

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
Roseburg, Oregon**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2017
WITH
INDEPENDENT AUDITOR'S REPORT**



Certified Public Accountants, LLP
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**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
ROSEBURG, OREGON
YEAR ENDED JUNE 30, 2017**

BOARD OF DIRECTORS AS OF JUNE 30, 2017

Charles F. Lee Roseburg, Oregon 97470	Chair
Dan Endicott Roseburg, Oregon 97471	Vice-Chair
Rodney Cotton Roseburg, Oregon 97470	Director
Joseph Garcia Roseburg, Oregon 97470	Director
Paul Meyer Roseburg, Oregon 97471	Director
Steve Patterson Roseburg, Oregon 97471	Director
Rev. Howard Johnson Roseburg, Oregon 97471	Director

**Administrative Office:
1419 NW Valley View Drive
Roseburg, Oregon 97471**

ADMINISTRATIVE STAFF

Gerry Washburn	Superintendent
Cheryl Northam	Chief Operations Officer

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
ROSEBURG, OREGON
YEAR ENDED JUNE 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Douglas County School District No. 4
Roseburg, Oregon 97470

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, certain pension schedules (OPERS), the schedule of changes in the net pension liability and related ratios (stipend), the schedule of changes in the District's total OPEB liability and related ratios, and the general fund and major special revenue governmental funds budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to management's discussion and analysis, certain pension schedules (OPERS), the schedule of changes in the net pension liability and related ratios (stipend), and the schedule of changes in the District's total OPEB liability and related ratios in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on management's discussion and analysis, certain pension schedules (OPERS), the schedule of changes in the net pension liability and related ratios (stipend), and the schedule of changes in the District's total OPEB liability and related ratios because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Other Reporting Required by the State of Oregon

In accordance with Oregon State Regulation, we have also issued our report dated December 5, 2017, on our consideration of the District's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-0000 through 162-10-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.



Mark E. Damon CPA, Partner
Medford, Oregon
KDP Certified Public Accountants, LLP
December 5, 2017

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

As management of Douglas County School District No. 4 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes to those financial statements. It should also be noted that all amounts included in text below are rounded for ease of reading.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the liabilities/deferred inflows of the District exceeded its assets and deferred outflows at June 30, 2017 by \$16.6 million. Of this amount, \$25.7 million represents the District's net investment in capital assets, \$656 thousand is restricted for debt service, and the deficit of \$43 million is considered unrestricted.
- For the fiscal year ended June 30, 2017, the District's total net position increased by \$785 thousand. In the prior year, the District's total net position decreased by \$5 million. The improvement in performance during fiscal 2017 is mostly attributed to a reduction in net pension expense (OPERS) of approximately \$5 million when compared to fiscal 2016. Many factors impact the computation of net pension expense as discussed in *Note 9*.
- The District's governmental funds report a combined ending fund balance of \$12.3 million, an increase of \$2.1 million from the prior year.
- At the end of the fiscal year, unassigned fund balance in the general fund was \$2.7 million or 5.4 percent of total general fund expenditures. In total, the general fund balance increased by \$393 thousand from the prior year.
- The District's total debt decreased by \$3.1 million during the 2016-17 fiscal year as a result of scheduled principal payments. Regular debt service payments were made as scheduled.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the basic financial statements.

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

Government-wide financial statements

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

Statement of Net Position. The *Statement of Net Position* presents information on all of the assets and liabilities of the District at year-end. Net position is what remains after the liabilities have been recognized. 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.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Statement of Activities. The Statement of Activities presents information showing how the net position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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

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

The government-wide financial statements can be found as listed in the Table of Contents of this report.

Fund financial statements

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

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

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

The District maintains four individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Special Revenue, Debt Service, and Capital Projects Funds, all of which are considered to be major funds.

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

Notes to the basic financial statements

The *notes to the basic financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Information such as significant accounting policies and detail of certain assets/deferred outflows and liabilities/deferred inflows are included in the notes which should be read in conjunction with the basic financial statements.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's liabilities/deferred inflows exceeded assets/deferred outflows by \$16.56 million at June 30, 2017. At June 30, 2016 District liabilities/deferred inflows were greater than assets/deferred outflows by \$17.34 million (restated).

	Governmental Activities		Increase (Decrease)
	June 30, 2017	June 30, 2016 Restated	From June 30, 2016
Assets:			
Current assets	\$ 15,852	\$ 13,700	\$ 2,152
Other assets	-	-	-
Capital assets	34,546	35,338	(792)
Total assets	50,398	49,038	1,360
Deferred outflows	17,129	7,417	9,712
Total assets and deferred outflows	67,527	56,455	11,072
Liabilities:			
Current liabilities	5,391	5,304	87
Other liabilities	43,038	22,781	20,257
Long-term liabilities	35,000	38,276	(3,276)
Total liabilities	83,429	66,361	17,068
Deferred inflows	658	7,439	(6,781)
Total liabilities and deferred inflows	84,088	73,800	10,288
Net position:			
Net investment in capital assets	25,750	24,437	1,313
Restricted for debt service	656	800	(144)
Unrestricted	(42,967)	(42,582)	(385)
Total net position	\$ (16,561)	\$ (17,345)	\$ 784

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

As noted previously, net position may serve over time as a useful indicator of a government's financial position. Net position increased by \$785 thousand from the prior year.

Capital assets, which consist of the District's land, buildings, building improvements, vehicles and equipment, represent about 51% of total assets/deferred outflows. The remaining assets consist mainly of cash and investments, grants and property taxes receivable, inventories and deferred outflows related to pensions.

The District's largest liabilities consist of general obligations, PERS bonds, and full faith credit obligations, unfunded OPERS obligations, and unfunded post employment benefit obligations. Other more current liabilities consist of payables on accounts, accrued salaries and benefits, and unearned revenue.

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

Governmental activities. When compared to fiscal 2016, the District's annual change in net position improved by \$5.8 million (as fiscal 2016 reported a decrease in net position of \$5.1 million). The improvement can primarily be attributed to lower net pension expense (\$5 million lower in fiscal 2017).

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

	<u>Governmental Activities</u>		Increase (Decrease) From
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2016</u>
Revenues:			
Program revenues:			
Charges for service	\$ 2,621	\$ 2,266	\$ 355
Operating grants and contributions	6,489	6,582	(93)
Capital grants and contributions	296	1,632	(1,336)
General revenues:			
Property taxes	16,672	16,678	(6)
State school fund - general support	35,736	34,366	1,370
Other federal, state and local sources	1,179	1,866	(687)
Earnings on investments	189	99	90
Total revenues	<u>63,182</u>	<u>63,489</u>	<u>(307)</u>
Expenses:			
Instruction	34,423	37,447	(3,024)
Support services	22,300	24,906	(2,606)
Enterprise and community services	3,654	3,898	(244)
Interest on long-term debt	2,020	2,292	(272)
Total expenses	<u>62,397</u>	<u>68,543</u>	<u>(6,146)</u>
Change in net position	<u>\$ 785</u>	<u>\$ (5,054)</u>	<u>\$ 5,839</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

At June 30, 2017, the District's governmental funds reported combined ending fund balance of \$12.3 million, an increase of \$2.1 million from the prior year. Approximately \$2.7 million (22%) of the ending fund balance constitutes unassigned *ending fund balance*, which is available for spending at the government's discretion.

General Fund. The General Fund is the chief operating fund of the District. At June 30, 2017, the fund balance was \$2.9 million. This is an increase of about \$394 thousand million (15%) from the previous year. The general fund unassigned balance represents 5.4 percent of total general fund expenditures. This is an increase when compared to 2016. The District continues to balance needs with limited resources.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

Special Revenue Fund. The Special Revenue Fund is used to account for Federal, State, and Local grants, as well as our food service and associated student body. All funds are utilized to carry out specific programs, and the ending fund balance of \$2.7 million is committed to associated student body programs and activities and grant related activities. This is increase of about \$668 thousand (33%) from the previous year. Special revenue funding has become much more volatile over the last three years as state and federal stimulus programs are established for short periods of time. As general funding continues to be impacted by the economy, our reliance on special revenues increases.

Debt Service Fund. The Debt Service Fund has a total fund balance of \$5.6 million, \$656 thousand of which is restricted for the payment of general obligation bond debt service, and \$4.9 million is assigned for pension obligation bonds debt service. The increase in fund balance during the current year was about \$701 thousand. This increase can be attributed to the ongoing internal charge rate to other funds for the future debt service associated with the pension obligation bonds.

Capital Projects Fund. The Capital Projects Fund has a total fund balance of \$1.1 million all of which is assigned for ongoing capital projects. The fund balance increased by \$364 thousand during the current fiscal year as a result of a transfer from the General Fund and planned reserves for future projects. Outside of a voter approved bond levy, those grants are the only source of significant capital improvement funding the district expects to receive.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets includes land, buildings and improvements, vehicles and equipment, and construction in progress. As of June 30, 2017, the District had invested approximately \$34.5 million in capital assets, net of depreciation, as shown in the following table:

	Governmental Activities		Increase (Decrease)
	June 30, 2017	June 30, 2016	From June 30, 2016
Capital assets (net of depreciation):			
Land	\$ 3,567	\$ 3,503	\$ 64
Construction in progress	172	-	172
Buildings and improvements	29,087	29,945	(858)
Vehicles and equipment	1,720	1,890	(170)
Total capital assets	<u>\$ 34,546</u>	<u>\$ 35,338</u>	<u>\$ (792)</u>

Additional information regarding the District's capital assets can be found in the notes to the basic financial statements of this report.

Long-term debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$38.3 million, consisting of general obligation debt, pension obligation debt, and other full faith and credit obligations.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

	Governmental Activities		Increase (Decrease) From
	June 30, 2017	June 30, 2016	June 30, 2016
Debt obligations:			
General obligation bonds	\$ 8,275	\$ 10,255	\$ (1,980)
Pension obligation bonds	29,163	30,103	(940)
Other obligations	843	1,056	(213)
Total debt obligations	<u>\$ 38,280</u>	<u>\$ 41,414</u>	<u>\$ (3,134)</u>

During the current fiscal year, the District's total debt decreased by \$3.1 million. This was the result of scheduled principal payments.

Additional information on the District's long-term debt can be found in the notes to the basic financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant revenue factor for the District continues to be the adequacy of Oregon's State School Fund as appropriated by the Oregon Legislature on a biennial basis. For the year ended June 30, 2017, the State School Fund basic support provided about 69% of the District General Fund program revenue, the same level as the previous year. When combined with local property taxes, which are included in the school fund formula, these two sources provide about 97% of the resources for the General Fund. While the funding from those two sources continues to grow, payroll benefit cost increases in the form of PERS contributions are increasing sharply, causing pressure on the district's budget to meet the changing needs of the district's students.

The Oregon Legislature has increased its appropriations for K-12 education funding for the 2017-19 biennium. Despite the cost increase of payroll benefits, this increase in funding has allowed for some planned instructional changes in the District. For the 2017-18 year, the district has budgeted to increase elementary music instruction and is adding elementary physical education instruction. In-school suspension staff was added at the secondary level so that expelled students will still attend school during their suspension. Also increased was the staffing level at our alternative school, allowing for expanded options for secondary level students needing a non-traditional learning environment.

After many years of declining enrollment, the number of students attending the Roseburg School District appears to have leveled out. We are not seeing growth in our enrollment, however our student population is holding steady at about 5,800.

There will continue to be challenges as we look forward to the 2017-18 school year and beyond. The economy continues to improve slightly with modest growth. The biggest financial challenge facing the district continues to be the increase in PERS employer rates. Due to the Moro decision, and a reduction in the assumed earnings rate, the unfunded actuarial liability of the PERS system continues to grow. This caused PERS rates for the district to climb by approximately 4.5% at the start of the 2017-19 biennium, increasing annual PERS costs by an estimated \$1.2 million. Early predictions show the PERS rate increasing by over 7% for the 2019-21 biennium. Recent changes in PERS Side account regulations will allow the district to make additional contributions to side accounts potentially lowering future PERS rate increases. The district will investigate and take advantage any potential benefits to additional contributions to its PERS Side account.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

The district has been awarded three new seismic rehabilitation grants. These grants will be used to make seismic upgrades at Fullerton IV Elementary School in the summer of 2018 and upgrades will be made at Hucrest and Melrose Elementary Schools in the summer of 2019. The district continues to apply for seismic rehabilitation grants and we hope for more awards in the future. Additionally, the district continues to apply for and receive grants to enhance and expand our career technical education opportunities for students. The district has also been fortunate enough to receive funding to pay for staff professional development design and overhaul. This grant will also be used to fund the necessary work around instructional change.

