

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

ANNUAL FINANCIAL REPORT

June 30, 2016



**Accuity, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
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**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**DISTRICT OFFICIALS**

June 30, 2016

**BOARD MEMBERS**

Aaron Schneider, Chair  
P.O. Box 113  
Alsea, Oregon 97324

Douglas Westlind, Vice Chair  
20399 Sturgis Lane  
Alsea, Oregon 97324

Jeff Davis  
PO Box 131  
Alsea, Oregon 97324

Ron Koetz  
PO Box 155  
Alsea, OR 97324

Linda Montanez  
15743 Lobster Valley Road  
Alsea, OR 97324

**ADMINISTRATION**

Marc Thielman  
Superintendent

Katie Sapp  
Business Manager

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

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**FINANCIAL SECTION**



# Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Alsea School District 7J  
Alsea, Oregon 97324

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Alsea School District 7J, Benton County, 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 preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Alsea School District 7J, Benton County, Oregon as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity 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 schedules of the District's proportionate share of the net pension liability and District contributions, and the budgetary comparison information on pages 4 through 11 and 40 through 44, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

The schedules of the District's proportionate share of the net pension liability and District contributions and the budgetary comparison information have been subjected in 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 and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alsea School District 7J's basic financial statements as a whole. The individual fund schedules and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The aforementioned information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

### **Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 21, 2016 on our tests of the District's compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Accuity, LLC

By:   
\_\_\_\_\_  
Glen O. Kearns, CPA

Albany, Oregon  
December 21, 2016



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **ALSEA SCHOOL DISTRICT 7J**

## **Benton County, Oregon**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **INTRODUCTION**

As management of Alsea School District 7J, Benton County, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

- At June 30, 2016, total net position of Alsea School District 7J amounted to \$391,199. Of this amount, \$527,341 was invested in capital assets. The remaining balance included \$6,709 restricted for special projects, \$39,928 restricted for student activities and memorials, and \$(182,779) of unrestricted net position.
- At June 30, 2016, the District's governmental funds reported combined ending fund balances of \$900,677.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Alsea School District 7J's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

##### **Government-Wide Financial Statements**

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

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

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

The government-wide financial statements can be found on pages 12 through 13 of this report.

# **ALSEA SCHOOL DISTRICT 7J**

## **Benton County, Oregon**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Fund Financial Statements**

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All the funds of Alsea School District 7J can be divided into two categories: governmental funds and fiduciary funds.

##### **□ Governmental Funds**

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

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

The District maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Funds, Federal Lunch Program Fund, Student Body Fund, and Capital Projects Fund, all of which are considered to be major governmental funds.

Alsea School District 7J adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

#### **Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is necessary to acquire 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 18 through 39 of this report.

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, which includes the schedules of the District's proportionate share of the net pension liability and District contributions and budgetary comparison information for the General Fund, Special Funds, Federal Lunch Program Fund, and Student Body Fund. This required supplementary information can be found on pages 40 through 44 of this report.

Individual fund schedules can be found immediately following the required supplementary information on pages 45 through 46 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2016, the District's assets exceeded liabilities by \$391,199.

A large portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, and equipment). The District uses these capital assets for classrooms and supporting services for providing kindergarten through twelfth grade education; consequently, these assets are not available for future spending.

**District's Net Position**

The net position of the District decreased by \$823,895 during the current fiscal year. This decrease is primarily due to an increase in regular program expenses.

Condensed statement of net position information is shown on the next page.

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Condensed Statement of Net Position**

	<b>Governmental Activities</b>	
	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current and other assets	\$ 987,769	\$ 1,426,910
Restricted assets	50,366	44,283
Net capital assets	<u>831,043</u>	<u>586,868</u>
Total assets	<u>1,869,178</u>	<u>2,058,061</u>
<b>Deferred outflows of resources</b>	<u>260,499</u>	<u>192,355</u>
<b>Liabilities</b>		
Current liabilities	193,532	134,316
Noncurrent liabilities	<u>1,293,354</u>	<u>62,262</u>
Total liabilities	<u>1,486,886</u>	<u>196,578</u>
<b>Deferred inflows of resources</b>	<u>251,592</u>	<u>838,744</u>
<b>Net position</b>		
Net investment in capital assets	527,341	504,816
Restricted for:		
Special projects	6,709	11,503
Student activities	11,616	18,092
Memorials	28,312	14,688
Unrestricted	<u>(182,779)</u>	<u>665,995</u>
Total net position	<u>\$ 391,199</u>	<u>\$ 1,215,094</u>

**District's Changes in Net Position**

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

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Changes in Net Position**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>Program revenues</b>		
Regular programs	\$ 23,048	\$ 27,663
Special programs	55,800	55,046
Summer school programs	2,762	-
Food services	50,066	60,738
Facilities acquisition and construction	24,353	20,000
Total program revenues	156,029	163,447
<b>General revenues</b>		
Property taxes	352,266	348,947
State school fund – general support	1,997,247	2,088,573
Common and County school fund	30,911	24,830
Unrestricted grants and contributions	39,375	60,197
Investment earnings	9,067	6,631
Pension credit	-	394,341
Gain on sale of capital assets	-	500
Miscellaneous	55,765	71,087
Total general revenues	2,484,631	2,995,106
Total revenues	2,640,660	3,158,553
<b>Program expenses</b>		
Regular programs	1,594,796	926,519
Special programs	423,906	317,030
Student support services	24,344	37,508
Instructional staff support	12,612	22,055
General administrative support	112,300	98,988
School administrative support	209,373	161,417
Business support services	884,059	696,201
Central activities support	56,319	35,382
Food services	83,278	71,637
Facilities acquisition and construction	8,197	-
Debt service	2,643	211
Unallocated depreciation expense	52,728	39,338
Total program expenses	3,464,555	2,406,286
<b>Change in net position</b>	(823,895)	752,267
<b>Net position - beginning of year</b>	1,215,094	462,827
<b>Net position - end of year</b>	\$ 391,199	\$ 1,215,094

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Revenues**

Since the District's mission is to provide a free and appropriate public education for kindergarten through twelfth grade students within its boundaries, the District may not charge for its core services. As expected, therefore, general revenues provide almost 94% of the funding required for governmental programs. Property taxes and state school funding combined for 95% of general revenues and 89% of total revenues.

