenue							
2103 Excess ESD Local Revenue							
2105 Natural Gas, Oil, and Mineral Receipts							
2110 Intermediate "I" Tax							
2199 Other Intermediate Sources		\$6,432					
2200 Restricted Revenue							
2800 Revenue in Lieu of Taxes							
2900 Revenue for/on Behalf of the District		\$4,339					
Total Revenue from Intermediate Sources	\$0	\$10,771	\$0	\$0	\$0	\$0	\$0
Revenue from State Sources							
3101 State School Fund - General Support	\$16,796,944						
3102 State School Fund - School Lunch Match		\$10,749					
3103 Common School Fund	\$312,975						
3104 State Managed County Timber							
3106 State School Fund - Accrual							
3199 Other Unrestricted Grants-in-Aid							
3204 Driver Education							
3222 State School Fund (SSF) Transportation Equipment							
3299 Other Restricted Grants-in-Aid		\$275,496					
3800 Revenue in Lieu of Taxes							
3900 Revenue for/on Behalf of the District							
Total Revenue from State Sources	\$17,109,919	\$286,245	\$0	\$0	\$0	\$0	\$0
Revenue from Federal Sources							
4100 Unrestricted Revenue Direct From the Federal Government							
4200 Unrestricted Revenue From the Federal Government Through the State							
4300 Restricted Revenue From the Federal Government							
4500 Restricted Revenue From the Federal Government Through the State		\$2,211,900					
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies							
4801 Federal Forest Fees	\$41,396						
4802 Impact Aid to School Districts for Operation (PL 874)							
4803 Coos Bay Wagon Road Funds							
4899 Other Revenue in Lieu of Taxes							
4900 Revenue for/on Behalf of the District		\$77,457					
Total Revenue from Federal Sources	\$41,396	\$2,289,357	\$0	\$0	\$0	\$0	\$0
Revenue from Other Sources							
5100 Long Term Debt Financing Sources							
5200 Interfund Transfers							
5300 Sale of or Compensation for Loss of Fixed Assets							
5400 Resources - Beginning Fund Balance	\$1,250,462	\$1,673,723	\$65,257				
Total Revenue from Other Sources	\$1,250,462	\$1,673,723	\$65,257	\$0	\$0	\$0	\$0
Grand Totals	\$26,490,317	\$5,297,603	\$1,839,147	\$0	\$0	\$0	\$0