The district remains optimistic about the future. We are implementing changes that are designed to improve student achievement. Increasing educational opportunities for our students is a priority in the district's planning and will continue to guide our future decision making.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Business Office at 1419 NW Valley View Drive, Roseburg, Oregon 97471.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

ASSETS AND DEFERRED OUTFLOWS:

Assets:

Cash and Investments	\$ 12,567,516
Receivables:	
Taxes Receivable	1,724,221
Other Receivables	1,346,734
Inventory - General	181,435
Prepaid Expense	32,107
Capital Assets (net of accumulated depreciation):	
Land	3,566,954
Construction in Progress	172,068
Buildings and Improvements	29,087,400
Vehicles and Equipment	1,719,541
	<u>50,397,976</u>

TOTAL ASSETS

Deferred Outflows of Resources:

Deferred Charge Associated with Advance Refunding (net)	317,387
Deferred Amounts Related to Pensions (OPERS)	16,811,604
	<u>17,128,991</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

LIABILITIES AND DEFERRED INFLOWS:

Liabilities:

Accounts Payable	\$ 213,696
Accrued Payroll and Related Charges	1,710,336
Accrued Compensated Absences	89,898
Unearned Revenue	97,114
Accrued Interest	1,777,017
Pension Liability (Stipend)	783,600
Other Post Employment Benefit Obligation	6,308,864
Net Pension Liability (OPERS)	34,168,364
Long-Term Debt:	
Due Within One Year	3,280,250
Due in More Than One Year	35,000,196
	<u>83,429,335</u>

TOTAL LIABILITIES

Deferred Inflows of Resources:

Deferred Amounts Related to Pensions (OPERS)	658,383
	<u>84,087,718</u>

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

NET POSITION:

Net Investment in Capital Assets	25,749,545
Restricted for Debt Service	656,228
Unrestricted	(42,966,524)
	<u>(16,560,751)</u>

TOTAL NET POSITION

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

FUNCTIONS	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:					
Instructional Services	\$ 34,423,154	\$ 1,549,494	\$ 2,655,524	\$ -	\$ (30,218,136)
Support Services	22,300,048	475,471	1,702,082	-	(20,122,495)
Community Services	3,654,033	596,147	2,130,897	-	(926,989)
Interest on Long-Term Liabilities	2,020,156	-	-	-	(2,020,156)
Facilities Acquisition and Construction	-	-	-	296,012	296,012
Total Governmental Activities	\$ 62,397,391	\$ 2,621,112	\$ 6,488,503	\$ 296,012	\$ (52,991,764)
General Revenues:					
Property Taxes Levied for General Purposes					14,903,111
Property Taxes Levied for Debt Service					1,769,191
State School Fund					35,736,014
Common School Fund					694,653
Federal Forest Fees					108,656
County School Fund					71,848
Earnings on Investments					189,342
Miscellaneous					304,055
Total General Revenues					53,776,870
CHANGE IN NET POSITION					
					785,106
Net Position - July 1, 2016 (as restated)					(17,345,857)
Net Position - June 30, 2017					\$ (16,560,751)

FUND FINANCIAL STATEMENTS

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS:					
Cash and Investments	\$ 3,942,918	\$ 2,076,223	\$ 5,602,974	\$ 945,401	\$ 12,567,516
Receivables:					
Taxes	1,516,401	-	207,820	-	1,724,221
Due From Other Government Sources	450,528	785,752	-	110,454	1,346,734
Inventory - General	181,435	-	-	-	181,435
Prepaid	31,350	757	-	-	32,107
TOTAL ASSETS	<u>\$ 6,122,632</u>	<u>\$ 2,862,732</u>	<u>\$ 5,810,794</u>	<u>\$ 1,055,855</u>	<u>\$ 15,852,013</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 128,558	\$ 85,138	\$ -	\$ -	\$ 213,696
Accrued Payroll and Related charges	1,710,336	-	-	-	1,710,336
Unearned Revenue	-	97,114	-	-	97,114
TOTAL LIABILITIES	<u>1,838,894</u>	<u>182,252</u>	<u>-</u>	<u>-</u>	<u>2,021,146</u>
Deferred Inflows of Resources:					
Unavailable Revenue, Property Taxes	1,326,374	-	185,693	-	1,512,067
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>3,165,268</u>	<u>182,252</u>	<u>185,693</u>	<u>-</u>	<u>3,533,213</u>
Fund Balances:					
Nonspendable	212,785	757	-	-	213,542
Restricted - Debt Service	-	-	656,228	-	656,228
Committed	-	2,679,723	-	-	2,679,723
Assigned - Debt Service	-	-	4,968,873	-	4,968,873
Assigned - Capital Projects	-	-	-	1,055,855	1,055,855
Unassigned	2,744,579	-	-	-	2,744,579
TOTAL FUND BALANCES	<u>2,957,364</u>	<u>2,680,480</u>	<u>5,625,101</u>	<u>1,055,855</u>	<u>12,318,800</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 6,122,632</u>	<u>\$ 2,862,732</u>	<u>\$ 5,810,794</u>	<u>\$ 1,055,855</u>	<u>\$ 15,852,013</u>

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

TOTAL FUND BALANCES \$ 12,318,800

Capital assets are not financial resources and therefore are not reported in the governmental funds:

Cost	\$ 64,988,077	
Accumulated Depreciation	<u>(30,442,114)</u>	34,545,963

A portion of the District's property taxes are collected after year-end but are not available to pay for current operations, therefore, are not reported as revenue in the governmental funds. 1,512,067

The District has deferred charge associated with its 2013 advance refunding of its Series 2004 and 2005 G.O. Bonds. The deferred charge is not available to pay for current expenditures, therefore, is not reported in governmental funds. 317,387

The asset(liability) associated with the District's pension (OPERS) is not recorded in the governmental funds as it is not available nor payable currently. (34,168,364)

The net deferred outflow/(inflow) associated with the District's pension (OPERS) is not recorded in the governmental funds as it is not available nor payable currently. 16,153,221

The liability for other post employment benefits obligations is not recorded as a governmental fund liability as it is not available nor payable currently. (6,308,864)

The liability for the District's stipend pension is not recorded in the governmental funds as it is not available nor payable currently (783,600)

Long-term liabilities not payable in the current year are not reported as governmental fund liabilities.

These liabilities consist of:

Long-Term Debt	\$ (38,280,446)	
Accrued Interest	(1,777,017)	
Accrued Compensated Absences	<u>(89,898)</u>	<u>(40,147,361)</u>

TOTAL NET POSITION \$ (16,560,751)

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES:					
Property Taxes	\$ 14,855,787	\$ -	\$ 1,775,962	\$ -	\$ 16,631,749
State School Fund	35,713,487	-	-	-	35,713,487
Intergovernmental	981,611	6,344,158	-	162,935	7,488,704
Charges for Services	377,012	2,244,100	-	-	2,621,112
Pension Obligation Bonds (internal fee)	-	-	3,960,415	-	3,960,415
Interest on Investments	86,162	-	103,180	-	189,342
Miscellaneous	333,137	31,336	-	133,077	497,550
TOTAL REVENUES	52,347,196	8,619,594	5,839,557	296,012	67,102,359
PROGRAM EXPENDITURES:					
Instruction	30,605,351	4,046,297	-	-	34,651,648
Support Services	19,985,379	2,024,405	-	-	22,009,784
Community Services	-	2,511,136	-	-	2,511,136
Capital Outlay	-	120,000	-	322,895	442,895
Debt Service	-	-	5,367,068	-	5,367,068
TOTAL EXPENDITURES	50,590,730	8,701,838	5,367,068	322,895	64,982,531
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,756,466	(82,244)	472,489	(26,883)	2,119,828
OTHER FINANCING SOURCES (USES):					
Transfers In	-	744,000	228,297	500,000	1,472,297
Transfers Out	(1,362,935)	-	-	(109,362)	(1,472,297)
TOTAL OTHER FINANCING SOURCES (USES)	(1,362,935)	744,000	228,297	390,638	-
NET CHANGE IN FUND BALANCE	393,531	661,756	700,786	363,755	2,119,828
FUND BALANCE - JULY 1, 2016	2,563,833	2,018,724	4,924,315	692,100	10,198,972
FUND BALANCE - JUNE 30, 2017	\$ 2,957,364	\$ 2,680,480	\$ 5,625,101	\$ 1,055,855	\$ 12,318,800

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

NET CHANGE IN FUND BALANCE		\$ 2,119,828
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlay as expenditures. In the statement of activities, depreciation is reported as an expense, thus allocating the asset over its useful life. This is the amount by which depreciation and reductions exceeded capital outlays.</p>		
Expenditures for capital assets	\$ 526,362	
Less current year depreciation	<u>(1,318,053)</u>	(791,691)
<p>Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, issuing long-term debt increases the liabilities. Repayment of principal is an expenditure in the governmental funds and a reduction of the liability in the statement of net position.</p>		
Accrued compensated absences payable	\$ 46,267	
Accrued interest	318,870	
Debt principal repaid	<u>3,133,846</u>	3,498,983
<p>Governmental funds report the effect of premiums, deferred charges, discounts when debt is issued. These amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences:</p>		
Amortization of deferred charge associated with advance refunding		(92,894)
<p>In the statement of activities, contributions for other post employment benefits greater than the actuarially determined amount decrease the other post employment benefit obligation. In the governmental funds, the entire contribution is recognized as an expenditure. This is the amount by which the obligation decreased:</p>		
		520,860
<p>Government funds report pension contributions as expenditures. In the statement of activities, the cost of pension benefits (actuarially determined) is reported as either pension expense or income. This is the net change in pension related items (OPERS & Stipend).</p>		
		(4,510,533)
<p>Property taxes which are not measurable and available are unavailable in the governmental funds. In the statement of activities property taxes are recognized when levied.</p>		
		<u>40,553</u>
CHANGE IN NET POSITION		<u>\$ 785,106</u>

NOTES TO BASIC FINANCIAL STATEMENTS

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 – Summary of Significant Accounting Policies

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

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

Basis of Presentation

Government-Wide Financial Statements

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

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

Separate financial statements are provided for governmental funds. The District has no proprietary funds or fiduciary funds.

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

Special Revenue Fund - This fund accounts for funds received through Federal, State and Private grant sources. It is also used to account for the District's school lunch program, major curriculum and technology purchases, and special revenues derived from Associated Student Body activities.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Debt Service Fund - This fund provides for the payment of principal and interest on debt obligations of the District. Principal revenue sources are property taxes and charges to other funds.

Capital Projects Fund - This fund accounts for activities related to the acquisition, construction, equipping and furnishing of facilities. Principal revenue sources are proceeds from the sale of bonds, interest earnings and transfers from other funds.

Measurement Focus and Basis of Accounting

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

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

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

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Cash, Cash Equivalents and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less. Short-term investments are stated at cost, which approximates fair value.

The District's investments may consist of time certificates of deposit, banker's acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The District's investments are reported at fair value at year end. Changes in the fair value of investments are recorded as investment earnings. The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares.

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

Property Taxes Receivable

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

Uncollected property taxes are recorded on the statement of net position. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for un-collectible taxes has been established. All property taxes receivable are due from property owners within the District.

Accounts and Other Receivables

Accounts and other receivables are comprised primarily of State School Support and claims for reimbursement of costs under various federal and state grants.

Grants

Un-reimbursed expenditures due from grantor agencies are reflected in the basic financial statements as inter-governmental receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Grant monies received prior to the occurrence of qualifying expenditures are recorded as unearned revenue.

Inventories

Inventories consist of supplies held for sale or use by the District. Inventories are charged as expenditures when used and are stated at cost using the average-cost method.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

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

Buildings and improvements	10 to 50 years
Equipment	5 to 30 years

Retirement Plans

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

The District offers its employees a tax deferred annuity plan established pursuant to Section 403(b) of the Internal Revenue Code and deferred compensation pursuant to Section 457 of the Internal Revenue Code.

Post Employment Benefits

Licensed employees, classified employees, and eligible administrative employees are eligible at age fifty-eight, subject to terms of employment and bargaining agreements, for early retirement benefits.