Charges for services make up 1.2% of total revenues and are composed of the following, for which it is appropriate that the District charge tuition or fees:

• Regular programs	\$ 21,511
• Summer school programs	2,762
• Food services	<u>7,454</u>
Total charges for services	<u><u>\$ 31,727</u></u>

Operating grants and contributions represent fewer than 4.7% of total revenues. Included in this category \$1,537 for regular programs, \$55,800 of federal and state reimbursements for special education programs, \$42,612 for grants and contributions to support various educational activities, and \$24,353 for facilities acquisition and construction.

**Expenses**

Expenses related to governmental activities are presented in several broad functional categories. Costs of direct classroom instruction activities account for 50% of the total expenses of \$3,464,555. In addition, approximately 45% of the costs in supporting services relate to students, instructional staff, and school administration.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

**Governmental Funds**

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

## **ALSEA SCHOOL DISTRICT 7J Benton County, Oregon**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$900,677. Of this amount, \$6,709 was restricted for food service, \$39,928 was restricted for student activities and memorials, \$35,801 was assigned to bus replacement, and \$71,007 was assigned to capital projects. The remaining balance of \$747,232 constitutes unassigned fund balance, which is available for spending at the District's discretion. The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the General Fund was \$783,033. Of this amount, \$747,232 constitutes unassigned fund balance.

### **BUDGETARY HIGHLIGHTS**

Budget amounts shown in the financial statements reflect the original budget amounts.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

The District's investment in capital assets for its governmental activities as of June 30, 2016 amounted to \$831,043, net of accumulated depreciation. This investment in capital assets includes buildings and improvements, equipment, and vehicles. The total depreciation related to the District's investment in capital assets for the current fiscal year was \$52,728.

Additional information on the District's capital assets can be found in Note II-B on page 29 of this report.

### **Long-Term Debt**

At the end of the current fiscal year, the District had total debt outstanding of \$303,702. This amount consists of two bus leases. The District's total debt increased by \$221,650 during the current fiscal year.

Additional information on the District's long-term debt can be found in Note II-D on pages 30 through 31 of this report.

### **KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could affect its future financial health:

- PERS rates will be increasing by almost 5% for the 2017-2019 biennium. Rates are expected to continue to increase over the next couple of bienniums.
- New legislation such as sick time and increasing minimum wage will have an impact on budgets for many years to come.

All of these factors were considered in preparing the District's budget for the 2016-2017 fiscal year.



**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The ending unassigned General Fund balance of \$747,232 will be available for program resources in the 2016-2017 fiscal year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Manager at the following address: P.O. Box B, Alsea, Oregon 97324.

## **BASIC FINANCIAL STATEMENTS**

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**STATEMENT OF NET POSITION**

June 30, 2016

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 911,774
Grants receivable	44,392
Property taxes receivable	<u>31,603</u>
Total current assets	<u>987,769</u>
Restricted assets	
Cash and cash equivalents	42,756
Grants receivable	<u>7,610</u>
Total restricted assets	<u>50,366</u>
Capital assets, net of accumulated depreciation	<u>831,043</u>
Total assets	<u>1,869,178</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>260,499</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	10,881
Accrued liabilities	104,329
Lease payable, current portion	<u>78,322</u>
Total current liabilities	<u>193,532</u>
Noncurrent liabilities	
Net pension liability	1,067,974
Lease payable, less current portion	<u>225,380</u>
Total noncurrent liabilities	<u>1,293,354</u>
Total liabilities	<u>1,486,886</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>251,592</u>
<b>NET POSITION</b>	
Net investment in capital assets	527,341
Restricted for:	
Special projects	6,709
Student activities	11,616
Memorials	28,312
Unrestricted	<u>(182,779)</u>
Total net position	<u><u>\$ 391,199</u></u>

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

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense)</b>
		<b>Charges for</b>	<b>Operating</b>	<b>Revenue and</b>
		<b>Services</b>	<b>Grants and</b>	<b>Changes in</b>
			<b>Contributions</b>	<b>Net Position</b>
				<b>Governmental</b>
				<b>Activities</b>
Governmental activities				
Instruction				
Regular programs	\$ 1,594,796	\$ 21,511	\$ 1,537	\$ (1,571,748)
Special programs	423,906	-	55,800	(368,106)
Summer school programs	-	2,762	-	2,762
Support services				
Student support services	24,344	-	-	(24,344)
Instructional staff support	12,612	-	-	(12,612)
General administrative support	112,300	-	-	(112,300)
School administrative support	209,373	-	-	(209,373)
Business support services	884,059	-	-	(884,059)
Central activities support	56,319	-	-	(56,319)
Food services	83,278	7,454	42,612	(33,212)
Facilities acquisition				
and construction	8,197	-	24,353	16,156
Interest on long-term debt	2,643	-	-	(2,643)
Unallocated depreciation expense	52,728	-	-	(52,728)
Total governmental activities	<u>\$ 3,464,555</u>	<u>\$ 31,727</u>	<u>\$ 124,302</u>	<u>(3,308,526)</u>
General revenues				
Property taxes				352,266
State school fund - general support				1,997,247
Common school fund				28,452
County school fund				2,459
Unrestricted grants and contributions				39,375
Investment earnings				9,067
Miscellaneous				<u>55,765</u>
Total general revenues				<u>2,484,631</u>
Change in net position				(823,895)
Net position - beginning				<u>1,215,094</u>
Net position - ending				<u>\$ 391,199</u>

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

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Special Revenue Fund	Federal Lunch Program Fund	Student Body Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 840,767	\$ -	\$ 2,828	\$ 39,928	\$ 71,007	\$ 954,530
Grants receivable	28,340	16,052	7,610	-	-	52,002
Property taxes receivable	31,603	-	-	-	-	31,603
Due from other funds	<u>16,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,052</u>
Total assets	<u>\$ 916,762</u>	<u>\$ 16,052</u>	<u>\$ 10,438</u>	<u>\$ 39,928</u>	<u>\$ 71,007</u>	<u>\$ 1,054,187</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 7,152	\$ -	\$ 3,729	\$ -	\$ -	\$ 10,881
Accrued liabilities	104,329	-	-	-	-	104,329
Due to other funds	<u>-</u>	<u>16,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,052</u>
Total liabilities	<u>111,481</u>	<u>16,052</u>	<u>3,729</u>	<u>-</u>	<u>-</u>	<u>131,262</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	<u>22,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,248</u>
<b>FUND BALANCES</b>						
Restricted	-	-	6,709	39,928	-	46,637
Assigned	35,801	-	-	-	71,007	106,808
Unassigned	<u>747,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>747,232</u>
Total fund balances	<u>783,033</u>	<u>-</u>	<u>6,709</u>	<u>39,928</u>	<u>71,007</u>	<u>900,677</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 916,762</u>	<u>\$ 16,052</u>	<u>\$ 10,438</u>	<u>\$ 39,928</u>	<u>\$ 71,007</u>	<u>\$ 1,054,187</u>

