

THREE RIVERS SCHOOL DISTRICT
Josephine County, Oregon

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2018

WITH

INDEPENDENT AUDITOR'S REPORTS



Certified Public Accountants, LLP

audit | tax | advisory | wealth management | cfo

THREE RIVERS SCHOOL DISTRICT

Josephine County, Oregon

June 30, 2018

BOARD OF EDUCATION AS OF JUNE 30, 2018

Kate Dwyer	Chairperson
Paul Kelly	Vice Chairperson
Rich Halsted	Member
Danny York	Member
Jennifer Johnstun	Member

ADMINISTRATION

P.O. Box 160
Murphy, Oregon 97533

Dave Valenzuela	Superintendent-Clerk
Lisa Cross	Accounting Manager

THREE RIVERS SCHOOL DISTRICT

Josephine County, Oregon

June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Three Rivers School District
Murphy, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Three Rivers School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, certain pension schedules (OPERS and RHIA), 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 and RHIA), 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 and RHIA), 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 Fund budgetary comparison information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund and Special Revenue Fund budgetary comparison information, is 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 and other financial schedules listed in the Table of Contents are presented for purposes of additional analysis and are 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 Awards*, and is also not a required part of the basic financial statements.

The other supplementary information, other financial schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and was 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 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, other financial schedules, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards and Oregon State Regulations

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

In accordance with Oregon State Regulation, we have also issued our report dated December 10, 2018 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 162-10-3200 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.

 Stewart C. Parmele CPA, Partner

Stewart C. Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 10, 2018

**THREE RIVERS/JOSEPHINE COUNTY UNIT JOINT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
30 JUNE 2018**

The discussion and analysis of Three Rivers School District's financial performance provides an overall review of the District's financial activities for the fiscal year ending June 30, 2018. The intent of this discussion and analysis is to review the District's financial performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- New accounting standards were implemented – The District implemented Governmental Accounting Standards Board (GASB) Statement 81, Irrevocable Split-Interest Agreements, Statement 85, Omnibus 2017, and Statement No. 86, Certain Debt Extinguishment Issues. Additional information can be found in Note 1 of the Financial Statements.
- In the government-wide statements, the assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2018 by negative \$19.2 million (net position), a reduction of \$2.0 million from the prior year's net position. The net decrease is due in part to a reduction of capital assets (net of depreciation), a decrease of debt payable, and a decrease in deferred outflows.
- In the General Fund, the primary operating fund for the District, the fund balance remained relatively stable at \$3.1 million. Of that balance, \$2.6 million was unrestricted fund balance (the total of the committed and unassigned components of fund balance), \$.434 million in assigned fund balance and \$0.128 million in nonspendable fund balance, totaling 6.2% of General Fund revenue.
- Total cost of all the District's governmental programs was \$68.2 million for the fiscal year, an increase of \$6.1 million (9.8%) from the prior year.
- The Special Revenue fund balance decreased \$131,247, a result of increased expenditures.
- The District continues to pay down its bond debt from \$33.3 million to \$30.4 million which includes the retirement of \$3.27 million of principal debt and the addition of a \$314,928 capital lease for computers. More information on long-term debt may be found in Note 6 of the financial statements.
- Capital assets decreased by \$1.6 million from \$35.0 million to \$33.4 million as the District continues to depreciate assets at a faster rate than new capital investment.

Overview of the Financial Statements

The District's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. In addition to the basic financial statements, we provide supplementary information that you may also find useful.

Overview of the Financial Statements - continued

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

The ***Statement of Net Position***, which presents information on all of the assets and liabilities of the District at year-end. Net position is what remains after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The **Statement of Activities**, which 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 result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

In the government-wide financial statements, the District's activities are shown in one category, *Governmental Activities*. Most of the District's 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.

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 (like the Food Service Fund) or to show that it is meeting legal responsibilities for using certain grants (like Title I and other federal, state, or locally funded grants). All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds reporting focuses on showing how money flows into and out of funds, and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual, which measures cash and all other *financial assets* that can be readily converted to cash. The governmental fund statements provide a detailed, *short-term view* of the District's operations and the services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* are reconciled in the financial statements.