Eligible employees who elect early retirement and meet certain criteria are entitled to payment of group medical insurance premiums at the proportion currently being paid by the District. Such costs are recorded as expenses in the Special Revenue Fund and funded as premiums become due. Employees hired after July 1, 1990 are generally not eligible for benefits.

Compensated Absences

It is the District's policy to permit employees to accumulate limited earned but unused vacation and unlimited sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All unused vacation pay is accrued when earned in the government-wide financial statements and must be used within the next fiscal year. The compensated absences liability decreased from \$136,166 to \$89,898 during the fiscal year ended June 30, 2017.

Net Position and Fund Balance

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

- *Net investment in capital assets* – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- *Restricted net position* – consists of net position with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position is reduced by liabilities and deferred inflows or resources related to the restricted assets.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position and Fund Balance (continued)

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

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

- *Non-Spendable* – Includes items not immediately converted to cash, such as prepaid items and inventory.
- *Restricted* – Includes items that are restricted by external creditors, grantors, or contributors, or restricted by legal constitutional provisions.
- *Committed* – Includes items committed by the District's Board of Directors, by formal board action.
- *Assigned* – Includes items assigned for specific purposes, authorized by the District's Superintendent and/or Chief Operations Officer.
- *Unassigned* – This is the residual classification used for those balances not included in another category.

The District has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable), and lastly unassigned fund balance.

Long-Term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. Bond premiums and discounts and deferred charges associated to advanced refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums, and discounts.

Deferred charges associated to the advance refunding are reported as deferred outflows of resources. Bond issuance costs are expensed as incurred.

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

Budget

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting. The budgetary basis of accounting is the same as accounting principles generally accepted in the United States of America for the governmental fund types, except capital outlay expenditures (including items below the District's capitalization level) and debt service which are budgeted by major function in governmental fund types. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Budget (continued)

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

During the fiscal year ending June 30, 2017, the District exceeded its appropriation authority in the following category.

Special Revenue Fund	
Community service	<u>\$ 46,568</u>

Use of Estimates

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

New GASB Pronouncements Adopted

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

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

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

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

New GASB Pronouncements Adopted (continued)

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

Future GASB Pronouncements

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

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

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. Issued March 2016, this statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB 81 will be effective for the District, fiscal year ending June 30, 2018.

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

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

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

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

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Future GASB Pronouncements (continued)

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

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

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

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

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

The implementation of GASB 73 and 75 resulted in a restatement of beginning net position in order to recognize the Districts Stipend Pension Liability, and the Districts Postemployment Medical Benefit Liability (Explicit and Implicit). The result of the restatement was a \$6,700,515 reduction in the beginning net position, a \$1,090,740 addition to the Stipend Pension Liability, and a \$5,609,775, addition to the Other Post Employment Medical Benefit Liability.

In addition to the restatement associated with the implementation of GASB 73 and 75, the District identified an error in relation to its accounting for its 2002A Pension Obligations. The result of the restatement was a \$2,095,887 reduction in the beginning net position and an increase to its accrued interest liability.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3 – Cash and Investments

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments."

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

Investments - LGIP	\$ 8,214,658
Deposits with financial institutions, demand deposits	4,350,158
Cash on hand	<u>2,700</u>
Total cash and investments	<u>\$ 12,567,516</u>

At year-end, the District's net carrying amount of deposits was \$4,350,158 and the bank balance was \$5,057,513. Of these deposits, \$4,443,504 was not covered by the Federal Depository Insurance Corporation (FDIC) and the National Credit Union Share Insurance Fund (NCUSIF).

As required by Oregon Revised Statutes, Chapter 295, deposits in excess of insurance limits were held at qualified depositories for public funds.

The "weighted average maturity in years" calculation assumes that all investments are held until maturity.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits investments to no more than 18 months.

Custodial credit risk, for deposits, is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As required by Oregon Revised Statutes, Chapter 295, deposits in excess of FDIC and NCUSIF coverage were held at qualified depositories for public funds.

All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result, the District has no exposure to custodial credit risk for deposits with financial institutions.

Custodial credit risk, for investments, is the risk that, in the event of the failure of the counter-party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's total investments, the District has no custodial credit risk.

State of Oregon statutes restrict the types of investments in which the District may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool.

Roseburg Public Schools has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2016-2017. Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. Investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3 – Cash and Investments (continued)

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

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 294.035 and 294.810. These funds are held in the District's name and are not subject to collateralization requirements of ORS 295.015. Investments are stated at amortized cost, which approximated fair value.

As of June 30, 2017 and for the year then ended, the District was in compliance with the aforementioned State of Oregon statutes.

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

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

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

Disclosures about Fair Value of Assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

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

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

Investments Measured at Fair Value:	Totals as of 6/30/2017	Level One	Level Two	Level Three	Not Measured at Fair Value
Local Government Investment Pool	\$ 8,214,658	-	-	-	\$ 8,214,658
	<u>\$ 8,214,658</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 8,214,658</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 4 – Capital Assets

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 3,502,964	\$ 63,990	\$ -	\$ 3,566,954
CIP	-	172,068	-	172,068
	<u>\$ 3,502,964</u>	<u>\$ 236,058</u>	<u>\$ -</u>	<u>\$ 3,739,022</u>
Total capital assets not being depreciated				
Capital assets being depreciated:				
Site improvements	\$ 4,951,092	\$ 7,036	\$ -	\$ 4,958,128
Buildings	51,207,191	232,451	-	51,439,642
Equipment	4,800,468	50,817	-	4,851,285
Total capital assets being depreciated	<u>\$ 60,958,751</u>	<u>\$ 290,304</u>	<u>\$ -</u>	<u>\$ 61,249,055</u>
Less accumulated depreciation for:				
Site improvements	\$ (3,884,774)	\$ (150,109)	\$ -	\$ (4,034,883)
Buildings	(22,328,591)	(946,896)	-	(23,275,487)
Equipment	(2,910,696)	(221,048)	-	(3,131,744)
Total accumulated depreciation	<u>\$ (29,124,061)</u>	<u>\$ (1,318,053)</u>	<u>\$ -</u>	<u>\$ (30,442,114)</u>
Total capital assets (net)				
Land	\$ 3,502,964	\$ 63,990	\$ -	\$ 3,566,954
CIP	-	172,068	-	172,068
Site improvements	1,066,318	(143,073)	-	923,245
Buildings	28,878,600	(714,445)	-	28,164,155
Equipment	1,889,772	(170,231)	-	1,719,541
Total capital assets (net)	<u>\$ 35,337,654</u>	<u>\$ (791,691)</u>	<u>\$ -</u>	<u>\$ 34,545,963</u>

Depreciation expense for the year ended June 30, 2017 was charged to the following programs:

<u>Program</u>	
Instructional Services	\$ 26,361
Support Services	39,542
Facilities Acquisition and Construction	1,252,150
Total	<u>\$ 1,318,053</u>

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5 – Long-Term Debt

General Obligation Bonds Payable

Series 2013 Bonds

On May 15, 2013, the District issued \$12,705,000 federally taxable Series 2013 General Obligation Refunding bonds (Series 2013 Bonds) with an interest rate that ranges between .29% and 1.84% to advance refund \$11,680,000 of outstanding Series 2004 and Series 2005 Bonds with an average interest rate of 3.91%. Both the Series 2004 and 2005 Bonds were paid in full as of June 30, 2015. The net proceeds of \$12,568,258 (after payment of \$136,742 in underwriting fees, insurance, and other issuance costs) were used to purchase certain direct US government obligations which will be deposited in the custody of the escrow agent. The maturing principal of the government obligations, interest earned thereon, and necessary cash balance, if any, will provide sufficient payments of principal and interest on the refunded portions of the Series 2004 and 2005 Bonds. As a result, the refunded portions of the Series 2004 and 2005 Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$696,704. The difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2020 using the effective-interest method.

Principal payments associated to the Series 2013 Bonds are due annually on December 15th and interest payments are due semiannually on June 15th and December 15th. The Series 2013 Bonds are general obligations of the District and the full faith and credit of the District is pledged to the successive owners of the Bonds. The Bonds mature on December 15, 2020 and are not subject to redemption prior to their maturity.

The Series 2013 Bonds are guaranteed by the Oregon School Bond Guaranty. Payment of the principal and interest on the Bonds when due is guaranteed by the full faith and credit of the State under the provisions of the Oregon School Bond Guaranty Act – Oregon Revised Statutes 328.321 to 328.356.

Future maturities of General Obligation Bonds are as follows:

Fiscal Year Ending June 30,	Series 2013 Principal	Series 2013 Interest	Total Debt Service
2018	\$ 2,035,000	\$ 108,171	\$ 2,143,171
2019	2,105,000	84,336	2,189,336
2020	2,180,000	53,364	2,233,364
2021	1,955,000	18,006	1,973,006
Total	\$ 8,275,000	\$ 263,877	\$ 8,538,877

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5 – Long-Term Debt (continued)

Full Faith and Credit Obligations

Series 2004 Full Faith and Credit Obligation

On June 30, 2004, the District issued Qualified Zone Academy Bonds (QZAB) in the amount of \$2,500,000. The bonds were purchased by Bank of America in accordance with Section 1397E of the Internal Revenue Code, and as such, qualified for tax credits relating to the transaction. The bond proceeds were required to be used to provide for facility preservation and major maintenance in accordance with our QZAB financing plan.

To qualify for use of the QZAB proceeds, individual schools must qualify by meeting federal guidelines for certain economic demographics. The primary use of the funds was for renovations of the secondary schools in the District. In addition, initial funding for SB 1149 energy efficiency projects was provided by the QZAB proceeds so that projects could move forward in a timely manner.

As a result of the structure of the QZAB issue and the Bank tax credits, the District is required to repay \$1,902,965 in total payments over the 16-year term.

The District will make equal annual principal payments in the amount of \$118,935 through 2020. The payments will be placed in escrow at the purchaser's discretion, and principal payments and guaranteed interest payments on the escrow will be applied to the District obligation.

Series 2007 Full Faith and Credit Obligation

In 2007 \$1,200,000 of Full Faith and Credit obligations was issued to complete SB 1149 energy efficiency projects. The 2007 Series Agreement is payable over 15 years at 4.30%. Repayment for this obligation will be provided by ongoing SB 1149 public purpose fees on electric and natural gas utility bills.

Series 2012A and 2012B Capital Leases

In 2012, the District entered into two separate 60 month capital leases with NEC Leasing Corporation. Lease proceeds in the amount of \$211,780 from the Series 2012A lease were used to purchase a District wide Voice Over Internet Protocol (VOIP) phone system which replaced the existing phone system purchased in 1996. The lease was payable in 60 monthly installments of \$4,022 and includes interest at 5.26%. The Series 2012B lease proceeds in the amount of \$38,230 were used to upgrade the District-wide computer network to accommodate the updated phone system and other District network needs. The lease was payable in 60 monthly installments of \$810 and includes interest at 10%. The lease was fully paid as of June 30, 2017.

Future maturities of the Full Faith and Credit Obligations are as follows:

Fiscal Year Ending June 30,	Series 2004			Series 2004		
	QZAB Principal	Series 2007 Principal	Total Principal	QZAB Interest	Series 2007 Interest	Total Interest
2018	\$ 118,935	\$ 89,000	\$ 207,935	\$ -	\$ 20,726	\$ 20,726
2019	118,935	92,000	210,935	-	16,899	16,899
2020	118,935	96,000	214,935	-	12,943	12,943
2021	-	100,000	100,000	-	8,815	8,815
2022	-	105,000	105,000	-	4,515	4,515
Total	\$ 356,805	\$ 482,000	\$ 838,805	\$ -	\$ 63,898	\$ 63,898

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5 – Long-Term Debt (continued)

Pension Obligations

Series 2002 Obligations

In October of 2002, the District participated in a pooled issuance of Series 2002A limited tax deferred interest obligations, and Series 2002B limited tax pension obligations. Certain Oregon school districts and education service districts issued limited tax obligations (Pension Obligation), the proceeds of which were used to finance a portion of the estimated unfunded actuarial liability of each issuer with the Oregon Public Employees Retirement System (PERS). The full faith and credit of the District was pledged for the punctual payment of the principal of and interest on its Pension Obligation, and debt service on the Pension Obligation is not subject to annual appropriation. The Pension Obligation is further secured by an Intercept Agreement under which an amount equal to the debt service on each issuer's Pension Obligation will be diverted from State Education Revenues.