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

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

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

June 30, 2016

<b>Total fund balances</b>		\$ 900,677
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	1,791,371	
Accumulated depreciation	<u>(960,328)</u>	831,043
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 60 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		
		22,248
Amounts relating to the District's proportionate share of the net pension liability or assets for the Oregon Public Employees Retirement System (PERS) are not reported in governmental fund statements. In the governmental fund statements, pension expense is recognized as an expenditure when due. The amounts consist of:		
Deferred outflows of resources relating to pension expense	260,499	
Deferred inflows of resources relating to the return on plan assets	(251,592)	
Net pension asset (liability)	<u>(1,067,974)</u>	(1,059,067)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Lease payable		<u>(303,702)</u>
<b>Net position of governmental activities</b>		<u><u>\$ 391,199</u></u>

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

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Federal Lunch Program Fund	Student Body Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>						
Local revenue	\$ 425,308	\$ -	\$ 7,454	\$ 44,317	\$ -	\$ 477,079
Intermediate revenue	2,459	2,332	-	-	-	4,791
State revenue	2,036,807	228	1,181	-	-	2,038,216
Federal revenue	-	86,703	41,203	-	-	127,906
Total revenues	<u>2,464,574</u>	<u>89,263</u>	<u>49,838</u>	<u>44,317</u>	<u>-</u>	<u>2,647,992</u>
<b>EXPENDITURES</b>						
Current						
Instruction	1,330,788	88,068	-	37,170	-	1,456,026
Support services	1,343,488	2,571	-	-	-	1,346,059
Food services	-	-	72,785	-	-	72,785
Debt service	86,093	-	-	-	-	86,093
Total expenditures	<u>2,760,369</u>	<u>90,639</u>	<u>72,785</u>	<u>37,170</u>	<u>-</u>	<u>2,960,963</u>
Excess (deficiency) of revenues over (under) expenditures	(295,795)	(1,376)	(22,947)	7,147	-	(312,971)
<b>OTHER FINANCING</b>						
<b>SOURCE (USES)</b>						
Sale of assets	6,750	-	-	-	-	6,750
Capital lease proceeds	305,100	-	-	-	-	305,100
Transfers in	-	-	19,527	-	5,000	24,527
Transfers out	<u>(24,527)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,527)</u>
Total other financing sources (uses)	<u>287,323</u>	<u>-</u>	<u>19,527</u>	<u>-</u>	<u>5,000</u>	<u>311,850</u>
Net change in fund balances	(8,472)	(1,376)	(3,420)	7,147	5,000	(1,121)
Fund balances - beginning	<u>791,505</u>	<u>1,376</u>	<u>10,129</u>	<u>32,781</u>	<u>66,007</u>	<u>901,798</u>
Fund balances - ending	<u>\$ 783,033</u>	<u>\$ -</u>	<u>\$ 6,709</u>	<u>\$ 39,928</u>	<u>\$ 71,007</u>	<u>\$ 900,677</u>

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

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

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

For the Year Ended June 30, 2016

<b>Net change in fund balances</b>	\$ (1,121)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report expenditures for capital assets; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported net of depreciation expense. This is the amount by which capital outlay exceeded depreciation in this current period.

Expenditures for capital assets	311,850	
Disposal of capital assets, net	(14,947)	
Depreciation expense recorded in the current year	<u>(52,728)</u>	244,175

Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position. These amounts consist of:

Long-term debt proceeds	(305,100)	
Debt principle paid	<u>83,450</u>	(221,650)

Pension expense or credits that do not meet the measurable and available criteria are not recognized as revenue or expense in the current year in the governmental funds. In the statement of activities, pension expense or credit is recognized when determined to have been accrued.

Net pension liability	(837,967)
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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

(7,332)

<b>Change in net position</b>	<u><u>\$ (823,895)</u></u>
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The accompanying notes are an integral part of these financial statements.



## **NOTES TO BASIC FINANCIAL STATEMENTS**

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2016

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the District. Governmental Activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported by the District.

**B. Reporting Entity**

Alsea School District 7J functions as a local education agency consisting of one school that serves students in grades kindergarten through 12. The District is governed by a five-member board of directors.

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from all of the District's funds.

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

**D. Basis of Presentation – Fund Financial Statements**

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

The government reports the following major governmental funds:

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

Special Revenue Funds

*Special Revenue Fund* – The Special Revenue Fund account for program revenues and expenditures related to grant programs. The primary source of revenue is federal grant monies.

*Federal Lunch Program Fund* – The Federal Lunch Program Fund accounts for program revenues and expenditures related to the District's lunch program. The primary source of revenue is federal grant monies and charges for services.

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2016

*Student Body Fund* – The Student Body Fund accounts for program revenues and expenditures related to the District’s student body activities and memorial funds. The primary source of revenue is fundraising.

Capital Projects Fund – The Capital Projects Fund accounts for the acquisition of temporary or permanent structures to be used to educate students. The primary source of revenue is transfers from the General Fund.

Additionally, the District reports the Bus Replacement Fund, as described below, which is presented in the General Fund for financial statement reporting purposes in accordance with GASB Statement No. 54. A budget and actual statement is presented for this fund in accordance with Oregon Budget Law.

Bus Replacement Fund – The Bus Replacement Fund accounts for resources to be used to purchase school buses. The primary source of revenue is transfers from the General Fund.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e. the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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

**E. Measurement Focus and Basis of Accounting**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2016

recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

**F. Budgetary Information**

**1. Budgetary Basis of Accounting**

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

The District begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year. The board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total instruction, support services, debt service, capital outlay, operating contingency, and interfund transfers are the levels of control for the funds established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2016

supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the board of directors at a regular board meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there were no supplemental budgets. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts.