The District maintains many 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, Capital Projects Fund, and Debt Service Fund, all of which are considered to be major funds.

Proprietary Funds is used to accumulate and allocate costs internally among the District's various functions. The District also uses its internal service fund for self-insurance purposes, primarily for employees' unemployment benefits, deductibles on insurance, and for the costs of vandalism.

Fiduciary Funds are used to account for resources held for the benefit of parties by the District in a trustee capacity. These funds include student scholarships and foundation funds. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning the District's major governmental funds.

Government-Wide Financial Analysis

As noted earlier, over time, net position may serve as a useful indicator of the District's financial position; as of 30 June, 2018, the District's liabilities and deferred inflows exceeded its assets and deferred outflows by \$19.2 million, an increase of approximately \$2.0 million from Fiscal year 2017.

About 58.3% of the District's total assets and net deferred outflows signify its investment in capital assets, which consist of the District's land, buildings and improvements, equipment, and vehicles and total \$33.4 million. The remaining assets consist mainly of cash and receivables. Net deferred outflows are \$12.2 million, down significantly from last year as part of GASB 68, 73, 75 pension accounting reflecting the increased future outflow needed to fund the District portion of the growing PERS unfunded pension liability.

The District's \$75.5 million in liabilities are primarily made up of \$30.4 million in long-term debt, \$32.9 million for the District's proportionate share of the State of Oregon's Public Employee Retirement System (PERS) unfunded pension liability and \$10.6 million in Other Post Employment Benefits Other Than Pension (OPEB).

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

**Statement of Net Position Summary
Governmental Activities**

Assets and Deferred Outflows	2014	2015	2016	2017	2018	Increase (Decrease): 2017 to 2018
Current and other assets	26,320,657	18,905,013	12,401,138	11,000,368	11,782,491	782,123
Capital assets	40,579,794	38,899,054	37,208,662	35,018,159	33,448,428	(1,569,731)
Deferred outflows related to pension	-	3,146,651	9,423,883	19,081,983	12,182,849	(6,899,134)
Total assets and deferred outflows	66,900,451	60,950,718	59,033,683	65,100,510	57,413,768	(7,686,742)
Liabilities						
Current liabilities	3,340,704	3,560,227	2,555,308	761,421	1,696,486	935,065
Long term liabilities	41,540,479	38,887,806	61,398,092	81,170,760	73,844,984	(7,325,776)
Deferred inflows related to pension	-	11,764,814	9,300,629	368,605	1,086,903	718,298
Total Liabilities and deferred inflows	44,881,183	54,212,847	73,254,029	82,300,786	76,628,373	(5,672,413)
Net Position						
Net investments in capital assets	24,497,314	24,626,267	24,880,635	24,574,253	24,838,834	264,581
Restricted	2,582,248	2,495,184	1,919,927	2,044,681	2,273,732	229,051
Unrestricted	(5,060,294)	(20,383,582)	(41,020,908)	(43,819,210)	(46,327,171)	(2,507,961)
Total Net Assets	22,019,268	6,737,869	(14,220,346)	(17,200,276)	(19,214,605)	(2,014,329)

Financial Analysis of the District's Funds

The significance of the District's governmental funds is that they provide information about short-term cash flow and funding for future basic services. This information is useful in assessing the District's financing requirements. In particular, the *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, 2018, the District's governmental funds reported combined ending fund balances of \$7.5 million (page 3). The General Fund accounts for \$3.13 million, the Special Revenue Fund accounts for \$1.5 million, Debt Service Fund account for \$1.27 million and Capital Projects Fund for \$1.6 million.