**2015 - 16 DISTRICT AUDIT EXPENDITURE SUMMARY
Phoenix-Talent School District #4**

Fund: 100 General Fund

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Elementary, K-5 or K-6	\$4,851,556	\$3,068,215	\$1,396,895	\$152,607	\$232,636		\$1,203	
1113 Elementary Extracurricular	\$0							
1121 Middle/Junior High Programs	\$2,206,363	\$1,405,852	\$645,010	\$73,001	\$82,042		\$458	
1122 Middle/Junior High School Extracurricular	\$115,710	\$81,177	\$15,098	\$2,114	\$11,028		\$6,293	
1131 High School Programs	\$2,717,540	\$1,759,573	\$791,755	\$76,785	\$84,018		\$5,409	
1132 High School Extracurricular	\$349,583	\$224,289	\$36,873	\$37,884	\$16,614		\$33,923	
1140 Pre-Kindergarten Programs	\$0							
1210 Programs for the Talented and Gifted	\$7,655			\$2,653	\$894		\$4,108	
1220 Restrictive Programs for Students with Disabilities	\$0							
1250 Less Restrictive Programs for Students with	\$2,262,684	\$1,132,755	\$686,037	\$421,825	\$21,967		\$100	
1260 Treatment and Habilitation	\$49,506			\$49,506				
1271 Remediation	\$3,330				\$3,330			
1272 Title I	\$0							
1280 Alternative Education	\$804,091			\$803,789	\$302			
1291 English Second Language Programs	\$491,311	\$314,441	\$163,178	\$8,712	\$4,980			
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$10,963	\$6,351	\$1,000	\$2,533	\$1,079			
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$2,964	\$1,932	\$456	\$96	\$480			
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$0							
Total Instruction Expenditures	\$13,873,256	\$7,994,585	\$3,736,302	\$1,631,505	\$459,370	\$0	\$51,494	\$0
Support Services Expenditures								
2110 Attendance and Social Work Services	\$196,241	\$91,988	\$37,730	\$65,705	\$818			
2120 Guidance Services	\$388,021	\$235,271	\$124,664	\$24,000	\$4,086			
2130 Health Services	\$60,716			\$60,400	\$316			
2140 Psychological Services	\$14,720			\$11,190	\$3,530			
2150 Speech Pathology and Audiology Services	\$199,800	\$137,194	\$58,448	\$1,281	\$1,452		\$1,425	
2160 Other Student Treatment Services	\$0							
2190 Service Direction, Student Support Services	\$177,605	\$120,927	\$51,781	\$1,570	\$2,667		\$660	
2210 Improvement of Instruction Services	\$52,278	\$16,367	\$11,349	\$6,082	\$18,480			
2220 Educational Media Services	\$272,008	\$131,475	\$99,278	\$9,855	\$31,400			
2230 Assessment & Testing	\$8,586	\$1,488	\$118		\$6,828		\$152	
2240 Instructional Staff Development	\$24,228	\$216	\$53	\$23,888	\$71			
2310 Board of Education Services	\$45,081	\$10,614	\$10,378	\$13,592	\$5,002		\$5,495	
2320 Executive Administration Services	\$216,150	\$143,540	\$61,125	\$3,768	\$6,510		\$1,207	
2410 Office of the Principal Services	\$1,880,483	\$1,182,442	\$543,693	\$98,043	\$47,682		\$8,623	
2490 Other Support Services - School Administration	\$30,146		\$200	\$1,131	\$28,783		\$32	
2510 Direction of Business Support Services	\$0							
2520 Fiscal Services	\$633,245	\$208,731	\$129,977	\$47,625	\$21,279		\$225,633	
2540 Operation and Maintenance of Plant Services	\$2,208,366	\$702,924	\$427,296	\$892,880	\$176,155	\$7,495	\$1,616	
2550 Student Transportation Services	\$1,602,918	\$5,660	\$1,412	\$1,595,846				
2570 Internal Services	\$22,229			\$22,229				
2610 Direction of Central Support Services Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0							
2620 Information Services	\$22,282	\$9,023	\$7,556	\$5,458	\$245			
2640 Staff Services	\$228,235	\$149,915	\$52,281	\$21,059	\$3,367		\$1,613	
2660 Technology Services	\$419,259	\$193,511	\$108,503	\$49,136	\$67,995		\$114	
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$0							
2700 Supplemental Retirement Program	\$495,076	\$384,556	\$110,520					
Total Support Services Expenditures	\$9,197,673	\$3,725,842	\$1,836,362	\$2,954,738	\$426,666	\$7,495	\$246,570	\$0
Enterprise and Community Services Expenditures								
3100 Food Services	\$0							
3200 Other Enterprise Services	\$0							
3300 Community Services	\$0							
3500 Custody and Care of Children Services	\$0							
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Facilities Acquisition and Construction Expenditures								
4110 Service Area Direction	\$0							
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and	\$0							
4180 Other Capital Items	\$0							
4190 Other Facilities Construction Services	\$0							
Total Facilities Acquisition and Construction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Uses Expenditures								
5100 Debt Service	\$1,255,160						\$1,255,160	
5200 Transfers of Funds	\$0							
5300 Apportionment of Funds by ESD	\$0							
5400 PERS UAL Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$1,255,160	\$0	\$0	\$0	\$0	\$0	\$1,255,160	\$0
Grand Total	\$24,326,089	\$11,720,427	\$5,572,664	\$4,586,243	\$886,036	\$7,495	\$1,553,224	\$0