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

**1. Cash and Cash Equivalents**

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

**2. Investments**

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

Investments for the government are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Investment Pool (Pool). In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

**3. Grants Receivable**

Receivables are recorded as revenue when earned. No allowance for uncollectible accounts has been established, as management deems all receivables collectible.

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2016

**4. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds are eliminated in the statement of net position.

**5. Capital Assets**

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

The reported value of capital assets excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Land and construction in progress, when applicable, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5-30
Vehicles	10
Buildings and improvements	10-50

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

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

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

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2016

only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**7. Net Position Flow Assumption**

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

**8. Fund Balance Flow Assumption**

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

**9. Fund Balance Policies**

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for the specific purposes but do not meet the criteria to be classified as committed. The school board has by resolution authorized the Business Manager to assign fund balance. The board

**ALSEA SCHOOL DISTRICT 7J**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2016

may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Commitment of fund balance is accomplished through adoption of a resolution or ordinance by the board of directors. Further, commitments of fund balance may be modified or rescinded only through approval of the board of directors via resolution or ordinance. Authority to assign fund balances has been granted to the Business Manager.

The District reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Academy itself, using its highest level of decision-making authority (i.e. board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the Academy takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts that Academy intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The District has not formally adopted a minimum fund balance policy.



**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2016

**H. Revenues and Expenditures/Expenses**

**1. Program Revenues**

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

**2. Property Taxes**

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15. Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 60 days of fiscal year-end are recognized as revenue, while the remaining are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

**3. Pensions**

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

**I. Use of Estimates**

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

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2016

**II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Cash Deposits with Financial Institutions**

Alsea School District 7J maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, the Student Activities Fund holds separate cash accounts.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP 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. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the District's position in the LGIP is the same as the value of the pool shares.

Because the pool operates as a demand deposit account, each fund's portion of this pool is classified on the combined balance sheet as cash and cash equivalents; however, Oregon Short-Term Fund investments are disclosed below and classified by custodial credit risk for investments.

The Treasurer makes short-term and long-term investments, which are held separately by several of the State's funds. Other investments are made directly by state agencies rather than by the Treasurer, although only a few agencies are authorized to make such investments and then only for specific programs. The State Treasury's direct investments in short-term securities are limited by portfolio rules established by the Oregon Short-Term Fund Board and the Oregon Investment Council.

A separate financial report for the Oregon Short-Term Fund Board is prepared by the Treasurer in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896.

Participants' account balances in the Oregon Short-Term Fund are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon State Treasury. The interest rate approximates

**ALSEA SCHOOL DISTRICT 7J**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2016

the actual yield of the Oregon Short-Term Fund, exclusive of unrealized gains and losses.

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The District has not adopted an investment policy regarding credit risk; however, investments comply with state statutes.

Investments

As of June 30, 2016, the District had the following investments:

	<u>Credit Quality Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	\$ <u>900,300</u>

Interest Rate Risk

The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The District does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the District's investments are in the Oregon Local Government Investment Pool.

Custodial Credit Risk – Investments

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

Custodial Credit Risk – Deposits

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

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2016

25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The District holds accounts at Citizens Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2016, the District had deposits of \$95,583 fully insured by the FDIC.

Deposits

The District's deposits and investments at June 30, 2016 are as follows:

Checking accounts	\$ 54,230
Total investments	<u>900,300</u>
Total deposits and investments	<u><u>\$ 954,530</u></u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 840,767
Capital Projects Fund	<u>71,007</u>
Total governmental activities - unrestricted	<u>911,774</u>
Governmental activities - restricted	
Federal Lunch Program Fund	2,828
Student Body Fund	<u>39,928</u>
Total governmental activities - restricted	<u>42,756</u>
Total cash and investments	<u><u>\$ 954,530</u></u>

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Buildings and improvements	\$ 1,091,846	\$ -	\$ -	\$ 1,091,846
Equipment	110,530	-	(5,010)	105,520
Vehicles	<u>352,736</u>	<u>311,850</u>	<u>(70,581)</u>	<u>594,005</u>
Total capital assets being depreciated	<u>1,555,112</u>	<u>311,850</u>	<u>(75,591)</u>	<u>1,791,371</u>
Less accumulated depreciation for				
Buildings and improvements	(687,121)	(17,629)	-	(704,750)
Equipment	(73,515)	(3,071)	3,591	(72,995)
Vehicles	<u>(207,608)</u>	<u>(32,028)</u>	<u>57,053</u>	<u>(182,583)</u>
Total accumulated depreciation	<u>(968,244)</u>	<u>(52,728)</u>	<u>60,644</u>	<u>(960,328)</u>
Governmental activities capital assets, net	<u>\$ 586,868</u>	<u>\$ 259,122</u>	<u>\$ (14,947)</u>	<u>\$ 831,043</u>

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

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Buildings and improvements	\$ 1,091,846	\$ (704,750)	\$ 387,096
Equipment	105,520	(72,995)	32,525
Vehicles	<u>594,005</u>	<u>(182,583)</u>	<u>411,422</u>
Total governmental capital assets	<u>\$ 1,791,371</u>	<u>\$ (960,328)</u>	<u>\$ 831,043</u>

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

Unallocated depreciation expense	<u>\$ 52,728</u>
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**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**C. Interfund Transfers**

Operating transfers are reflected as other financing sources (uses) in the governmental funds. Interfund transfers during the year consisted of:

	Transfers in:		
	Federal Lunch Fund	Capital Projects Fund	Total
Transfers out:			
General Fund	\$ 19,527	\$ 5,000	\$ 24,527

The primary purpose of the interfund transfers in was to provide funds for food services and future capital outlay purchases.

**D. Long-Term Liabilities**

**1. Changes in Long-Term Liabilities**

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

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
2015 Bus Lease	2.40%	\$ 123,600	\$ 82,052	\$ -	\$ 19,790	\$ 62,262	\$ 20,265
2016 Bus Lease	2.60%	305,100	-	305,100	63,660	241,440	58,057
Total governmental activities		<u>\$ 428,700</u>	<u>\$ 82,052</u>	<u>\$ 305,100</u>	<u>\$ 83,450</u>	<u>\$ 303,702</u>	<u>\$ 78,322</u>

**2. 2015 Bus Capital Lease**

The 2015 bus capital lease was issued on October 10, 2014 in the amount of \$123,600. Interest rates are fixed as 2.40%. The District used the proceeds to finance the purchase of two buses. The General Fund has traditionally been used to liquidate the related debt.