Governmental Funds Balance Sheet 2017 - 2018

Assets	2014	2015	2016	2017	2018
Equity in cash and investments	7,654,537	7,852,400	7,283,400	5,574,867	5,847,832
Taxes receivable	1,591,735	1,657,608	1,608,392	1,601,440	1,661,061
Other receivables	1,358,814	1,490,825	2,222,032	2,449,791	2,827,809
Prepaid expenses	140,138	609,067	124,512	117,972	128,366
Total assets	10,745,224	11,609,900	11,238,336	9,744,070	10,465,068
Liabilities					
Accounts Payable	945,008	618,083	452,521	374,147	1,260,622
Accrued Payroll	1,001,435	1,013,155	1,939,098	228,792	279,405
Unearned/Unavailable Revenues	1,494,648	1,463,778	1,369,986	1,422,352	1,422,599
Total Liabilities	3,441,091	3,095,016	3,761,605	2,025,291	2,962,626
Fund Balances					
Non-Spendable	180,728	652,449	124,512	117,972	128,366
Restricted Balances	2,402,667	2,311,950	1,735,938	1,862,380	2,084,933
Committed Balance	1,252,324	1,128,222	1,004,902	880,523	780,932
Assigned Balances	2,246,630	2,364,249	2,887,360	2,749,344	2,440,549
Unassigned Balances	1,221,784	2,058,012	1,724,019	2,108,560	2,067,662
Total Fund Balance	7,304,133	8,514,882	7,476,731	7,718,779	7,502,442

General Fund - The General Fund is the primary operating fund of the District. As of June 30, 2018, the fund balance was \$3.13 million; a decrease of \$295 thousand from the previous year. As a measure of the fund's liquidity, it may be useful to compare total fund balance to the total of fund revenues. At the end of the fiscal year, the General Fund balance was 6.2% of General Fund revenues. The fund balance decrease was due primarily to an increase of instruction and support services expenditures.

Special Revenue – Special Revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Federal programs make up the majority of the Special Revenue funds. The ending fund balance decreased from the prior year, down \$131 thousand from 2016-2017. This decrease was due to increase expenditures on the year.

Debt Service - The Ending Fund Balance in the debt service fund increased by \$275 thousand. The revenue source for general obligation bonds is through a property tax levy with the amounts based on debt service requirements and an increase in miscellaneous investments. The revenue source for the limited tax pension obligation bonds is through a payroll fringe expenditure.

Capital Projects – The Ending Fund Balance in the Capital Projects fund decreased by approximately \$65 thousand, this was due to an increase in new capitalized assets.

Key Budget Variances

Expenditure budgets are appropriated at the following level of control for each fund: Instruction, Support Services, Enterprise and Community Services, Facilities Acquisition and Construction, and Other Uses of Funds which include Interfund Transactions, Debt Service and Contingency. Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Board approval as long as appropriation levels are not changed. Supplemental appropriations may occur if the Board approves them when a need exists that was not determined at the time the budget was adopted. Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2018 with the following exceptions:

The District was under budget overall, except for an overage of \$0.193 million in the General Fund support services and \$0.315 in the Special Revenue Fund in Enterprise and Community Services. The General Fund over-expenditure was due to the value of a capital lease accepted early and expensed on June 28, 2018 with the inability to convene the Board to pass a resolution. The Special Revenue over-expenditures were due to the lack of proper encumbrances estimating the new grants awarded, three June payrolls completed on June 20, 2018 and several unexpected grants and contributions received towards year end that were transferred through to others.

Capital Asset and Debt Administration

Capital Assets – The District's investment in capital assets includes land, buildings and improvements, vehicles, and equipment. As of June 30, 2018, the District had invested \$33.4 million in capital assets, net of depreciation. This is down \$1.57 million from the previous year due to the accumulated depreciation outweighing acquisitions. The major capital asset gains were:

- Capital leased computers & related equipment
- Wide area network system
- Network switch
- Wrestling mats
- Pole vault pit
- Greenhouse
- Five Heat Pumps
- Convection oven
- HP designer printer
- Five Ford transit vans
- Portable classroom
- North Valley waste water plant improvements
- Boiler
- Roofing improvements

Additional information on the District's capital assets can be found in Note 5 of the financial statements.