The 2002A Obligations were issued in the aggregate original principal amount of \$5,197,283. Interest on the 2002A Obligations will be payable only at maturity (maturity dates range from 6/30/2004 to 6/30/2020), and will be compounded semiannually (for the accreted value of the Obligations of each maturity as of each June 30 and December 30). Interest on the 2002A Obligations ranges between 2.06% and 6.10% based upon the maturity date. The 2002A Obligations were not subject to optional prepayment prior to maturity. Accrued interest associated with the 2002A deferred interest obligations was \$1,777,017 at June 30, 2017.

The 2002B Obligations were issued in the aggregate original principal amount of \$15,150,000. Interest on the 2002B Obligations is payable semiannually June 30 and December 30 of each year until maturity (maturity dates range from 6/30/2021 to 6/30/2028). Interest on the 2002B Obligations range between 5.49% and 5.55% based upon maturity date. The 2002B Obligations maturing on June 30, 2021 are subject to prepayment prior to maturity, on or after June 30, 2007, in whole or in part. The Series 2002B Obligation maturing on June 30, 2028 is subject to mandatory prepayment prior to its stated maturity, in part, pro rata amounts the owners of the 2028 Term Obligation, on any June 30 on or after June 30, 2024, at the principal amount thereof together with accrued interest thereon to the date of prepayment, solely from mandatory sinking fund payments.

Series 2004 Obligations

In February of 2004, the District participated in a pooled issuance of Series 2004 limited tax pension obligations. Certain Oregon school districts and education service districts issued limited tax obligations (Pension Obligation), the proceeds of which were used to finance a portion of the estimated unfunded actuarial liability of each issuer with the Oregon Public Employees Retirement System (PERS). The full faith and credit of the District was pledged for the punctual payment of the principal of and interest on its Pension Obligation, and debt service on the Pension Obligation is not subject to annual appropriation.

The Pension Obligation is further secured by an Intercept Agreement under which an amount equal to the debt service on each issuer's Pension Obligation will be diverted from State Education Revenues.

The 2004 Obligations were issued in the aggregate original principal amount of \$14,900,000. Interest on the 2004 Obligations is payable semiannually on June 30 and December 30 of each year until maturity (maturity dates range from 6/30/2009 to 6/30/2028). Interest on the 2004 Obligations range between 3.66% and 5.53% based upon maturity date. The 2004 Obligations are subject to prepayment as further described in the official statement.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5 – Long-Term Debt (continued)

Pension Obligations (continued)

Series 2011 Obligations

In August of 2011, the District advance refunded the 2021 debt service requirements included in the original 2002B Bond issue. The advance refunding was evaluated based on standards for advance refunding in the State of Oregon. The full faith and credit of the District was pledged for the punctual payment of the principal of and interest on its Pension Obligation, and debt service on the Pension Obligation is not subject to annual appropriation. The Pension Obligation is further secured by an Intercept Agreement under which an amount equal to the debt service on each issuer's Pension Obligation will be diverted from State Education Revenues.

The 2011 Obligations were issued in the aggregate original principal amount of \$1,415,000. Interest on the 2011 Obligations is payable semiannually on June 30 and December 30 of each year to the maturity (matures on 6/30/2021) of the Series 2011 Obligations. Interest on the 2011 Obligations is computed at 4.12% per annum.

Pension Obligations General Note

The issuance of the Pension Obligations was evaluated based on advance refunding criteria. The total estimated savings over the life of the 2002 issuance was approximately \$9,586,850 and the 2004 issuance was \$6,324,000. The estimated present value savings was approximately \$5,488,750 for the 2002 issue and \$3,771,000 for the 2004 issue. The actual savings realized by the District over the life of the bonds is uncertain due to various legislative changes and legal issues pending with the PERS system, which could impact the District's future required contribution rate.

Future maturities of the Pension Obligations are as follows:

Fiscal Year Ending June 30,	Series 2002 Principal	Series 2004 Principal	Series 2011 Principal	Total Principal	Series 2002 Interest	Series 2004 Interest	Series 2011 Interest	Total Interest
2018	\$ 422,316	\$ 615,000	\$ -	\$ 1,037,316	\$ 1,396,187	\$ 694,205	\$ 58,227	\$ 2,148,619
2019	427,938	715,000	-	1,142,938	1,485,565	662,083	58,227	2,205,875
2020	432,387	825,000	-	1,257,387	1,581,116	624,024	58,227	2,263,367
2021	-	940,000	1,415,000	2,355,000	763,503	579,696	58,227	1,401,426
2022	1,540,000	1,065,000	-	2,605,000	763,504	528,720	-	1,292,224
2023-2027	10,995,000	7,640,000	-	18,635,000	2,313,034	1,600,080	-	3,913,114
2028-2032	1,260,000	870,000	-	2,130,000	69,930	48,094	-	118,024
Total	\$ 15,077,641	\$ 12,670,000	\$ 1,415,000	\$ 29,162,641	\$ 8,372,839	\$ 4,736,902	\$ 232,908	\$ 13,342,649

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5 – Long-Term Debt (continued)

Changes in long-term debt for the year ended June 30, 2017, are as follows:

Issue:	Original Issue	Outstanding July 1, 2016	Issued	Matured	Outstanding June 30, 2017
General Obligation Bonds					
Series 2013	\$ 12,705,000	\$ 10,255,000	\$ -	\$ (1,980,000)	\$ 8,275,000
Total General Obligation Bonds		<u>10,255,000</u>	<u>-</u>	<u>(1,980,000)</u>	<u>8,275,000</u>
Full Faith and Credit Obligations					
Series 2004 (QZAB)	2,500,000	475,740	-	(118,935)	356,805
Series 2007	1,200,000	567,000	-	(81,000)	486,000
Series 2012A/B - Capital Lease	250,010	12,909	-	(12,909)	-
Total Full Faith and Credit Obligations		<u>1,055,649</u>	<u>-</u>	<u>(212,844)</u>	<u>842,805</u>
Pension Obligations					
Series 2002	20,347,283	15,493,643	-	(416,002)	15,077,641
Series 2004	14,900,000	13,195,000	-	(525,000)	12,670,000
Series 2011	1,415,000	1,415,000	-	-	1,415,000
Total Pension Obligations		<u>30,103,643</u>	<u>-</u>	<u>(941,002)</u>	<u>29,162,641</u>
Total Long Term Debt		<u>\$ 41,414,292</u>	<u>\$ -</u>	<u>\$ (3,133,846)</u>	<u>\$ 38,280,446</u>
Deferred Charge on Refunding (G.O. Bonds)		<u>\$ (410,281)</u>	<u>\$ -</u>	<u>\$ 92,894</u>	<u>\$ (317,387)</u>

Note 6 – Interfund Transactions

Inter-fund transfers for the year ended June 30, 2017 are as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 1,362,935
Special Revenue Fund	744,000	-
Debt Service Fund	228,297	-
Capital Projects Fund	500,000	109,362
Total Transfers	<u>\$ 1,472,297</u>	<u>\$ 1,472,297</u>

The District made transfers from the General Fund to the Capital Projects Fund to fund major capital projects, to the Special Revenue Fund to support district curriculum needs and technology purchases, and to the Debt Service Fund to make the required annual bond payments.

In addition, the Debt Service Fund charged the other Funds \$3,960,415 (14.40% of PERS subject payroll) for future debt service associated with its pension obligation bonds (OPERS). Of the \$3,960,415 charged, \$3,261,127 represented fiscal 2017 debt service while the balance represents an additional charge in order to build a reserve associated with future increases in annual debt service associated with the pension obligation bonds.

Note 7 – Budget/GAAP Reporting Differences

For fiscal year 2017 there were no reporting differences between the budget basis of reporting and GAAP basis of reporting. Expenditures related to capital outlay are classified for budgetary purposes at the major function level, as outlined in Note 1, and are classified as capital outlay on the GAAP Statement of Revenues, Expenditures and Changes in Fund Balances. Total expenditures reported on the budgetary statement and the GAAP statement are the same.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 – Postemployment Benefits Other Than Pensions (OPEB)

Single-Employer Defined Benefit Health Care Plan –

Plan Description – The District maintains a single-employer defined benefit OPEB plan that provides post-employment health benefits to eligible employees and their spouses. Generally, the program covers all eligible employees who had 10 years or more of service as of June 30, 2000 (sunset date), who remain employed by the District until they reach retirement age. An eligible employee qualifies for 50% of the current medical insurance benefit premium if they elect to retire on June 30 following their 55th birthday. If an eligible employee elects to receive the retirement benefit before age 58, they must be continuing paying 50% of the premium for the duration of coverage. An eligible employee qualifies for 100% of the current medical insurance benefit premium if they elect to retire at age 58. The program covers employees who have qualified for early retirement to receive health insurance benefits until they reach age sixty-five. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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

Funding Policy – The benefits from the single-employer defined benefit OPEB plan are paid by the District based on bargaining agreement language and contributions by employees are also required. The plan is not accounted for in a pension trust fund; therefore, designated funds are not legally restricted to pay future benefits. The benefits from the healthcare plan established in accordance with ORS 243.303 are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is no obligation on the part of the District to fund these benefits in advance. The District did not establish an irrevocable trust (or equivalent arrangement) to account for the plan.

Employees Covered by Benefit Terms – The explicit benefit for the single-employer defined benefit OPEB plan was ceased to all employees entering employment subsequent to June 30, 2000. As a result, the total plan members receiving the explicit benefit will decrease over time. At June 30, 2017, the following employees were covered by the explicit benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	92
Inactive employees entitled to but not yet receiving benefit payments	10
Active plan members	46
	148

Total OPEB Liability – The districts total OPEB liability of \$6,308,864 was measured as of June 30, 2017, and was determined by an actuarial valuation date as of July 1, 2016.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 – Postemployment Benefits Other Than Pensions (continued)

Single-Employer Defined Benefit Health Care Plan (continued)

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

Input	Assumption
Actuarial Cost Method	Early age normal, level percent of salary
Interest Rate Utilized for Discounting	3.5% per year, based on all years discounted at municipal bond rate
General Inflation	2.5% per year
Salary Scale	3.0% per year
Salary Merit Scale	Total payroll increase is overall payroll growth
Annual Premium Increase Rate	Between 5% and 6.5% annually (district portion was assumed 2.5% annually)
Mortality Rates	RP 2000 male and female tables
Turnover Rates	As developed for the valuation of benefits under Oregon PERS, depending on YOS
Disability Rates	As developed for the valuation of benefits under Oregon PERS, age dependent
Retirement Rates	As developed for the valuation of benefits under Oregon PERS
Plan Enrollment	Current and future retirees are assumed to remain enrolled in the plans in which currently enrolled

Changes in the Total OPEB Liability –

OPEB Liability at June 30, 2016	\$ 6,829,724
Changes for the year:	
Service cost	194,938
Interest	225,971
Benefit payments	<u>(941,769)</u>
OPEB Liability at June 30, 2017	<u>\$ 6,308,864</u>

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

	1% Decrease Rate 2.5%	Current Discount Rate 3.5%	1% Increase Rate 4.5%
Total OPEB Liability	<u>\$ 6,651,456</u>	<u>\$ 6,308,864</u>	<u>\$ 5,987,333</u>

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

	1% Decrease 5.5% Graded Down to 4%	Current Trend Rate 6.5% Graded Down to 5% Trend Rates	1% Increase 7.5% Graded Down to 6%
Total OPEB Liability	<u>\$ 5,847,508</u>	<u>\$ 6,308,864</u>	<u>\$ 6,835,331</u>

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources – For the year ended June 30, 2017, the District recognized OPEB expense of \$420,909. At June 30, 2017, the District reported no deferred outflows or inflows associated with its OPEB plan.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 – Postemployment Benefits Other Than Pensions (continued)

Retirement Health Insurance Account

Plan Description- As a member of Oregon Public Employees Retirement System (OPERS), the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004.

OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO box 23700, Tigard, OR 97281-3700.

Funding Policy- Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating school districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.49% of annual covered OPERF payroll and 0.10% of OPSRP payroll. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the years ended June 30, 2015, 2016 and 2017 were (\$138,694, \$133,574, and \$134,933) which equaled the required contributions each year.