**3. 2016 Bus Capital Lease**

The 2016 bus capital lease was issued on September 21, 2016 in the amount of \$305,100. Interest rates are fixed as 2.6%. The District used the proceeds to finance the purchase of three buses. The General Fund has traditionally been used to liquidate the related debt.

**ALSEA SCHOOL DISTRICT 7J**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**4. Future Maturities of Long-Term Liabilities**

Year Ending June 30	2015 Bus Lease			2016 Blue Birds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 20,265	\$ 1,494	\$ 21,759	\$ 58,057	\$ 6,277	\$ 64,334
2018	20,751	1,008	21,759	59,566	4,768	64,334
2019	21,246	5,112	26,358	61,115	3,219	64,334
2020	-	-	-	62,702	1,632	64,334
	<u>\$ 62,262</u>	<u>\$ 7,614</u>	<u>\$ 69,876</u>	<u>\$ 241,440</u>	<u>\$ 15,896</u>	<u>\$ 257,336</u>

Interest expense for the year ended June 30, 2016 was \$7,771.

**E. Operating Lease**

The District signed a general services agreement to provide busing services to Kings Valley Charter School. As part of the general services agreement, the District also signed an annual lease agreement with Kings Valley Charter School to lease three school buses to the District. The current annual lease amount is \$49,500 and expired on July 30, 2015.

**F. Constraints on Fund Balances**

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

	General Fund	Federal Lunch Program Fund	Student Body Fund	Capital Projects Fund	Total Governmental Funds
Fund balances:					
Restricted for:					
Special projects	\$ -	\$ -	\$ -	\$ -	\$ -
Food service	-	6,709	-	-	6,709
Student activities	-	-	11,616	-	11,616
Memorials	-	-	28,312	-	28,312
Assigned to:					
Bus replacement	35,801	-	-	-	35,801
Capital projects	-	-	-	71,007	71,007
Unassigned	<u>747,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>747,232</u>
Total fund balances	<u>\$ 783,033</u>	<u>\$ 6,709</u>	<u>\$ 39,928</u>	<u>\$ 71,007</u>	<u>\$ 900,677</u>

**ALSEA SCHOOL DISTRICT 7J**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2016

**III. OTHER INFORMATION**

**A. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

**B. Retirement Plans**

**1. Oregon Public Employees Retirement System**

*General Information about the Pension Plan*

Name of Pension Plan

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

Description of Benefit Terms

*Plan Benefits – PERS Pension (Chapter 238)*

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

*PERS Pension*

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

*Pension Benefits*

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

*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



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**NOTES TO BASIC FINANCIAL STATEMENTS**

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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 a either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

*Benefit Changes after Retirement*

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

OPSRP Pension Program (OPSRP DB)

*Pension Benefits*

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

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: police and fire - 1.8 percent is multiplied by the number of years of service and the final average salary.

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.

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

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

*Death Benefits*

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

*Disability Benefits*

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

*Benefit Changes after Retirement*

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

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 \$203,154.

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

**ALSEA SCHOOL DISTRICT 7J**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2016

Actuarial Valuations

The employer contribution rates effective 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 the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

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

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll: Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year) amortization periods are closed
Equivalent Single Amortization Period	20 years
Asset Valuation Method	Market Value of Assets
<i>Actuarial Assumptions:</i>	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent
Mortality	Health retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

	<p>Active members: Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.</p>
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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.

Discount Rate

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

*Pension Liabilities, 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 \$1,067,974 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2013 the District's proportion was 0.01860108%.

For the year ended June 30, 2016, the District recognized a pension expense of \$1,044,228. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,591	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	-	223,872
Changes in proportionate share	-	2,769
Differences between employer contributions and employer's proportionate share of system contributions	-	24,951
Total (prior to post-MD contributions)	57,591	251,592
Contributions after measurement date	202,908	-
Total (subsequent to post-MD contributions)	\$ 260,499	\$ 251,592

Amounts reported as deferred outflows or inflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported by the District as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in subsequent years as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
2017	\$ (100,744)
2018	(100,744)
2019	(100,744)
2020	104,228
2021	4,003
Total	(194,001)

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the

**ALSEA SCHOOL DISTRICT 7J**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

net pension liability would be if it were calculated using a higher 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 proportionate share of the net pension (liability) asset:

1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
\$ 2,577,515	\$ 1,067,974	\$ (204,173)

*Plan Changes Reflected*

The Oregon Supreme Court decision in *Moro v. State of Oregon* (issued on April 30, 2015) occurred after the December 31, 2013 valuation date but affected the plan provisions reflected for financial reporting purposes. The *Moro* decision modified the COLA-related changes of Senate Bills 822 and 861, creating a blended COLA for members who earned service both before and after the effective dates of the legislation.

For GASB 67 and 68, the benefits valued in the Total Pension Liability must be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the System. Due to the timing of the Supreme Court decision, this means the COLA change due to the *Moro* is reflected in the June 30, 2015 Total Pension Liability, but was not reflected in the June 30, 2014 Total Pension Liability. The increase in the Total Pension Liability resulting from the *Moro* decision, measured as of June 30, 2015, is shown in the attached Exhibit A as the "Effect of plan changes" during the measurement period. To reflect the *Moro* decision, we estimated the blended COLA based on creditable service before and after the effective dates of the legislation. This approach is consistent with OAR 459-005-0510, adopted by the PERS Board in September 2015.

*Changes Subsequent to the Measurement Date*

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, paragraph 89f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

We are not aware of any changes subsequent to the June 30, 2015 Measurement Date that meet this requirement.

**ALSEA SCHOOL DISTRICT 7J**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2016

**2. Deferred Compensation Plan**

The District has authorized a deferred compensation plan to be made available to its employees wherein they may execute an individual agreement with the District for amounts earned by them not to be paid until a future date when they are terminated by reason of death, permanent disability, retirement, or separation. The deferred compensation plan is authorized under IRC Section 457 and has been approved by the Internal Revenue Service. Under the plan document, the District has a fiduciary responsibility to administer the plan in accordance with the requirements of IRC Section 457. The District has no liability for any losses that may be incurred under the plan.