Fixed Assets	Balance June 30, 2018
Land and Land Improvements	\$598,310
Buildings & Improvements	\$ 29,218,169
Vehicles and Equipment	\$3,584,311
Construction in Progress	47,638
Total	\$ 33,448,428

Long Term Debt – At the end of the current fiscal year, the District had total debt outstanding of \$30.4 million, consisting of the following:

- PERS Bond \$21.55 million
- General Obligation Bond \$ 6.77 million
- QZAB Bonds \$ 1.10 million
- HV Turf Field \$.10 million
- Capital Leases \$.85 million

Additional information on the District's long-term debt can be found in Note 6 of this report.

District Mission, Economic Factors & Future Budgets

“It is the mission of Three Rivers School District to provide outstanding educational opportunities in partnership with parents/guardians and the community.” The District is determined to provide the highest quality and most well-rounded education to the students we serve, increase graduation rates, and provide a community of support for students of all ages. Even when faced with difficult circumstances beyond our control, the District's latest published graduation rates have increased 6% over the previous year. This notable increase is due to a commitment of growth and support from the District's new College and Career Advocates, teachers, staff, community partners and a dedicated School Board. Supporting continued increases in future graduation rates will require the same collaborative efforts as well as appropriate funding from the State. The long-term challenge for the district is how to best allocate the finite resources received.

Resources supporting the District General Fund operations primarily reflect local and state revenues, with additional income representing federal, county and other sources. The largest segment is determined by the State School Fund formula. The majority of funding provided by the State to the District is based on the District's average daily membership of students. Enrollment for fiscal year 2018-19 is down approximately 100 students from the previous year. Looking forward however, enrollment trends are projected to remain consistent for the next 4 years.

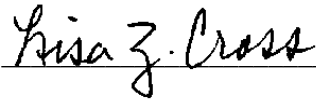
State representatives, statewide education organizations and school districts have made it clear that without additional funding sources, spending will outpace revenue for the next 2 biennia. This is due to published increases in PERS liabilities, healthcare costs and consistent annual roll up costs. PERS contributions will increase 4.3% for the Three Rivers School District in the 2019-2021 biennium; an approximate additional \$1.2 million for each year of those years.


The most recent State revenue forecast noted an increase in revenues due in part to rising household incomes. Indicators for growth appear strong for the next year or two but may slow down after that. However, based on current projections and Oregon's Kicker Law, approximately \$724 million of the revenue growth will be returned to individual taxpayers in the form of a kicker credit. Property values have increased in Josephine County and statewide, and while these are all positive indicators they will need to be monitored closely.

The District and its stakeholders will face the challenge of retaining programs and learning opportunities for students, providing safe and healthy learning environments, and offering viable employee benefits through the next biennium.

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 Accounting Manager at 8550 New Hope Road, Grants Pass, Oregon 97527.

 _____, Accounting Manager

 _____, Superintendent

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS:	
ASSETS:	
Cash and investments	\$ 6,850,882
Taxes receivable	1,661,061
Other receivables	1,031,431
Intergovernmental account receivables	1,796,378
Assets held in trust (Sinking fund)	213,024
Prepaid expenses	84,949
Inventories	43,417
Other post employment benefit (RHIA)	101,349
Capital assets, net	
Land	598,310
Construction in progress	47,638
Buildings and improvements	29,218,169
Machinery, equipment and vehicles	3,584,311
TOTAL ASSETS	45,230,919
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows related to pension	12,045,732
Deferred outflows related to other post employment benefits (RHIA)	137,117
TOTAL ASSETS AND DEFERRED OUTFLOWS	57,413,768
LIABILITIES AND DEFERRED INFLOWS:	
LIABILITIES:	
Accounts payable	1,278,281
Accrued payroll liabilities	279,405
Accrued interest payable	21,100
Accrued compensated absences	117,700
Pension liability (stipend) (due in more than one year)	4,015,779
Other post employment benefit obligation (due in more than one year)	6,563,986
Net pension liability (OPERS) (due in more than one year)	32,897,601
Capital lease payable	
Due within one year	228,732
Due in more than one year	621,287
Note payable	
Due within one year	14,649
Due in more than one year	83,092
Debt payable, net of bond premiums	
Due within one year	3,492,989
Due in more than one year	25,926,869
TOTAL LIABILITIES	75,541,470
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows related to pension	591,309
Deferred inflows related to pension (Stipend)	201,009
Deferred inflows related to other post employment benefits	247,646
Deferred inflows related to other post employment benefits (RHIA)	46,939
TOTAL LIABILITIES AND DEFERRED INFLOWS	76,628,373
NET POSITION:	
Net investment in capital assets	24,838,834
Restricted for:	
Special projects	119,605
Debt service	1,453,057
Capital projects	701,070
Unrestricted	(46,327,171)
TOTAL NET POSITION	\$ (19,214,605)