Note 9 – Pension and Retirement Plans

Tax Sheltered Annuity Plan –

The District offers its employees a tax deferred annuity program established pursuant to Section 403(b) of the Internal Revenue Code (the Code), and deferred compensation program pursuant to Section 457 of the Internal Revenue Code. Contributions are made through salary reductions from participating employees up to the amounts specified in the Code. A \$20.00 licensed employee, \$20.00 classified employee, and a \$75.00 administrative employee monthly contribution is required from the District as a matching contribution for participating employees who are not eligible for early retirement benefits. 295 employees are currently receiving matching contributions and as of June 30, 2017, 295 employees were participating in the plans.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9 – Pension and Retirement Plans (continued)

Early Retirement Stipend Pension Plan –

Plan Description - The District maintains a single-employer defined benefit pension early retirement supplemental plan for eligible teachers and administrators of the District (not administered through a trust). The program generally covers licensed and administrative staff that have been continuously employed since 1990 and who remain employed by the District until they reach retirement age. Upon reaching age 55 (and having at least 9-10 years of service as of June 30, 2000 – sunset date), an employee may elect early retirement. A stipend from the District is calculated by multiplying the stipend factor (between .833%-1.5%) times the final salary, times years of service (with a 12-year maximum). The maximum stipend factor is between 10%-18% depending on the age elected for retirement (i.e. 10% if elected retirement at age 55 vs. 18% if elected retirement at age 58). The stipend is paid to the participant until age 62 unless the retiree resumes participation in the Public Employees Retirement System (PERS) in any employment capacity.

Funding Policy – The benefits from this program are fully paid by the District and, consequently, no contributions by employees are required. The District funds this benefit as it comes due and the amount estimated to be paid by the District for the benefit for the period ended June 30, 2017 was \$265,672. There are no assets accumulated in a trust.

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

Inactive employees or beneficiaries currently receiving benefit payments	30
Inactive employees entitled to but not yet receiving benefit payments	2
Active plan members	24
	56

Total Stipend Pension Liability – The districts total stipend pension liability of \$783,600 was measured as of June 30, 2017, and was determined by an actuarial valuation date as of July 1, 2016.

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

Input	Assumption
Actuarial Cost Method	Early age normal, level percent of salary
Interest Rate Utilized for Discounting	3.5% per year, based on all years discounted at municipal bond rate
General Inflation	2.5% per year
Salary Scale	3.0% per year
Salary Merit Scale	Total payroll increase is overall payroll growth
Annual Premium Increase Rate	Between 5% and 6.5% annually (district portion was assumed 2.5% annually)
Mortality Rates	RP 2000 male and female tables
Turnover Rates	As developed for the valuation of benefits under Oregon PERS, depending on YOS
Disability Rates	As developed for the valuation of benefits under Oregon PERS, age dependent
Retirement Rates	As developed for the valuation of benefits under Oregon PERS
Plan Enrollment	Current and future retirees are assumed to remain enrolled in the plans in which currently enrolled

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 9 – Pension and Retirement Plans (continued)

Early Retirement Stipend Pension Plan (continued)

Changes in the Stipend Pension Liability –

Stipend Pension Liability at June 30, 2016	\$ 1,009,042
Changes for the year:	
Service cost	9,398
Interest	30,832
Benefit payments	<u>(265,672)</u>
Stipend Pension Liability at June 30, 2017	<u>\$ 783,600</u>

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

	1% Decrease Rate 2.5%	Current Discount Rate 3.5%	1% Increase Rate 4.5%
Total Stipend Pension Liability	\$ 802,427	\$ 783,600	\$ 764,828

Stipend Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources – For the year ended June 30, 2017, the District recognized stipend pension expense of \$40,230. At June 30, 2017, the District reported no deferred outflows or inflows associated with its stipend pension plan.

Oregon Public Employees Retirement Plan –

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

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

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

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

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

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9 – Pension and Retirement Plans (continued)

Oregon Public Employees Retirement Plan (continued)

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

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

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

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

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

OPSRP Pension Program (Chapter 238A) –

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

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

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

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

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

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

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 9 – Pension and Retirement Plans (continued)

Oregon Public Employees Retirement Plan (continued)

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

Contributions –

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

The District's employer contributions for the year ended June 30, 2017 were \$1,306,185, excluding amounts to fund employer specific liabilities. The contribution rates in effect for the fiscal year ended June 30, 2017 for each pension program were: Tier1/Tier 2 – 10.06%, and OPSRP general service – 5.37%.

Pension Plan Comprehensive Annual Financial Report (CAFR) –

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

Actuarial Valuation –

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

Actuarial Methods and Assumptions Used in Developing Total Pension Liability –

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9 – Pension and Retirement Plans (continued)

Oregon Public Employees Retirement Plan (continued)

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

Proportionate Share Allocation Methodology –

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

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

Discount Rate –

The discount rate used to measure the total pension liability was 7.50 percent for the Defined Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Investment Rate of Return –

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means; see PERS' audited financial statements at:

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9 – Pension and Retirement Plans (continued)

Oregon Public Employees Retirement Plan (continued)

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

At June 30, 2017, the District reported a liability of \$34,168,364 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was approximately .2237 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$6,122,532. Pension expense was generated during the measurement period primarily as a result of less than anticipated investment returns at the OPERS level and factors associated with the Moro Decision. The \$6,122,532 was treated as an increase of payroll related expense in the Statement of Activities and allocated to Instruction, Supporting Services, and Community Services using allocation percentages of 58%, 37%, and 5% respectively.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience:	\$ 1,130,439	\$ -
Change of assumptions:	7,287,291	-
Net difference between projected and actual earnings on investments:	6,750,235	-
Changes in proportionate share:	213,324	-
Differences between employer contributions and employer's proportionate share of system contributions:	124,130	658,383
District's contributions subsequent to the measurement date:	1,306,185	-
Total	\$ 16,811,604	\$ 658,383

\$1,306,185 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as an increase to the net pension asset in the year ended June 30, 2017.

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

Year Ended June 30	Deferred Outflow/(Inflow) of Resources (prior to post-
2018	\$ 3,975,789
2019	2,669,604
2020	5,139,244
2021	3,845,362
2022	523,223
Thereafter	-
Total	\$ 16,153,222

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9 – Pension and Retirement Plans (continued)

Oregon Public Employees Retirement Plan (continued)

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

District's Net Pension Asset/(Liability)	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Defined Benefit Pension Plan	\$ (55,170,516)	\$ (34,168,364)	\$ (16,614,240)

Defined Contribution Plan - Individual Account Program (IAP) –

Pension Benefits. Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. All covered employees are required by State statute to contribute 6% of their salary to the plan. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5, 10, 15, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

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

Contributions. During 2017, the District, as an employee benefit, paid the employees portion of the contribution. For 2017, the District paid \$1,648,474 for this contribution

Note 10 - Current Vulnerability Due to Certain Concentrations

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

Note 11 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 – Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the District. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although District management expects such amounts, if any, to be immaterial.

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

Note 13 – Deferred Inflows/Unearned Revenues

Governmental funds, under the modified accrual basis of accounting, accrue for revenue amounts unearned or unavailable. Government-wide reporting, as well as in proprietary funds, use full accrual accounting and report only unearned revenue. Unavailable revenue (deferred inflows) result in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unearned revenue result in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the unavailable revenue (deferred inflow) consisted of the following:

	Unavailable	Unearned Revenue
General fund		
Property taxes	\$ 1,326,374	\$ -
Special revenue fund	-	97,114
Debt service fund		
Property taxes	185,693	-
Total	\$ 1,512,067	\$ 97,114

Note 14 – Operating Leases

The District has operating leases associated with office equipment. Total expense for such leases was \$76,930 for the year ended June 30, 2017. The future minimum lease payments for these leases are as follows:

Year Ended June 30,		
2018	\$	55,501
2019		55,501
2020		55,501
2021		12,471
Thereafter		-
Total	\$	178,974

**DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

Note 15 – Tax Abatements

As of June 30, 2017, Douglas County provides certain tax abatement programs that impact the District. Those programs are as follows:

Non-Profit Low Income Rental Housing (ORS 307.515):

The largest abatement program for Douglas County is the Non-Profit Low Income Rental Housing. In 1985, Oregon legislature authorized a property tax exemption for low-income housing held by charitable, nonprofit organizations. The tax exemption is intended to benefit low-income renters by alleviating the property tax burden on those agencies that provide this type of housing. The qualifying property must be located within the County.

Charitable, nonprofit organizations that provide housing to low-income persons are eligible, and must be certified by the Internal Revenue Service as 501(c)(3) or (4) organization. Organizations must own or have a leasehold interest in the property or participate in a partnership as long as the non-profit organization is responsible for the day-to-day management of the property. Applicants who are leaseholders must have a signed leasehold agreement by the application deadline. Vacant land intended to be developed as low-income housing is also eligible for the exemption.

The property tax exemption applies only to the tax levy of a governing body that adopts the provisions of ORS 307.515.

Enterprise Zone (ORS 285.597):

The Oregon Enterprise Zone program is a State of Oregon economic development program, that allows for property tax exemptions for up to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by state statute and the local sponsor.

The Enterprise Zone program provides qualified firms that will be making a substantial new capital investment within the defined enterprise zone, a waiver of 100% of the amount of real property taxes attributable to the new investment for a period of five years following completion of the new investment. Land or existing machinery or equipment is not tax exempt; therefore, there is no loss of current property tax levies to local taxing jurisdiction.

For the fiscal year ended June 30, 2017, Douglas County abated property taxes totaling \$76,902 under these programs:

Tax Abatement Program	Amount of Taxes Abated during the Fiscal Year
Non-Profit Low Income Rental Housing	\$ 50,026
Enterprise Zone	26,876
	\$ 76,902

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 16 – Subsequent Events

Management of the District has evaluated events and transactions occurring after June 30, 2017 through December 5, 2017, the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements. The following event and transaction occurred after June 30, 2017 through the date the financial statements were available for issuance.

Changes in OPERS Pension Plan Provisions

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

The lowered rate is expected to increase the PERS net pension liability by an estimated \$2.0 to \$2.4 billion. Of this increase, the District's portion is estimated at \$4.5 to \$5.4 million.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension asset/(liability)	0.2276021%	0.2237450%	0.2233169%	0.2233169%
District's proportion of the net pension asset/(liability)	\$ (34,168,364)	\$ (12,846,235)	\$ 5,061,957	\$ (11,396,189)
District's covered-employee payroll	\$ 27,589,159	\$ 26,974,079	\$ 23,433,260	\$ 24,845,141
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	123.85%	47.62%	21.60%	45.87%
Plan fiduciary net position as a percentage of the total pension liability	80.53%	91.88%	103.59%	91.97%

Douglas County School District No. 4 Contributions

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 1,306,185	\$ 1,487,654	\$ 2,349,931	\$ 2,329,058
Contribution in relation to the contractually required	<u>(1,306,185)</u>	<u>(1,487,654)</u>	<u>(2,349,931)</u>	<u>(2,329,058)</u>
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered - employee payroll	\$ 27,589,159	\$ 26,974,079	\$ 23,433,260	\$ 24,845,141
Contributions as a percentage of covered-employee payroll	4.73%	5.52%	10.03%	9.37%

Note 1 - Changes of Benefit Terms and Assumptions -

A summary of key changes implemented since the December 31, 2014 valuation are described briefly in Note 12 in the Notes to the Basic Financial Statements. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2014 Experience Study for the system, which was published on September 23, 2015, and can be found at:

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

Changes in Actuarial Method and Allocation Procedures:

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

Changes in Economic Assumptions:

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

Changes in Salary Increase Assumptions:

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

Other Information:

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF CHANGE IN THE DISTRICT'S NET PENSION LIABILITY AND RELATED RATIOS
JUNE 30, 2017

Total Pension Liability (Stipend):	<u>2017</u>
Service cost	\$ 9,398
Interest	30,832
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions of other inputs	-
Benefit payments	<u>(265,672)</u>
Net change in total pension liability (stipend)	(225,442)
Total Pension Liability (Stipend) - beginning	<u>1,009,042</u>
Total Pension liability (Stipend) - ending	<u><u>\$ 783,600</u></u>
Estimated Covered - employee payroll	\$ 1,317,285
Total pension liability (Stipend) as a percentage of estimated covered - employee payroll	59.49%

Notes to Schedule:

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

Significant methods and assumptions used in calculating the actuarially determined contributions are described in *Note 9* to the financial statements. No assets are accumulated in a trust to pay related benefits.