**C. Subsequent Events**

Management has evaluated subsequent events through December 21, 2016, which was the date that the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

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

**OREGON PERS SYSTEM**

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

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.01860108%	0.018762360%
District's proportionate share of the net pension liability (asset)	\$ 1,067,974	\$ (425,289)
District's covered-employee payroll	\$ 913,994	\$ 893,771
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	117%	-48%
Plan fiduciary net position as a percentage of the total pension liability	91.88%	103.59%

**Schedule of District Contributions**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 203,154	\$ 192,355
Contributions in relation to the contractually required contribution	<u>(203,154)</u>	<u>(192,355)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 824,407	\$ 893,771
Contributions as a percentage of covered-employee payroll	25%	22%

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**Benton County, Oregon**

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

GENERAL FUND

For the Year Ended June 30, 2016

	Original Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	GAAP Basis
<b>REVENUES</b>					
Local revenue	\$ 397,110	\$ 20,859	\$ 417,969	\$ 7,339	\$ 425,308
Intermediate revenue	2,000	459	2,459	-	2,459
State revenue	2,054,736	(17,929)	2,036,807	-	2,036,807
Federal revenue	50	(50)	-	-	-
Total revenues	<u>2,453,896</u>	<u>3,339</u>	<u>2,457,235</u>	<u>7,339</u>	<u>2,464,574</u>
<b>EXPENDITURES</b>					
Current					
Instruction	1,512,795	(182,007)	1,330,788	-	1,330,788
Support services	1,538,797	(195,309)	1,343,488	-	1,343,488
Debt service	95,249	(9,156)	86,093	-	86,093
Contingency	<u>145,000</u>	<u>(145,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,291,841</u>	<u>(531,472)</u>	<u>2,760,369</u>	<u>-</u>	<u>2,760,369</u>
Excess (deficiency) of revenues over (under) expenditures	(837,945)	534,811	(303,134)	7,339	(295,795)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of assets	-	(6,750)	6,750	-	6,750
Capital lease proceeds	327,945	22,845	305,100	-	305,100
Transfers out	<u>(30,000)</u>	<u>(473)</u>	<u>(29,527)</u>	<u>5,000</u>	<u>(24,527)</u>
Total other financing sources (uses)	<u>297,945</u>	<u>(15,622)</u>	<u>282,323</u>	<u>5,000</u>	<u>287,323</u>
Net change in fund balance	(540,000)	519,189	(20,811)	12,339	(8,472)
Fund balance - beginning	<u>540,000</u>	<u>218,673</u>	<u>758,673</u>	<u>32,832</u>	<u>791,505</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 737,862</u>	<u>\$ 737,862</u>	<u>\$ 45,171</u>	<u>\$ 783,033</u>

**ALSEA SCHOOL DISTRICT 7J**  
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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

SPECIAL REVENUE FUND

For the Year Ended June 30, 2016

	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP
			Budget Basis	Adjustments	Basis
<b>REVENUES</b>					
Intermediate revenue	\$ 8,900	\$ (6,568)	\$ 2,332	\$ -	\$ 2,332
State revenue	-	228	228	-	228
Federal revenue	75,482	11,221	86,703	-	86,703
Total revenues	84,382	4,881	89,263	-	89,263
<b>EXPENDITURES</b>					
Current					
Instruction	89,482	(1,414)	88,068	-	88,068
Support services	8,900	(6,329)	2,571	-	2,571
Total expenditures	98,382	(7,743)	90,639	-	90,639
Excess (deficiency) of revenues over (under) expenditures	(14,000)	12,624	(1,376)	-	(1,376)
Fund balance - beginning	14,000	(12,624)	1,376	-	1,376
Fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ -

**ALSEA SCHOOL DISTRICT 7J**  
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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

FEDERAL LUNCH PROGRAM FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
<b>REVENUES</b>					
Local revenue	\$ 6,500	\$ 954	\$ 7,454	\$ -	\$ 7,454
State revenue	550	631	652	-	1,181
Federal revenue	<u>57,071</u>	<u>(15,868)</u>	<u>41,203</u>	<u>-</u>	<u>41,203</u>
Total revenues	<u>64,121</u>	<u>(14,283)</u>	<u>49,309</u>	<u>-</u>	<u>49,838</u>
<b>EXPENDITURES</b>					
Current					
Food service	<u>85,288</u>	<u>(12,503)</u>	<u>72,785</u>	<u>-</u>	<u>72,785</u>
Excess (deficiency) of revenues over (under) expenditures	(21,167)	(1,780)	(23,476)	-	(22,947)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	<u>20,000</u>	<u>(473)</u>	<u>19,527</u>	<u>-</u>	<u>19,527</u>
Net change in fund balance	(1,167)	(2,253)	(3,949)	-	(3,420)
Fund balance - beginning	<u>1,167</u>	<u>8,962</u>	<u>10,129</u>	<u>-</u>	<u>10,129</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 6,709</u>	<u>\$ 6,180</u>	<u>\$ -</u>	<u>\$ 6,709</u>

**ALSEA SCHOOL DISTRICT 7J**  
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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

STUDENT BODY FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
<b>REVENUES</b>					
Local revenue	\$ 84,520	\$ (40,203)	\$ 44,317	\$ -	\$ 44,317
<b>EXPENDITURES</b>					
Current					
Instruction	<u>109,520</u>	<u>(72,350)</u>	<u>37,170</u>	<u>-</u>	<u>37,170</u>
Net change in fund balance	(25,000)	32,147	7,147	-	7,147
Fund balance - beginning	<u>25,000</u>	<u>7,781</u>	<u>32,781</u>	<u>-</u>	<u>32,781</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 39,928</u>	<u>\$ 39,928</u>	<u>\$ -</u>	<u>\$ 39,928</u>

**OTHER SUPPLEMENTARY INFORMATION**

INDIVIDUAL FUND SCHEDULES

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

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

BUS REPLACEMENT FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
<b>REVENUES</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>					
Support services	\$ -	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	5,000	-	5,000	(5,000)	-
Net change in fund balance	5,000	-	5,000	(5,000)	-
Fund balance - beginning	31,000	199	\$ 30,801	(30,801)	-
Fund balance - ending	\$ 36,000	\$ 199	\$ 35,801	\$ (35,801)	\$ -