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 36,957,044	\$ 1,699,359	\$ 4,815,548	\$ (30,442,137)
Supporting services	26,257,763	205,924	2,298,933	(23,752,906)
Community services	2,643,946	188,542	2,245,849	(209,555)
Facilities acquisition and construction	4,186	-	-	(4,186)
Interest on long term debt	1,641,209	-	-	(1,641,209)
Total government activities	\$ 67,504,148	\$ 2,093,825	\$ 9,360,330	(56,049,993)
General revenues:				
Property taxes levied for general purposes				15,727,803
Property taxes levied for debt service				2,565,986
Construction excise tax				401,562
State school fund - general support				32,726,848
Common school fund				458,632
Federal forest fees				115,069
Unrestricted state and local sources				732,418
Earnings on investments				205,454
Contributions				204,988
Miscellaneous				896,904
Total general revenues				54,035,664
CHANGE IN NET POSITION				(2,014,329)
NET POSITION - July 1, 2017				(17,200,276)
NET POSITION - June 30, 2018				\$ (19,214,605)

FUND FINANCIAL STATEMENTS

**THREE RIVERS SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS:					
Equity in pooled cash and investments	\$ 3,100,399	\$ 48,428	\$ 1,236,072	\$ 1,462,933	\$ 5,847,832
Receivables					
Property taxes	1,444,076	-	216,985	-	1,661,061
Accounts	704,685	128,962	-	197,784	1,031,431
Grants	-	1,796,378	-	-	1,796,378
Prepaid	84,949	-	-	-	84,949
Inventory	43,417	-	-	-	43,417
	<u>\$ 5,377,526</u>	<u>\$ 1,973,768</u>	<u>\$ 1,453,057</u>	<u>\$ 1,660,717</u>	<u>\$ 10,465,068</u>
TOTAL ASSETS					
LIABILITIES:					
Accounts payable	\$ 811,111	\$ 381,765	\$ -	\$ 67,746	\$ 1,260,622
Accrued payroll liabilities	200,494	78,911	-	-	279,405
	<u>1,011,605</u>	<u>460,676</u>	<u>-</u>	<u>67,746</u>	<u>1,540,027</u>
TOTAL LIABILITIES					
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	1,236,263	-	186,336	-	1,422,599
	<u>1,236,263</u>	<u>-</u>	<u>186,336</u>	<u>-</u>	<u>1,422,599</u>
TOTAL DEFERRED INFLOWS					
Fund Balances:					
Nonspendable					
Prepaid & Inventory	128,366	-	-	-	128,366
Restricted					
Education - Grants	-	103,098	-	-	103,098
Building Improvements	-	16,507	-	-	16,507
Debt Service	-	-	1,266,721	-	1,266,721
Excise Tax Projects	-	-	-	701,070	701,070
Committed					
Emergency funds	500,000	-	-	-	500,000
Energy projects	-	-	-	280,932	280,932
Assigned					
School Improvement projects	394,044	-	-	-	394,044
Technology	-	48,472	-	-	48,472
Student Body Funds	-	943,365	-	-	943,365
Other purposes	39,586	404,113	-	-	443,699
Capital Improvements	-	-	-	610,969	610,969
Unassigned	2,067,662	(2,463)	-	-	2,065,199
	<u>3,129,658</u>	<u>1,513,092</u>	<u>1,266,721</u>	<u>1,592,971</u>	<u>7,502,442</u>
TOTAL FUND BALANCES					
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
	<u>\$ 5,377,526</u>	<u>\$ 1,973,768</u>	<u>\$ 1,453,057</u>	<u>\$ 1,660,717</u>	<u>\$ 10,465,068</u>