**2015 - 16 DISTRICT AUDIT EXPENDITURE SUMMARY
Phoenix-Talent School District #4**

Fund: 200 Special Revenue Funds

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Elementary, K-5 or K-6	\$15,661			\$2,414	\$13,175		\$72	
1113 Elementary Extracurricular	\$85,974				\$85,974			
1121 Middle/Junior High Programs	\$4,191	\$329	\$80	\$2,469	\$1,313			
1122 Middle/Junior High School Extracurricular	\$76,145				\$76,145			
1131 High School Programs	\$15,651			\$4,241	\$11,410			
1132 High School Extracurricular	\$328,075				\$328,075			
1140 Pre-Kindergarten Programs	\$0							
1210 Programs for the Talented and Gifted	\$10,000			\$10,000				
1220 Restrictive Programs for Students with Disabilities	\$0							
1250 Less Restrictive Programs for Students with Disabilities	\$248,004	\$141,756	\$94,958	\$9,908	\$1,382			
1260 Treatment and Habilitation	\$8,041			\$8,041				
1271 Remediation	\$1,455				\$1,455			
1272 Title I	\$619,912	\$371,621	\$203,055		\$45,236			
1280 Alternative Education	\$0							
1291 English Second Language Programs	\$13,901	\$5,782	\$1,345	\$3,094	\$3,680			
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$0							
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$0							
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$0							
Total Instruction Expenditures	\$1,427,010	\$519,488	\$299,438	\$40,167	\$567,845	\$0	\$72	\$0
Support Services Expenditures								
2110 Attendance and Social Work Services	\$3,930			\$3,930				
2120 Guidance Services	\$1,812	\$750	\$176	\$886				
2130 Health Services	\$0							
2140 Psychological Services	\$0							
2150 Speech Pathology and Audiology Services	\$100,204	\$68,603	\$30,616		\$985			
2160 Other Student Treatment Services	\$0							
2190 Service Direction, Student Support Services	\$13,077	\$7,096	\$4,783	\$1,198				
2210 Improvement of Instruction Services	\$42,611	\$24,008	\$6,083	\$12,520				
2220 Educational Media Services	\$0							
2230 Assessment & Testing	\$2,228				\$2,228			
2240 Instructional Staff Development	\$397,280	\$190,548	\$64,415	\$137,249	\$5,068			
2310 Board of Education Services	\$0							
2320 Executive Administration Services	\$0							
2410 Office of the Principal Services	\$0							
2490 Other Support Services - School Administration	\$12,383			\$11,614	\$769			
2510 Direction of Business Support Services	\$4,558			\$4,558				
2520 Fiscal Services	\$39,886			\$7,602			\$32,284	
2540 Operation and Maintenance of Plant Services	\$9,680			\$9,680				
2550 Student Transportation Services	\$110			\$110				
2570 Internal Services	\$0							
2610 Direction of Central Support Services	\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0							
2630 Information Services	\$0							
2640 Staff Services	\$0							
2660 Technology Services	\$0							
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$0							
2700 Supplemental Retirement Program	\$0							
Total Support Services Expenditures	\$627,759	\$291,005	\$106,073	\$189,347	\$9,050	\$0	\$32,284	\$0
Enterprise and Community Services Expenditures								
3100 Food Services	\$1,244,260	\$7,611	\$2,753	\$1,217,937	\$4,241		\$11,718	
3200 Other Enterprise Services	\$523	\$523						
3300 Community Services	\$41,028		\$119	\$37,849	\$3,060			
3500 Custody and Care of Children Services	\$0							
Total Enterprise and Community Services Expenditures	\$1,285,811	\$8,134	\$2,872	\$1,255,786	\$7,301	\$0	\$11,718	\$0
Facilities Acquisition and Construction Expenditures								
4110 Service Area Direction	\$0							
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and Improvement Services	\$90,544					\$90,544		
4180 Other Capital Items	\$0							
4190 Other Facilities Construction Services	\$56,736	\$600	\$50			\$56,086		
Total Facilities Acquisition and Construction Expenditures	\$147,280	\$600	\$50	\$0	\$0	\$146,630	\$0	\$0
Other Uses Expenditures								
5100 Debt Service	\$0							
5200 Transfers of Funds	\$0							
5300 Apportionment of Funds by ESD	\$0							
5400 PERS UAL Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grand Total	\$3,487,860	\$819,227	\$408,433	\$1,485,300	\$584,196	\$146,630	\$44,074	\$0