**ALSEA SCHOOL DISTRICT 7J**  
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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
<b>REVENUES</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	5,000	-	5,000	-	5,000
Net change in fund balance	5,000	-	5,000	-	5,000
Fund balance - beginning	65,600	407	66,007	-	66,007
Fund balance - ending	<u>\$ 70,600</u>	<u>\$ 407</u>	<u>\$ 71,007</u>	<u>\$ -</u>	<u>\$ 71,007</u>



## **OTHER FINANCIAL SCHEDULES**

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**REVENUE SUMMARY - ALL FUNDS**

June 30, 2016

**Revenue from Local Sources**

	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 400</b>
1110 Ad Valorem Taxes Levied by District	\$ 352,266.33	\$ -	\$ -
1412 Transportation Fees From Other Districts	2,761.87	-	-
1500 Earnings on Investments	9,058.54	9.11	-
1600 Food Service	-	7,454.04	-
1700 Extracurricular Activities	324.05	42,488.72	-
1920 Contributions and Donations From Private Sources	15,461.25	1,536.60	-
1940 Services Provided to Other Local Education Agencies	21,167.24	-	-
1960 Recovery of Prior Years' Expenditures	-	-	-
1990 Miscellaneous	16,929.66	281.60	-
<b>Total Revenue from Local Sources</b>	<b>\$ 417,968.94</b>	<b>\$ 51,770.07</b>	<b>\$ -</b>

**Revenue from Intermediate Sources**

	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 400</b>
2101 County School Funds	\$ 2,459.26	\$ 2,333.14	\$ -
<b>Total Revenue from Intermediate Sources</b>	<b>\$ 2,459.26</b>	<b>\$ 2,333.14</b>	<b>\$ -</b>

**Revenue from State Sources**

	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 400</b>
3101 State School Fund - General Support	\$ 1,997,246.89	\$ -	\$ -
3103 Common School Fund	28,452.39	-	-
3199 Unrestricted Grants-in-aid	-	529.12	-
3203 Special Education	11,108.48	-	-
3299 Other Restricted Grants-in-aid	-	880.20	-
<b>Total Revenue from State Sources</b>	<b>\$ 2,036,807.76</b>	<b>\$ 1,409.32</b>	<b>\$ -</b>

**Revenue from Federal Sources**

	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 400</b>
4100 Unrestricted Revenue From the Federal Government	\$ -	\$ 5,587.77	\$ -
4500 Restricted Revenue From the Federal Government Through the State	-	117,935.10	-
4900 Revenue for/on Behalf of the District	-	4,385.10	-
<b>Total Revenue from Federal Sources</b>	<b>\$ -</b>	<b>\$ 127,907.97</b>	<b>\$ -</b>

**Revenue from Other Sources**

	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 400</b>
5100 Long-term debt proceeds	\$ 305,100.00	\$ -	\$ -
5200 Interfund Transfers	-	24,527.17	5,000.00
5300 Sale of Fixed Assets	6,750.00	-	-
5400 Resources - Beginning Fund Balance	758,672.75	75,093.30	66,007.30
<b>Total Revenue from Other Sources</b>	<b>\$ 1,070,522.75</b>	<b>\$ 99,620.47</b>	<b>\$ 71,007.30</b>

<b>Grand Totals</b>	<b>\$ 3,527,758.71</b>	<b>\$ 283,040.97</b>	<b>\$ 71,007.30</b>
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**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

**EXPENDITURE SUMMARY - GENERAL FUND**

June 30, 2016

**Instruction Expenditures**

	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>
1111 Elementary, K-5 or K-6	\$ 523,305.92	\$ 332,055.13	\$ 156,257.97
1113 Elementary Extracurricular	1,028.51	950.00	78.51
1121 Middle/Junior High Programs	133,209.00	87,930.66	42,808.88
1122 Middle/Junior High School Extracurricular	23,795.90	13,225.00	2,987.36
1131 High School Programs	341,574.12	215,465.68	110,177.35
1132 High School Extracurricular	78,130.62	46,325.00	12,465.26
1140 Pre-Kindergarten Programs	4,880.98	4,508.70	372.28
1250 Less Restrictive Programs for Students with Disabilities	184,400.01	101,434.60	55,205.71
1280 Alternative Education	40,458.01	23,870.33	13,314.45
<b>Total Instruction Expenditures</b>	<b>\$ 1,330,783.07</b>	<b>\$ 825,765.10</b>	<b>\$ 393,667.77</b>

**Support Services Expenditures**

	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>
2120 Guidance Services	\$ 28.98	\$ -	\$ -
2130 Health Services	14,852.00	-	-
2150 Speech Pathology and Audiology Services	7,350.00	-	-
2220 Educational Media Services	8,410.16	4,170.79	2,634.20
2240 Instructional Staff Development	1,509.92	-	240.00
2310 Board of Education Services	13,093.37	-	560.83
2320 Executive Administration Services	70,433.40	44,620.00	19,959.54
2410 Office of the Principal Services	149,643.74	92,621.67	48,490.44
2520 Fiscal Services	97,734.08	37,320.00	20,864.03
2540 Operation and Maintenance of Plant Services	260,683.22	76,692.76	38,346.92
2550 Student Transportation Services	663,429.40	155,204.27	78,981.97
2660 Technology Services	56,318.34	-	-
<b>Total Support Services Expenditures</b>	<b>\$ 1,343,486.61</b>	<b>\$ 410,629.49</b>	<b>\$ 210,077.93</b>

**Other Uses Expenditures**

	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>
5100 Debt Service	\$ 86,093.00	\$ -	\$ -
5200 Transfers of Funds	29,527.17	-	-
<b>Total Other Uses Expenditures</b>	<b>\$ 115,620.17</b>	<b>\$ -</b>	<b>\$ -</b>

**Grand Total**

**\$ 2,789,889.85    \$ 1,236,394.59    \$ 603,745.70**

Object 300	Object 400	Object 500	Object 600	Object 700
\$ 495.00	\$ 34,112.82	\$ -	\$ 385.00	\$ -
-	-	-	-	-
-	2,469.46	-	-	-
5,649.97	1,744.57	-	189.00	-
2,374.91	13,363.18	-	193.00	-
10,334.81	6,941.55	-	2,064.00	-
-	-	-	-	-
22,107.03	5,468.85	-	183.82	-
2,439.52	833.71	-	-	-
<b>\$ 43,401.24</b>	<b>\$ 64,934.14</b>	<b>\$ -</b>	<b>\$ 3,014.82</b>	<b>\$ -</b>