**THREE RIVERS SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2018**

TOTAL FUND BALANCES		\$ 7,502,442
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 116,103,429	
Accumulated depreciation	<u>(82,655,001)</u>	33,448,428
A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.		
		1,422,599
Internal service funds are used by management to charge the costs of unemployment insurance premiums to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		
		1,198,415
The other post employment benefit asset (RHIA) is not reported with the governmental funds.		
		101,349
The net deferred outflow/(inflow) associated with the District's pension and other post employment benefits is not recorded in the governmental funds as it is not available nor payable currently.		
		11,095,946
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather recognized as an expenditure when due. These liabilities consist of:		
Accrued interest payable	(21,100)	
Note payable	(97,741)	
Capital leases payable	(850,019)	
Pension liability (Stipend)	(4,015,779)	
Pension liability (OPERS)	(32,897,601)	
Other post employment benefit obligation	(6,563,986)	
Debt payable, net of bond premium	(29,419,858)	
Accrued compensated absences	<u>(117,700)</u>	<u>(73,983,784)</u>
TOTAL NET POSITION		\$ <u>(19,214,605)</u>

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES					
Property taxes and other taxes	\$ 15,887,173	\$ -	\$ 2,379,650	\$ 401,562	\$ 18,668,385
Intergovernmental	34,032,967	9,421,153	-	-	43,454,120
Charges for services	118,525	1,665,977	-	18,282	1,802,784
Local contributions	1,028	203,960	-	-	204,988
Investment earnings	150,868	697	36,454	11,540	199,559
Miscellaneous	274,508	244,831	2,505,097	361,890	3,386,326
TOTAL REVENUES	<u>50,465,069</u>	<u>11,536,618</u>	<u>4,921,201</u>	<u>793,274</u>	<u>67,716,162</u>
EXPENDITURES					
Current					
Instruction	28,908,143	6,477,211	-	-	35,385,354
Support services	22,049,017	2,623,233	-	816,307	25,488,557
Enterprise and community services	-	2,496,552	-	-	2,496,552
Facilities and acquisition	-	30,264	-	121,679	151,943
Debt Service	-	-	4,664,144	-	4,664,144
TOTAL EXPENDITURES	<u>50,957,160</u>	<u>11,627,260</u>	<u>4,664,144</u>	<u>937,986</u>	<u>68,186,550</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(492,091)</u>	<u>(90,642)</u>	<u>257,057</u>	<u>(144,712)</u>	<u>(470,388)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease agreement	314,928	-	-	-	314,928
Transfers	(117,772)	20,272	17,500	80,000	-
Transfers of grants and contributions	-	(60,877)	-	-	(60,877)
TOTAL OTHER FINANCING SOURCES (USES)	<u>197,156</u>	<u>(40,605)</u>	<u>17,500</u>	<u>80,000</u>	<u>254,051</u>
NET CHANGE IN FUND BALANCE	(294,935)	(131,247)	274,557	(64,712)	(216,337)
FUND BALANCE, July 1, 2017	<u>3,424,593</u>	<u>1,644,339</u>	<u>992,164</u>	<u>1,657,683</u>	<u>7,718,779</u>
FUND BALANCE, June 30, 2018	<u>\$ 3,129,658</u>	<u>\$ 1,513,092</u>	<u>\$ 1,266,721</u>	<u>\$ 1,592,971</u>	<u>\$ 7,502,442</u>