Changes in benefit terms:

None noted.

Other information:

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

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2017

Total OPEB Liability:	<u>2017</u>
Service cost	\$ 194,938
Interest	225,971
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions of other inputs	-
Benefit payments	<u>(941,769)</u>
Net change in total OPEB liability	(520,860)
Total OPEB liability - beginning	<u>6,829,724</u>
Total OPEB liability - ending	<u><u>\$ 6,308,864</u></u>
Estimated Covered - employee payroll	\$ 26,622,965
Total OPEB liability as a percentage of estimated covered - employee payroll	23.70%

Notes to Schedule:

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

Significant methods and assumptions used in calculating the actuarially determined contributions are described in *Note 8* to the financial statements. No assets are accumulated in a trust to pay related benefits.

Changes in benefit terms:

None noted.

Other information:

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

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

	ADOPTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Local Sources:				
Property Taxes	\$ 14,748,317	\$ 14,748,317	\$ 14,855,787	\$ 107,470
Charges for Services	534,500	534,500	377,012	(157,488)
Investment Earnings	55,000	55,000	86,162	31,162
Miscellaneous	175,000	175,000	272,719	97,719
Intermediate Sources:				
Intergovernmental	191,106	191,106	178,302	(12,804)
State Sources:				
State School Fund	36,172,461	36,172,461	35,713,487	(458,974)
Intergovernmental	571,582	571,582	755,071	183,489
Federal Sources:				
Intergovernmental	5,000	5,000	108,656	103,656
TOTAL REVENUES	<u>52,452,966</u>	<u>52,452,966</u>	<u>52,347,196</u>	<u>(105,770)</u>
EXPENDITURES:				
Instruction	31,195,324	31,195,324	30,605,351	589,973
Support Services	20,064,707	20,064,707	19,985,379	79,328
Operating Contingency	900,000	900,000	-	900,000
TOTAL EXPENDITURES	<u>52,160,031</u>	<u>52,160,031</u>	<u>50,590,730</u>	<u>1,569,301</u>
Excess of Revenues Over/(Under) Expenditures	<u>292,935</u>	<u>292,935</u>	<u>1,756,466</u>	<u>1,463,531</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,362,935)	(1,362,935)	(1,362,935)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,362,935)</u>	<u>(1,362,935)</u>	<u>(1,362,935)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(1,070,000)	(1,070,000)	393,531	1,463,531
FUND BALANCE - JULY 1, 2016	<u>1,420,000</u>	<u>1,420,000</u>	<u>2,563,833</u>	<u>1,143,833</u>
FUND BALANCE - JUNE 30, 2017	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 2,957,364</u>	<u>\$ 2,607,364</u>

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

	ADOPTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Local Sources:				
Intergovernmental	\$ -	\$ -	\$ 3,300	\$ 3,300
Local Grant	222,267	222,267	373,574	151,307
Charges for Services	1,154,000	1,154,000	1,856,138	702,138
Miscellaneous	50,000	50,000	45,724	(4,276)
Intermediate Sources:				
Intergovernmental	327,911	327,911	327,768	(143)
State Sources:				
Intergovernmental	180,989	180,989	306,094	125,105
Federal Sources:				
Intergovernmental	5,515,248	5,515,248	5,706,996	191,748
TOTAL REVENUES	<u>7,450,415</u>	<u>7,450,415</u>	<u>8,619,594</u>	<u>1,169,179</u>
EXPENDITURES:				
Instruction	4,706,472	4,481,472	4,046,297	435,175
Supporting Services	2,763,157	2,763,157	2,024,405	738,752
Community Services	2,364,568	2,464,568	2,511,136	(46,568)
Capital Outlay	-	125,000	120,000	5,000
TOTAL EXPENDITURES	<u>9,834,197</u>	<u>9,834,197</u>	<u>8,701,838</u>	<u>1,132,359</u>
Excess of Revenues Over/(Under) Expenditures	<u>(2,383,782)</u>	<u>(2,383,782)</u>	<u>(82,244)</u>	<u>2,301,538</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	744,000	744,000	744,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>744,000</u>	<u>744,000</u>	<u>744,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(1,639,782)	(1,639,782)	661,756	2,301,538
FUND BALANCE - JULY 1, 2016	<u>1,739,782</u>	<u>1,739,782</u>	<u>2,018,724</u>	<u>278,942</u>
FUND BALANCE - JUNE 30, 2017	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 2,680,480</u>	<u>\$ 2,580,480</u>

OTHER SUPPLEMENTARY INFORMATION

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

	ADOPTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Local Sources				
Property Taxes	\$ 1,755,941	\$ 1,755,941	\$ 1,775,962	\$ 20,021
Pension Obligation Bonds (internal fee)	3,825,000	3,825,000	3,960,415	135,415
Interest on Investments	250	250	103,180	102,930
TOTAL REVENUES	<u>5,581,191</u>	<u>5,581,191</u>	<u>5,839,557</u>	<u>258,366</u>
EXPENDITURES:				
Debt Service	<u>5,367,089</u>	<u>5,367,089</u>	<u>5,367,068</u>	<u>21</u>
TOTAL EXPENDITURES	<u>5,367,089</u>	<u>5,367,089</u>	<u>5,367,068</u>	<u>21</u>
Excess of Revenue Over/(Under) Expenditures	<u>214,102</u>	<u>214,102</u>	<u>472,489</u>	<u>258,387</u>
OTHER FINANCING SOURCES/(USES):				
Transfers In	<u>228,316</u>	<u>228,316</u>	<u>228,297</u>	<u>(19)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>228,316</u>	<u>228,316</u>	<u>228,297</u>	<u>(19)</u>
NET CHANGE IN FUND BALANCE	442,418	442,418	700,786	258,368
FUND BALANCE - JULY 1, 2016	<u>4,400,000</u>	<u>4,400,000</u>	<u>4,924,315</u>	<u>524,315</u>
FUND BALANCE - JUNE 30, 2017	<u>\$ 4,842,418</u>	<u>\$ 4,842,418</u>	<u>\$ 5,625,101</u>	<u>\$ 782,683</u>

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

	ADOPTED BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Local Sources				
Miscellaneous	\$ 135,000	\$ 135,000	\$ 133,077	\$ (1,923)
State Sources:				
Intergovernmental	750,000	750,000	162,935	(587,065)
TOTAL REVENUES	<u>885,000</u>	<u>885,000</u>	<u>296,012</u>	<u>(588,988)</u>
EXPENDITURES:				
Capital Outlay	1,330,619	1,330,619	322,895	1,007,724
TOTAL EXPENDITURES	<u>1,330,619</u>	<u>1,330,619</u>	<u>322,895</u>	<u>1,007,724</u>
Excess of Revenue Over/(Under) Expenditures	<u>(445,619)</u>	<u>(445,619)</u>	<u>(26,883)</u>	<u>418,736</u>
OTHER FINANCING SOURCES/(USES):				
Transfers In	500,000	500,000	500,000	-
Transfers Out	(109,381)	(109,381)	(109,362)	19
Total Other Financing Sources	<u>390,619</u>	<u>390,619</u>	<u>390,638</u>	<u>19</u>
NET CHANGE IN FUND BALANCE	(55,000)	(55,000)	363,755	418,755
FUND BALANCE - JULY 1, 2016	<u>375,000</u>	<u>375,000</u>	<u>692,100</u>	<u>317,100</u>
FUND BALANCE - JUNE 30, 2017	<u>\$ 320,000</u>	<u>\$ 320,000</u>	<u>\$ 1,055,855</u>	<u>\$ 735,855</u>

SCHOOL DISTRICT FINANCIAL
ACCOUNTING SUMMARIES

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
2016-17 DISTRICT AUDIT ALL FUND REVENUE SUMMARY

Revenue from Local Sources

1110 Ad Valorem Taxes Levied by District	16,631,749	14,855,787	-	1,775,962	-	-	-	-
1120 Local Option Ad Valorem Taxes Levied by District	-	-	-	-	-	-	-	-
1130 Construction Excise Tax	-	-	-	-	-	-	-	-
1190 Penalties and Interest on Taxes	-	-	-	-	-	-	-	-
1200 Revenue from Local Gov't Units Other Than Districts	-	-	-	-	-	-	-	-
1310 Regular Day School Tuition	16,724	16,724	-	-	-	-	-	-
1320 Adult/Continuing Education Tuition	-	-	-	-	-	-	-	-
1330 Summer School Tuition	-	-	-	-	-	-	-	-
1400 Transportation Fees	-	-	-	-	-	-	-	-
1500 Earnings on Investments	189,342	86,162	-	103,180	-	-	-	-
1600 Food Service	591,936	-	591,936	-	-	-	-	-
1700 Extracurricular Activities	1,313,794	206,274	1,107,520	-	-	-	-	-
1800 Community Services Activities	95,992	95,992	-	-	-	-	-	-
1910 Rentals	203,710	47,028	156,682	-	-	-	-	-
1920 Contributions and Donations From Private Sources	376,874	-	376,874	-	-	-	-	-
1930 Rental or Lease Payments From Private Contractors	-	-	-	-	-	-	-	-
1940 Services Provided Other Local Education Agencies	-	-	-	-	-	-	-	-
1950 Textbook Sales and Rentals	-	-	-	-	-	-	-	-
1960 Recovery of Prior Years' Expenditure	5,410	5,410	-	-	-	-	-	-
1970 Services Provided Other Funds	3,960,415	-	3,960,415	-	-	-	-	-
1980 Fees Charged to Grants	5,584	5,584	-	-	-	-	-	-
1990 Miscellaneous	451,520	272,719	45,724	-	133,077	-	-	-
Total Revenue from Local Sources	23,843,050	15,591,680	2,278,736	5,839,557	133,077	-	-	-

Total	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
16,631,749	14,855,787	-	1,775,962	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
16,724	16,724	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
189,342	86,162	-	103,180	-	-	-	-
591,936	-	591,936	-	-	-	-	-
1,313,794	206,274	1,107,520	-	-	-	-	-
95,992	95,992	-	-	-	-	-	-
203,710	47,028	156,682	-	-	-	-	-
376,874	-	376,874	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,410	5,410	-	-	-	-	-	-
3,960,415	-	3,960,415	-	-	-	-	-
5,584	5,584	-	-	-	-	-	-
451,520	272,719	45,724	-	133,077	-	-	-
23,843,050	15,591,680	2,278,736	5,839,557	133,077	-	-	-

Revenue from Intermediate Sources

2101 County School Funds	71,848	71,848	-	-	-	-	-
2102 Education Service District Apportionment	426,035	106,454	319,581	-	-	-	-
2105 Natural Gas, Oil, and Mineral Receipts	-	-	-	-	-	-	-
2199 Other Intermediate Sources	-	-	-	-	-	-	-
2200 Restricted Revenue	8,187	-	8,187	-	-	-	-
2800 Revenue in Lieu of Taxes	-	-	-	-	-	-	-
2900 Revenue for/on Behalf of the District	-	-	-	-	-	-	-
Total Revenue from Intermediate Sources	506,070	178,302	327,768	-	-	-	-

Total	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
71,848	71,848	-	-	-	-	-	-
426,035	106,454	319,581	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
8,187	-	8,187	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
506,070	178,302	327,768	-	-	-	-	-

Revenue from State Sources

3101 State School Fund - General Support	35,713,487	35,713,487	-	-	-	-	-
3102 State School Fund - School Lunch Match	22,527	-	22,527	-	-	-	-
3103 Common School Fund	694,653	694,653	-	-	-	-	-
3104 State Managed County Timber	-	-	-	-	-	-	-
3199 Other Unrestricted Grants-in-Aid	60,418	60,418	-	-	-	-	-
3204 Driver Education	48,510	-	48,510	-	-	-	-
3222 State School Fund (SSF) Transportation Equipment	-	-	-	-	-	-	-
3299 Other Restricted Grants-in-Aid	397,992	-	235,057	162,935	-	-	-
3800 Revenue in Lieu of Taxes	-	-	-	-	-	-	-
3900 Revenue for/on Behalf of the District	-	-	-	-	-	-	-
Total Revenue from State Sources	36,937,587	36,468,558	306,094	162,935	-	-	-