**2015 - 16 DISTRICT AUDIT EXPENDITURE SUMMARY
Phoenix-Talent School District #4**

Fund: 300 Debt Service Funds

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Elementary, K-5 or K-6	\$0							
1113 Elementary Extracurricular	\$0							
1121 Middle/Junior High Programs	\$0							
1122 Middle/Junior High School Extracurricular	\$0							
1131 High School Programs	\$0							
1132 High School Extracurricular	\$0							
1140 Pre-Kindergarten Programs	\$0							
1210 Programs for the Talented and Gifted	\$0							
1220 Restrictive Programs for Students with Disabilities	\$0							
1250 Less Restrictive Programs for Students with Disabilities	\$0							
1260 Treatment and Habilitation	\$0							
1271 Remediation	\$0							
1272 Title I	\$0							
1280 Alternative Education	\$0							
1291 English Second Language Programs	\$0							
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$0							
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$0							
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$0							
Total Instruction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$0							
2120 Guidance Services	\$0							
2130 Health Services	\$0							
2140 Psychological Services	\$0							
2150 Speech Pathology and Audiology Services	\$0							
2160 Other Student Treatment Services	\$0							
2190 Service Direction, Student Support Services	\$0							
2210 Improvement of Instruction Services	\$0							
2220 Educational Media Services	\$0							
2230 Assessment & Testing	\$0							
2240 Instructional Staff Development	\$0							
2310 Board of Education Services	\$0							
2320 Executive Administration Services	\$0							
2410 Office of the Principal Services	\$0							
2490 Other Support Services - School Administration	\$0							
2510 Direction of Business Support Services	\$0							
2520 Fiscal Services	\$0							
2540 Operation and Maintenance of Plant Services	\$0							
2550 Student Transportation Services	\$0							
2570 Internal Services	\$0							
2610 Direction of Central Support Services	\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0							
2630 Information Services	\$0							
2640 Staff Services	\$0							
2660 Technology Services	\$0							
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$0							
2700 Supplemental Retirement Program	\$0							
Total Support Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$0							
3200 Other Enterprise Services	\$0							
3300 Community Services	\$0							
3500 Custody and Care of Children Services	\$0							
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	\$0							
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and Improvement Services	\$0							
4180 Other Capital Items	\$0							
4190 Other Facilities Construction Services	\$0							
Total Facilities Acquisition and Construction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$1,724,962						\$1,724,962	
5200 Transfers of Funds	\$0							
5300 Apportionment of Funds by ESD	\$0							
5400 PERS UAL Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$1,724,962	\$0	\$0	\$0	\$0	\$0	\$1,724,962	\$0
Grand Total	\$1,724,962	\$0	\$0	\$0	\$0	\$0	\$1,724,962	\$0

SUPPLEMENTAL INFORMATION, 2015-2016

School District Business Managers and Auditors:

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

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

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

Please enter your expenditures for electricity
 & heating fuel for these Functions & Objects

	Objects 325 & 326
Function 2540	\$ 533,116.81
Function 2550	\$ 0

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

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

Exclude these functions:

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

Exclude these functions:

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

\$ 7,495.00

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

We have audited the basic financial statements Jackson County School District No. 4 (the District) as of and for the year ended June 30, 2016, and have issued our report thereon dated December 15, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our audit, one finding came to our attention in relation to the State school fund factors. When testing teacher experience, we noted two exceptions within a testing population of 20 teachers. More specifically, the first exception reported ten additional years of experience than what could be verified through the employee's personnel file. The second exception reported seven additional years of experience than what could be verified through the employee's personnel file. With the exception of the finding associated to the State school fund factors, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in

Oregon Administration Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

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

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

Stewart C. Parmele, CPA, Partner

Stewart C. Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
December 15, 2016