**THREE RIVERS SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

NET CHANGE IN FUND BALANCE	\$ (216,337)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Government funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>	
Expenditures for capital assets	\$ 1,070,544
Less current year depreciation	<u>(2,640,275)</u>
	(1,569,731)
<p>Repayment of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position. This is the principal payment.</p>	
	3,265,642
<p>Governmental funds report the effect of issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences:</p>	
Amortization of premium	8,069
<p>Governmental funds report the proceeds from capital lease financing as income, while in the Statement of Activities the proceeds are eliminated and included in the Statement of Net Position as a liability</p>	
	(314,928)
<p>Internal service funds are used by management to charge the costs of unemployment insurance premiums to individual funds. This activity is consolidated with the governmental activities in the statement of activities.</p>	
	(52,535)
<p>In the Statement of Activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as an interest expense when due.</p>	
Interest paid	1,645,733
Interest expense	<u>(1,641,209)</u>
	4,524
<p>Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the statement of activities property taxes are recognized as revenue when levied.</p>	
	26,968
<p>The change in the net post employment benefit obligation (OPEB) is not recognized in the governmental funds (including deferred outflows and inflows).</p>	
	284,674
<p>The change in the net post employment benefit obligation (OPEB) RHIA is not recognized in the governmental funds (including deferred outflows and inflows).</p>	
	191,527
<p>Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as an expenditure when earned.</p>	
	(16,910)
<p>Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned (actuarially determined) net of employee contributions is reported as pension expense. (OPERS and stipend, including deferred outflows and inflows).</p>	
	<u>(3,625,292)</u>
CHANGE IN NET POSITION	<u>\$ (2,014,329)</u>

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018**

	Internal Service Fund
ASSETS:	
Equity in pooled cash and investments	<u>\$ 1,216,074</u>
TOTAL ASSETS	<u><u>\$ 1,216,074</u></u>
LIABILITIES:	
Current liabilities	
Accounts payable	<u>\$ 17,659</u>
TOTAL LIABILITIES	<u>17,659</u>
NET POSITION:	
Unrestricted	<u>1,198,415</u>
TOTAL NET POSITION	<u><u>\$ 1,198,415</u></u>

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2018**

	Internal Service Fund
	<u> </u>
OPERATING REVENUES	
Self insurance revenues	\$ 306,770
	<u> </u>
TOTAL OPERATING REVENUES	<u>306,770</u>
OPERATING EXPENSES	
Current	
Support services	365,200
	<u> </u>
TOTAL OPERATING EXPENSES	<u>365,200</u>
TOTAL OPERATING INCOME / (LOSS)	<u>(58,430)</u>
NONOPERATING REVENUES (EXPENSES)	
NONOPERATING REVENUES	
Interest income	5,895
	<u> </u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>5,895</u>
CHANGE IN NET POSITION	(52,535)
NET POSITION, June 30, 2017	<u>1,250,950</u>
NET POSITION, June 30, 2018	<u>\$ 1,198,415</u>

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2018**

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Interfund activity - self insurance receipts	\$ 306,770
Supporting services	<u>(352,862)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(46,092)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>5,895</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>5,895</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(40,197)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,256,271</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,216,074</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING INCOME	
Operating income (loss)	\$ (58,430)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Change in assets and liabilities:	
Decrease in accounts receivable	27
Increase in accounts payable	13,288
Decrease in accrued liabilities	<u>(977)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (46,092)</u></u>

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2018**

	<u>Scholarship Expendable Trust Fund</u>
ASSETS:	
Equity in pooled cash and investments	<u>\$ 34,058</u>
TOTAL LIABILITIES	<u>-</u>
NET POSITION	
Reserved for scholarships	<u><u>\$ 34,058</u></u>

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2018**

	Scholarship Expendable Trust Fund
ADDITIONS	
Donations	\$ 28,105
Earnings on investments	<u>82</u>
TOTAL ADDITIONS	<u>28,187</u>
CHANGE IN NET POSITION	28,187
NET POSITION, June 30, 2017	<u>5,871</u>
NET POSITION, June 30, 2018	<u><u>\$ 34,058</u></u>