Total	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
35,713,487	35,713,487	-	-	-	-	-	-
22,527	-	22,527	-	-	-	-	-
694,653	694,653	-	-	-	-	-	-
-	-	-	-	-	-	-	-
60,418	60,418	-	-	-	-	-	-
48,510	-	48,510	-	-	-	-	-
-	-	-	-	-	-	-	-
397,992	-	235,057	-	162,935	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
36,937,587	36,468,558	306,094	-	162,935	-	-	-

Revenue from Federal Sources

4100 Unrestricted Revenue Direct From the Federal Gov't	-	-	-	-	-	-	-
4200 Unrest Rev From the Federal Gov't Through the State	-	-	-	-	-	-	-
4300 Restricted Revenue From the Federal Government	19,550	-	19,550	-	-	-	-
4500 Restricted Rev From the Fed Gov't Through the State	5,519,945	-	5,519,945	-	-	-	-
4700 Grants-In-Aid From the Fed Gov't Through Intermediate	-	-	-	-	-	-	-
4801 Federal Forest Fees	108,656	108,656	-	-	-	-	-
4802 Impact Aid to School Districts for Operation (PL 874)	-	-	-	-	-	-	-
4803 Coos Bay Wagon Road Funds	-	-	-	-	-	-	-
4899 Other Revenue in Lieu of Taxes	-	-	-	-	-	-	-
4900 Revenue for/on Behalf of the District	167,501	-	167,501	-	-	-	-
Total Revenue from Federal Sources	5,815,652	108,656	5,706,996	-	-	-	-

Total	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
19,550	-	19,550	-	-	-	-	-
5,519,945	-	5,519,945	-	-	-	-	-
-	-	-	-	-	-	-	-
108,656	108,656	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
167,501	-	167,501	-	-	-	-	-
5,815,652	108,656	5,706,996	-	-	-	-	-

Revenue from Other Sources

5100 Long Term Debt Financing Sources	-	-	-	-	-	-	-
5200 Interfund Transfers	1,472,297	-	744,000	228,297	500,000	-	-
5300 Sale of or Compensation for Loss of Fixed Assets	-	-	-	-	-	-	-
5400 Resources - Beginning Fund Balance	10,198,972	2,563,833	2,018,724	4,924,315	692,100	-	-
Total Revenue from Other Sources	11,671,269	2,563,833	2,762,724	5,152,612	1,192,100	-	-

Total	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
-	-	-	-	-	-	-	-
1,472,297	-	744,000	228,297	500,000	-	-	-
-	-	-	-	-	-	-	-
10,198,972	2,563,833	2,018,724	4,924,315	692,100	-	-	-
11,671,269	2,563,833	2,762,724	5,152,612	1,192,100	-	-	-

Grand Totals

78,773,628	54,911,029	11,382,318	10,992,169	1,488,112	-	-	-
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DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
2016-17 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY
FUND 100 - GENERAL FUND

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Primary, K-3	10,785,774	6,768,068	3,456,007	262,443	299,256	-	-	-
1112 Intermediate Programs	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	-	-	-	-	-	-	-	-
1121 Middle/Junior High Programs	5,505,847	3,366,687	1,804,375	182,075	152,710	-	-	-
1122 Middle/Junior High Extracurricular	240,943	150,805	43,713	39,447	6,978	-	-	-
1131 High School Programs	5,620,402	3,486,332	1,801,859	173,467	158,744	-	-	-
1132 High School Extracurricular	827,070	453,139	141,882	193,235	38,814	-	-	-
1140 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1210 Talented & Gifted	-	-	-	-	-	-	-	-
1220 Restrict Prog for Students w/Disabilities	1,235,252	820,425	400,425	14,204	198	-	-	-
1250 Less Restrict Prog Students w/Disabilities	3,102,450	1,889,036	1,071,173	104,643	37,598	-	-	-
1260 Early Intervention	261,905	-	-	261,905	-	-	-	-
1271 Remediation	9,388	7,080	2,308	-	-	-	-	-
1272 Title I	-	-	-	-	-	-	-	-
1280 Alternative Education	2,404,295	563,197	274,645	1,524,770	41,683	-	-	-
1291 English as a Second Language	351,027	224,970	112,063	7,104	6,890	-	-	-
1292 Teen Parent Program	178,073	107,969	60,495	885	8,724	-	-	-
1293 Migrant Education	-	-	-	-	-	-	-	-
1294 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	82,925	49,099	28,309	457	5,060	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction	30,605,351	17,886,807	9,197,254	2,764,635	756,655	-	-	-
Support Service Expenditures								
2110 Attendance & Social Work Services	41,017	32,372	8,645	-	-	-	-	-
2120 Guidance Services	1,866,446	1,218,485	638,546	4,839	4,576	-	-	-
2130 Health Services	37,156	-	-	37,156	-	-	-	-
2140 Psychological Services	399,116	280,174	103,330	4,805	10,807	-	-	-
2150 Speech Pathology & Audiology	-	-	-	-	-	-	-	-
2160 Other Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support	479,881	189,625	98,891	189,016	2,349	-	-	-
2210 Improvement of Instruction	293,428	194,398	72,574	15,219	11,237	-	-	-
2220 Educational Media Services	814,949	421,499	277,767	1,994	113,689	-	-	-
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	114,380	26,656	7,018	80,477	229	-	-	-
2310 Board of Education Services	149,773	6,917	2,526	72,333	5,966	-	62,031	-
2320 Executive Administration Services	323,840	209,098	96,740	10,464	7,538	-	-	-
2410 Office of the Principal Services	3,281,146	2,090,017	1,029,188	133,254	28,687	-	-	-
2490 Other Support Services - School Admin	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	615,310	375,149	165,998	19,047	53,821	-	1,295	-
2520 Fiscal Services	-	-	-	-	-	-	-	-
2540 Operation & Maint of Plant Services	5,468,865	1,937,391	1,095,501	1,726,902	476,695	7,035	225,341	-
2550 Student Transportation Services	3,499,537	95,952	52,637	3,346,235	3,817	-	896	-
2570 Internal Services	243,168	151,558	85,172	1,417	5,021	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2620 Planning, Research, Development, Evaluation	-	-	-	-	-	-	-	-
2630 Information Services	2,249	1,714	535	-	-	-	-	-
2640 Staff Services	523,157	272,926	177,235	66,046	6,950	-	-	-
2660 Technology Services	958,535	401,468	200,623	207,258	149,186	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	873,426	273,576	599,850	-	-	-	-	-
Total Support Services	19,985,379	8,178,975	4,712,776	5,916,462	880,568	7,035	289,563	-
Community Services Expenditures								
3100 Food Services	-	-	-	-	-	-	-	-
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	-	-	-	-	-	-	-	-
3500 Custody & Care of Children Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services	-	-	-	-	-	-	-	-
Facilities Acquisition and Construction Expenditures								
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition & Development Services	-	-	-	-	-	-	-	-
4150 Bldg Acquisition, Construction & Improvement	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction	-	-	-	-	-	-	-	-
Other Uses Expenditures								
5100 Debt Service	-	-	-	-	-	-	-	-
5200 Transfers to Other Funds	1,362,935	-	-	-	-	-	-	1,362,935
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
6000 Contingencies	-	-	-	-	-	-	-	-
Total Other Uses Expenditures	1,362,935	-	-	-	-	-	-	1,362,935
Total Requirements and Balances	51,953,665	26,065,782	13,910,030	8,681,097	1,637,223	7,035	289,563	1,362,935

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
2016-17 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY
FUND 200 - SPECIAL REVENUE FUNDS

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Primary, K-3	68,222	25,687	6,194	-	36,341	-	-	-
1112 Intermediate Programs	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	206,303	-	-	-	206,303	-	-	-
1121 Middle/Junior High Programs	72,336	-	-	-	72,336	-	-	-
1122 Middle/Junior High Extracurricular	229,266	-	-	-	229,266	-	-	-
1131 High School Programs	411,777	12,785	4,405	19,220	326,093	44,485	4,789	-
1132 High School Extracurricular	665,504	53,214	14,045	12,611	584,738	-	896	-
1140 Pre-Kindergarten Programs	189,790	87,149	54,381	47,732	528	-	-	-
1210 Talented & Gifted	-	-	-	-	-	-	-	-
1220 Restrict Prog for Students w/Disabilities	520,940	312,655	206,251	2,034	-	-	-	-
1250 Less Restrict Prog Students w/Disabilities	319,965	205,873	112,769	1,323	-	-	-	-
1260 Early Intervention	-	-	-	-	-	-	-	-
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title I	1,318,777	862,255	418,414	38,108	-	-	-	-
1280 Alternative Education	-	-	-	-	-	-	-	-
1291 English as a Second Language	4,592	-	-	-	4,592	-	-	-
1292 Teen Parent Program	16,694	10,196	4,858	1,640	-	-	-	-
1293 Migrant Education	-	-	-	-	-	-	-	-
1294 Youth Corrections Education	262	-	-	120	142	-	-	-
1299 Other Programs	21,869	8,844	8,334	1,023	3,668	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction	4,046,297	1,578,658	829,651	123,811	1,464,007	44,485	5,685	-
Support Service Expenditures								
2110 Attendance & Social Work Services	26,917	13,269	12,501	414	733	-	-	-
2120 Guidance Services	77,253	10,189	3,259	48,842	13,540	-	1,423	-
2130 Health Services	183,286	116,935	66,351	-	-	-	-	-
2140 Psychological Services	67,305	42,124	25,181	-	-	-	-	-
2150 Speech Pathology & Audiology	-	-	-	-	-	-	-	-
2160 Other Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support	205,710	132,038	69,300	211	-	-	4,161	-
2210 Improvement of Instruction	96,279	59,488	31,541	-	5,250	-	-	-
2220 Educational Media Services	2,341	1,759	582	-	-	-	-	-
2230 Assessment & Testing	72,433	205	17	900	71,311	-	-	-
2240 Instructional Staff Development	916,443	466,329	215,193	229,066	5,855	-	-	-
2310 Board of Education Services	-	-	-	-	-	-	-	-
2320 Executive Administration Services	-	-	-	-	-	-	-	-
2410 Office of the Principal Services	533	493	40	-	-	-	-	-
2490 Other Support Services - School Admin	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	-	-	-	-	-	-	-	-
2540 Operation & Maint of Plant Services	145,560	-	-	100,051	10,222	5,913	29,374	-
2550 Student Transportation Services	-	-	-	-	-	-	-	-
2570 Internal Services	-	-	-	-	-	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2620 Planning, Research, Development, Evaluation	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	-	-	-	-	-	-	-	-
2660 Technology Services	230,345	54,122	32,203	495	143,525	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	-	-	-	-	-	-	-	-
Total Support Services	2,024,405	896,951	456,168	379,979	250,436	5,913	34,958	-
Community Service Expenditures								
3100 Food Services	2,468,823	671,926	410,678	75,129	1,285,055	26,035	-	-
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	42,313	19,180	12,278	-	10,855	-	-	-
3500 Custody & Care of Children Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services	2,511,136	691,106	422,956	75,129	1,295,910	26,035	-	-
Facilities Acquisition and Construction Expenditures								
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition & Development Services	120,000	-	-	-	-	120,000	-	-
4150 Bldg Acquisition, Construction & Improvement	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction	120,000	-	-	-	-	120,000	-	-
Other Uses Expenditures								
5100 Debt Service	-	-	-	-	-	-	-	-
5200 Transfers to Other Funds	-	-	-	-	-	-	-	-
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
6000 Contingencies	-	-	-	-	-	-	-	-
Total Other Uses Expenditures	-	-	-	-	-	-	-	-
Total Requirements and Balances	8,701,838	3,166,715	1,708,775	578,919	3,010,353	196,433	40,643	-

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
2016-17 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY
FUND 300 - DEBT SERVICE FUNDS