Items required by the Uniform Guidance

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Jackson County School District No. 4 (the District) as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Stewart C. Parmele, CPA, Partner

Stewart C. Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
December 15, 2016

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

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

Report on Compliance for Each Major Federal Program

We have audited Jackson County School District No. 4's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of The District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in 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 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 Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Stewart C. Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
December 15, 2016

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor Pass Through Number	Grant Award	Balance June 30, 2015	Receipts	Disbursements	Balance June 30, 2016
U.S. Department of Education:							
Passed Through Oregon Department of Education:							
Title I (14-15)	84.010	32658	829,578	\$ (193,933)	\$ 268,746	\$ (74,812)	\$ -
Title I (15-16)	84.010	36049	881,375	-	490,000	(665,509)	(175,509)
Program total				(193,933)	758,746	(740,321)	(175,509)
Extended Assessment	84.027	35793	900		900	(900)	-
SPR & I (15-16)	84.027	37969	3,318	-	3,318	(3,318)	-
IDEA (14-15)	84.027	33358	436,823	(93,493)	266,823	(173,330)	-
IDEA (15-16)	84.027	36944	435,228	-	100,000	(186,677)	(86,677)
IDEA Enhancement (15-16)	84.027	38404	2,652	-	2,652	(2,652)	-
Special Ed Preschool Grant (14-15)	84.173	33517	8,041	-	8,041	(8,041)	-
Program total (cluster)				(93,493)	381,734	(374,918)	(86,677)
Title III (13-14)	84.365	30041	47,425	(862)	2,070	(1,208)	-
Title III (14-15)	84.365	32356	44,985	(5,566)	22,056	(16,490)	-
Title III (15-16)	84.365	36355	45,558	-	25,000	(36,463)	(11,463)
Program total				(6,428)	49,126	(54,161)	(11,463)
Title IIA (14-15)	84.367	32982	113,305	(25,305)	25,305	-	-
Title IIA (15-16)	84.367	36246	112,679	-	74,000	(102,994)	(28,994)
Program total				(25,305)	99,305	(102,994)	(28,994)
Passed through Southern Oregon Education Service District:							
Carl Perkins	84.048	N/A	2,474	-	2,474	(2,474)	-
Total Department of Education				\$ (319,159)	\$ 1,291,385	\$ (1,274,868)	\$ (302,643)
U.S. Department of Agriculture:							
Passed Through Oregon Department of Education:							
Commodities NSLP	10.555	N/A	N/A	-	77,314	(77,314)	-
National School Breakfast	10.553	N/A	N/A	(8,487)	187,327	(190,550)	(11,710)
National School Lunch	10.555	N/A	N/A	(24,917)	672,175	(686,699)	(39,441)
National School Lunch/Breakfast/Summer	10.559	N/A	N/A	(4,050)	23,050	(22,392)	(3,392)
Commodities SFSP	10.559	N/A	N/A	-	143	(143)	-
Program total (cluster)				(37,454)	960,009	(977,098)	(54,543)
Child & Adult Care Food Program	10.558	N/A	N/A	(710)	14,721	(15,277)	(1,266)
Fresh Fruit and Vegetable Program	10.582	N/A	N/A	(2,189)	20,341	(22,114)	(3,962)
Passed through Southern Oregon Education Service District:							
Federal Forest Fees	10.665	N/A	41,396	-	41,396	(41,396)	-
Total Department of Agriculture				\$ (40,353)	\$ 1,036,467	\$ (1,055,886)	\$ (59,770)
Total Federal Financial Assistance				\$ (359,511)	\$ 2,327,852	\$ (2,330,754)	\$ (362,412)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A—BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Jackson County School District No. 35 (the District) under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net assets of the District.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C—INDIRECT COST RATE

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

**JACKSON COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Child Nutrition Cluster CFDA # 10.553, 10.555, 10.559
8. The threshold for distinguishing Types A and B Programs was \$750,000.
9. The district qualified as a low-risk auditee under the criteria specified in the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None