Object 300	Object 400	Object 500	Object 600	Object 700
\$ -	\$ 28.98	\$ -	\$ -	\$ -
14,852.00	-	-	-	-
7,350.00	-	-	-	-
-	1,332.67	-	272.50	-
1,269.92	-	-	-	-
8,253.93	281.01	-	3,997.60	-
2,983.00	780.87	-	2,089.99	-
2,569.57	866.06	-	5,096.00	-
37,527.79	1,029.21	-	993.05	-
83,802.69	34,380.93	-	27,459.92	-
100,702.57	4,802.59	311,850.00	11,888.00	-
35,354.19	15,207.86	-	5,756.29	-
<b>\$ 294,665.66</b>	<b>\$ 58,710.18</b>	<b>\$ 311,850.00</b>	<b>\$ 57,553.35</b>	<b>\$ -</b>

Object 300	Object 400	Object 500	Object 600	Object 700
\$ -	\$ -	\$ -	\$ 86,093.00	\$ -
-	-	-	-	29,527.17
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 86,093.00</b>	<b>\$ 29,527.17</b>
<b>\$ 338,066.90</b>	<b>\$ 123,644.32</b>	<b>\$ 311,850.00</b>	<b>\$ 146,661.17</b>	<b>\$ 29,527.17</b>

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

EXPENDITURE SUMMARY - SPECIAL REVENUE FUNDS

June 30, 2016

<b>Instruction Expenditures</b>	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 600</b>
1113 Elementary Extracurricular	\$ 5,215.53	\$ -	\$ -	\$ 153.40	\$ 5,062.13	\$ -
1122 Middle/Junior High School Extracurricular	81.75	-	-	-	81.75	-
1132 High School Extracurricular	31,873.37	-	-	63.92	30,842.48	966.97
1220 Restrictive Programs for Students with Disabilities	-	-	-	-	-	-
1250 Less Restrictive Programs for Students with Disabilities	26,230.90	15,079.25	10,680.53	251.94	-	219.18
1272 Title I	61,836.76	31,715.76	14,919.45	357.56	14,843.99	-
<b>Total Instruction Expenditures</b>	<b>\$ 125,238.31</b>	<b>\$ 46,795.01</b>	<b>\$ 25,599.98</b>	<b>\$ 826.82</b>	<b>\$ 50,830.35</b>	<b>\$ 1,186.15</b>

<b>Support Services Expenditures</b>	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 600</b>
2130 Health Services	\$ 2,113.14	\$ -	\$ -	\$ 2,113.14	\$ -	\$ -
2550 Student Transportation Services	-	-	-	-	-	-
2558 Special Education Transportation Services	459.01	-	459.01	-	-	-
<b>Total Support Services Expenditures</b>	<b>\$ 2,572.15</b>	<b>\$ -</b>	<b>\$ 459.01</b>	<b>\$ 2,113.14</b>	<b>\$ -</b>	<b>\$ -</b>

<b>Enterprise and Community</b>	<b>Totals</b>	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 600</b>
3100 Food Services	\$ 72,785.31	\$ 16,272.88	\$ 7,709.97	\$ 573.00	\$ 48,229.46	\$ -
<b>Total Enterprise and Community Services Expenditures</b>	<b>\$ 72,785.31</b>	<b>\$ 16,272.88</b>	<b>\$ 7,709.97</b>	<b>\$ 573.00</b>	<b>\$ 48,229.46</b>	<b>\$ -</b>

<b>Grand Total</b>	<b>\$ 200,595.77</b>	<b>\$ 63,067.89</b>	<b>\$ 33,768.96</b>	<b>\$ 3,512.96</b>	<b>\$ 99,059.81</b>	<b>\$ 1,186.15</b>
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**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

Federal Grantor, Pass through Grantor, Program Title	CFDA	Expenditures
<b><u>U.S. Department of Education</u></b>		
Rural Education	84.358	\$ 5,588
Passed through Oregon State Department of Education		
Title 1, Part A Cluster		
Title 1 Grants to Local Educational Agencies	84.010	44,175
Special Education (IDEA) Cluster		
IDEA Special Education Grants to States	84.027	26,002
Special Education - Preschool Grant	84.173	459
Total Special Education (IDEA) Cluster		26,461
Title IIA Improving Teaching Quality State Grants	84.367	12,072
Total passed through Oregon State Department of Education		82,708
Total U.S. Department of Education		88,296
<b><u>U.S. Department of Agriculture</u></b>		
Passed through Oregon State Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	15,501
National School Lunch Program	10.555	21,367
National School Lunch Program - Commodities	10.555	4,385
Total Child Nutrition Cluster		41,253
Total federal expenditures		\$ 129,549

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



# Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors  
Alsea School District 7J  
Alsea, Oregon 97324

We have audited the basic financial statements of Alsea School District 7J as of and for the year ended June 30, 2016, and have issued our report thereon dated December 21, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### **Compliance**

As part of obtaining reasonable assurance about whether Alsea School District 7J's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

**Budgets legally required (ORS Chapter 294)**

**Insurance and fidelity bonds in force or required by law**

**Programs funded from outside sources**

**Authorized investment of surplus funds (ORS Chapter 294)**

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

**State school fund factors and calculation**



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

#### **OAR 162-010-0230 Internal Control**

In planning and performing our audit, we considered Alsea School District 7J's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alsea School District 7J's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Alsea School District 7J's internal control over financial reporting. However, we noted certain matters that we have reported to management of the District in a separate letter dated December 21, 2016.

This report is intended solely for the information and use of the board of directors and management of Alsea School District 7J and the Oregon Secretary of State, and is not intended to be, and should not be used by anyone other than these parties.



Accuity, LLC

December 21, 2016

**ALSEA SCHOOL DISTRICT 7J**  
**Benton County, Oregon**

SUPPLEMENTAL INFORMATION REQUIRED BY OREGON DEPARTMENT OF EDUCATION

For the Year Ended June 30, 2016

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

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

	Objects 325 and 326
Function 2540	\$ 37,389
Function 2550	\$ -

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

\$ -
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Exclude these functions:

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