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Primary, K-3	-	-	-	-	-	-	-	-
1112 Intermediate Programs	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	-	-	-	-	-	-	-	-
1121 Middle/Junior High Programs	-	-	-	-	-	-	-	-
1122 Middle/Junior High Extracurricular	-	-	-	-	-	-	-	-
1131 High School Programs	-	-	-	-	-	-	-	-
1132 High School Extracurricular	-	-	-	-	-	-	-	-
1140 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1210 Talented & Gifted	-	-	-	-	-	-	-	-
1220 Restrict Prog for Students w/Disabilities	-	-	-	-	-	-	-	-
1250 Less Restrict Prog Students w/Disabilities	-	-	-	-	-	-	-	-
1260 Early Intervention	-	-	-	-	-	-	-	-
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title I	-	-	-	-	-	-	-	-
1280 Alternative Education	-	-	-	-	-	-	-	-
1291 English as a Second Language	-	-	-	-	-	-	-	-
1292 Teen Parent Program	-	-	-	-	-	-	-	-
1293 Migrant Education	-	-	-	-	-	-	-	-
1294 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	-	-	-	-	-	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction	-	-	-	-	-	-	-	-
Support Services Expenditures								
2110 Attendance & Social Work Services	-	-	-	-	-	-	-	-
2120 Guidance Services	-	-	-	-	-	-	-	-
2130 Health Services	-	-	-	-	-	-	-	-
2140 Psychological Services	-	-	-	-	-	-	-	-
2150 Speech Pathology & Audiology	-	-	-	-	-	-	-	-
2160 Other Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support	-	-	-	-	-	-	-	-
2210 Improvement of Instruction	-	-	-	-	-	-	-	-
2220 Educational Media Services	-	-	-	-	-	-	-	-
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	-	-	-	-	-	-	-	-
2310 Board of Education Services	-	-	-	-	-	-	-	-
2320 Executive Administration Services	-	-	-	-	-	-	-	-
2410 Office of the Principal Services	-	-	-	-	-	-	-	-
2490 Other Support Services - School Admin	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	-	-	-	-	-	-	-	-
2540 Operation & Maint of Plant Services	-	-	-	-	-	-	-	-
2550 Student Transportation Services	-	-	-	-	-	-	-	-
2570 Internal Services	-	-	-	-	-	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2620 Planning, Research, Development, Evaluation	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	-	-	-	-	-	-	-	-
2660 Technology Services	-	-	-	-	-	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	-	-	-	-	-	-	-	-
Total Support Services	-	-	-	-	-	-	-	-
Community Services Expenditures								
3100 Food Services	-	-	-	-	-	-	-	-
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	-	-	-	-	-	-	-	-
3500 Custody & Care of Children Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services	-	-	-	-	-	-	-	-
Facilities Acquisition and Construction Expenditures								
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition & Development Services	-	-	-	-	-	-	-	-
4150 Bldg Acquisition, Construction & Improvement	-	-	-	-	-	-	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction	-	-	-	-	-	-	-	-
Other Uses Expenditures								
5100 Debt Service	5,367,068	-	-	-	-	-	5,367,068	-
5200 Transfers to Other Funds	-	-	-	-	-	-	-	-
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
6000 Contingencies	-	-	-	-	-	-	-	-
Total Other Uses	5,367,068	-	-	-	-	-	5,367,068	-
Grand Total	5,367,068	-	-	-	-	-	5,367,068	-

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
2016-17 SCHOOL DISTRICT AUDIT EXPENDITURE SUMMARY
FUND 400 - CAPITAL PROJECT FUNDS

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Primary, K-3	-	-	-	-	-	-	-	-
1112 Intermediate Programs	-	-	-	-	-	-	-	-
1113 Elementary Extracurricular	-	-	-	-	-	-	-	-
1121 Middle/Junior High Programs	-	-	-	-	-	-	-	-
1122 Middle/Junior High Extracurricular	-	-	-	-	-	-	-	-
1131 High School Programs	-	-	-	-	-	-	-	-
1132 High School Extracurricular	-	-	-	-	-	-	-	-
1140 Pre-Kindergarten Programs	-	-	-	-	-	-	-	-
1210 Talented & Gifted	-	-	-	-	-	-	-	-
1220 Restrict Prog for Students w/Disabilities	-	-	-	-	-	-	-	-
1250 Less Restrict Prog Students w/Disabilities	-	-	-	-	-	-	-	-
1260 Early Intervention	-	-	-	-	-	-	-	-
1271 Remediation	-	-	-	-	-	-	-	-
1272 Title I	-	-	-	-	-	-	-	-
1280 Alternative Education	-	-	-	-	-	-	-	-
1291 English as a Second Language	-	-	-	-	-	-	-	-
1292 Teen Parent Program	-	-	-	-	-	-	-	-
1293 Migrant Education	-	-	-	-	-	-	-	-
1294 Youth Corrections Education	-	-	-	-	-	-	-	-
1299 Other Programs	-	-	-	-	-	-	-	-
1300 Adult/Continuing Education Programs	-	-	-	-	-	-	-	-
1400 Summer School Programs	-	-	-	-	-	-	-	-
Total Instruction	-	-	-	-	-	-	-	-
Support Services Expenditures								
2110 Attendance & Social Work Services	-	-	-	-	-	-	-	-
2120 Guidance Services	-	-	-	-	-	-	-	-
2130 Health Services	-	-	-	-	-	-	-	-
2140 Psychological Services	-	-	-	-	-	-	-	-
2150 Speech Pathology & Audiology	-	-	-	-	-	-	-	-
2160 Other Treatment Services	-	-	-	-	-	-	-	-
2190 Service Direction, Student Support	-	-	-	-	-	-	-	-
2210 Improvement of Instruction	-	-	-	-	-	-	-	-
2220 Educational Media Services	-	-	-	-	-	-	-	-
2230 Assessment & Testing	-	-	-	-	-	-	-	-
2240 Instructional Staff Development	-	-	-	-	-	-	-	-
2310 Board of Education Services	-	-	-	-	-	-	-	-
2320 Executive Administration Services	-	-	-	-	-	-	-	-
2410 Office of the Principal Services	-	-	-	-	-	-	-	-
2490 Other Support Services - School Admin	-	-	-	-	-	-	-	-
2510 Direction of Business Support Services	-	-	-	-	-	-	-	-
2520 Fiscal Services	-	-	-	-	-	-	-	-
2540 Operation & Maint of Plant Services	-	-	-	-	-	-	-	-
2550 Student Transportation Services	-	-	-	-	-	-	-	-
2570 Internal Services	-	-	-	-	-	-	-	-
2610 Direction of Central Support Services	-	-	-	-	-	-	-	-
2620 Planning, Research, Development, Evaluation	-	-	-	-	-	-	-	-
2630 Information Services	-	-	-	-	-	-	-	-
2640 Staff Services	-	-	-	-	-	-	-	-
2660 Technology Services	-	-	-	-	-	-	-	-
2670 Records Management Services	-	-	-	-	-	-	-	-
2690 Other Support Services	-	-	-	-	-	-	-	-
2700 Supplemental Retirement Program	-	-	-	-	-	-	-	-
Total Support Services	-	-	-	-	-	-	-	-
Community Services Expenditures								
3100 Food Services	-	-	-	-	-	-	-	-
3200 Other Enterprise Services	-	-	-	-	-	-	-	-
3300 Community Services	-	-	-	-	-	-	-	-
3500 Custody & Care of Children Services	-	-	-	-	-	-	-	-
Total Enterprise and Community Services	-	-	-	-	-	-	-	-
Facilities Acquisition and Construction Expenditures								
4110 Service Area Direction	-	-	-	-	-	-	-	-
4120 Site Acquisition & Development Services	-	-	-	-	-	-	-	-
4150 Bldg Acquisition, Construction & Improvement	322,895	-	-	395	-	322,500	-	-
4190 Other Facilities Construction Services	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction	322,895	-	-	395	-	322,500	-	-
Other Uses Expenditures								
5100 Debt Service	-	-	-	-	-	-	-	-
5200 Transfers to Other Funds	109,362	-	-	-	-	-	-	109,362
5300 Apportionment of Funds by ESD	-	-	-	-	-	-	-	-
6000 Contingencies	-	-	-	-	-	-	-	-
Total Other Uses	109,362	-	-	-	-	-	-	109,362
Grand Total	432,257	-	-	395	-	322,500	-	109,362

SUPPLEMENTAL INFORMATION, 2016-2017

School District Business Managers and Auditors:

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

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

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

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

	Objects 325 & 326
Function 2540	\$ 923,788
Function 2550	\$ 0

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

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

\$ 0

Exclude these functions:

Exclude these functions:

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



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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Douglas County School District No. 4
Roseburg, Oregon 97470

We have audited the basic financial statements of Douglas County School District No. 4 (the District) as of and for the year ended June 30, 2017, and have issued our report thereon dated December 5, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

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

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

In connection with our audit, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administration Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as disclosed in Note 1 of the financial statements where it is noted during the fiscal 2017 budget process, a certain program did not budget enough resources to cover requirements in accordance with local budget law. Additionally, the District utilized a resolution transfer to create a new appropriation category within its Special Revenue Fund.

OAR 162-10-0230 Internal Control

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

Restrictions on Use

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

A handwritten signature in black ink, appearing to read "Mark Damon", with a long horizontal flourish extending to the right.

Mark E. Damon CPA, Partner
Medford, Oregon
KDP Certified Public Accountants, LLP
December 5, 2017



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

Board of Directors
Douglas County School District No. 4
Roseburg, Oregon 97470

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Douglas County School District No. 4 (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Mark Damon", with a long horizontal flourish extending to the right.

Mark E. Damon CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 5, 2017

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

To the Board of Directors
Douglas County School District No. 4
Roseburg, Oregon 97470

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Program

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

Report on Internal Control over Compliance

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

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

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

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



Mark E. Damon CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 5, 2017

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Expenditures
U.S. Department of Education			
Passed Through Oregon Department of Education			
Title IA			
Main IA	84.010	35960	\$ 482,828
Main IA	84.010	41044	1,538,797
Total Title I			<u>2,021,625</u>
Vocational Ed. Reg. Program			
Vocational Education Basic	84.048	36402	3,244
Vocational Education Basic	84.048	40309	51,225
Total Vocational Ed. Reg. Program			<u>54,469</u>
IDEA Part B			
IDEA, Section 611	84.027	36839	95,019
IDEA, Section 611	84.027	41496	885,064
IDEA Enhancement	84.027	42630	7,397
IDEA Extended Assessment	84.027	41953	900
IDEA SPR & I	84.027	40805	3,874
Response to Intervention	84.027	42569	91,022
IDEA, Section 619	84.173	40578	10,807
Total IDEA Cluster			<u>1,094,083</u>
Title IIA Improving Teacher Quality			
Title IIA Improving Teacher Quality	84.367	36157	37,472
Title IIA Improving Teacher Quality	84.367	41299	254,085
Total Title IIA Improving Teacher Quality			<u>291,557</u>
Title III English Language Acquisition			
Title III English Language Acq	84.365	36317	2,388
Title III English Language Acq	84.365	41753	2,875
Total Title IIA Improving Teacher Quality			<u>5,263</u>
Rural and Low Income Schools			
Rural and Low Income Schools	84.358	33848	4,422
Rural and Low Income Schools	84.358	37758	55,854
Rural and Low Income Schools	84.358	42544	122,359
Total Rural and Low Income Schools			<u>182,635</u>
Direct Federal Award			
Title VII Indian Education	84.060A	N/A	19,550
Total U.S. Department of Education			<u>3,669,182</u>
U.S. Department of Health and Human Services			
Passed Through Oregon Department of Education			
Child Care and Development Block Grant	93.575	N/A	13,646
Total U.S. Department of Health and Human Services			<u>13,646</u>
U.S. Department of Agriculture			
Passed Through Oregon Department of Education			
School Breakfast Program	10.553	N/A	551,261
National School Lunch	10.555	N/A	1,254,113
Summer Food Service	10.559	N/A	26,525
Commodities (Note B)	10.555	N/A	167,501
Total Child Nutrition Cluster			<u>1,999,400</u>
CACFP	10.558	N/A	24,767
Passed Through Douglas County Management & Finance			
Schools and Roads - Grants to States	10.665	N/A	108,656
Total U.S. Department of Agriculture			<u>2,132,823</u>
Total Expenditures of Federal Awards			<u>\$ 5,815,651</u>

Note: There were no awards passed through to subrecipients

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

NOTE A – BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Douglas County School District No. 4 (the District) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, and changes in fund balance of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

1. The auditor’s report expresses an unmodified opinion on the basic financial statements of the District.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the basic financial statements of the District were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance.
5. The Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance for the major federal award programs for the District expressed an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with the Uniform Guidance reported in this schedule.
7. The program tested as major was:
 - U.S. Department of Agriculture:
Child Nutrition Cluster CFDA 10.553,10.555, 10.556, 10.559
8. The threshold for distinguishing Types A and B Programs was \$750,000.
9. The district qualified as a low-risk auditee under the criteria specified in the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None