NOTES TO BASIC FINANCIAL STATEMENT

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies

The Reporting Entity

Three Rivers School District (the District), Murphy, Oregon, was organized under provisions of Oregon Statutes pursuant to ORS Chapter 332 for the purpose of operating elementary and secondary schools. The District is governed by a separately elected five-member Board of Education (Board) who approves the administrative officials. The daily functioning of the District is under the supervision of the Superintendent. As required by generally accepted accounting principles, all activities of the District have been included in the basic financial statements.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to exclude any potential component units in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). GASB 61 modified certain requirements for inclusion of component units in financial reporting. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

It has been determined the both Sunny Wolf Charter School and Woodland Charter School will not be included in the Three Rivers School District statements as a component unit for the following reasons:

- TRSD is not financially accountable for either Sunny Wolf or Woodland Charter School
- TRSD does not appoint any members of the charter schools' governing body
- TRSD is not able to impose its will on either of the organizations
- There is no potential for either charter school to provide specific financial benefits to, or imposes specific financial burdens on TRSD
- TRSD cannot legally access either charter schools' resources
- TRSD is not legally obligated for the debt of either organization
- TRSD is not legally obligated to provide financial support to either organization

There are various other governmental agencies and special service districts, which provide service within the District's boundaries. However, the District is not financially accountable for any of these entities, and therefore, none of them are considered component units or included in these basic financial statements.

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

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation

The financial statements of Three Rivers School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government-wide Financial Statements

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to students or others for tuition, fees, rentals, material, supplies or services provided, (2) operating grants and contributions and (3) capital grants and contributions.

Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

Separate financial statements are presented for governmental funds and fiduciary funds. The District has an internal service fund, which is reported as a proprietary fund.

Net Position is reported as restricted when constraints placed on net 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 remaining governmental funds are aggregated and reported as other governmental 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 revenue sources that are legally restricted to expenditure for specific purposes. This fund accounts for the revenues and expenditures related to Federal and State grants, as well as those related to student body activities.

Debt Service Fund - This fund accounts for the servicing of general long-term debt not being financed by the General Fund. For the District, this includes the PERS Bonds and Full Faith General Obligation Bonds payments. The principal sources of revenues are property taxes, earnings on investments, services provided to other funds and other local revenues.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Projects Fund - This fund accounts for the acquisition, construction and maintenance of improvements within the District. Principal revenue sources are construction excise taxes, miscellaneous revenues, investment earnings and interfund transfers.

Additionally, the District reports the following fund type:

Internal Service Fund - The Internal Service Fund accounts for monies used for self-insurance policies. Principal revenue sources are fees charged, miscellaneous revenues and investment earnings.

The following Fiduciary fund is reported:

Fiduciary Fund - These are the funds that account for the assets held by the District as a trustee or agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. The fund included in this category is:

Private Purpose Trust Scholarship Fund - This fund accounts for resources received and held in a fiduciary capacity, in accordance with a trust agreement for student scholarships.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured, certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources, and early retirement benefits which are recorded when paid. 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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District's proprietary fund distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the District's internal service fund consist of charges for services and the cost of providing those services. All other revenues and expenses are reported as nonoperating.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

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, secured market deposit accounts, 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, authorized under state statute, consist of banker's acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). Banker's acceptances, commercial paper and U.S. Government Agency securities are stated at amortized cost which approximates fair value. The LGIP is stated at cost which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares.

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

Investment Income

Investment income is composed of interest and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the fund financial statements, and is allocated monthly to all funds based on the fund's average cash balance.

Assets Held by Trustee (Sinking Fund)

On September 24, 2009, the District issued Qualified Zone Academy Bonds (QZAB) in the amount of \$2,000,000. The bonds purchased by All Points Capital Corp. 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 the QZAB financing plan. In addition to annual principle and interest payments, the District was required to transmit \$133,332 to the Deutsche Bank at closing on September 24, 2009, which was used to purchase a State & Local Government Security, which will mature on September 14, 2024. The value of the sinking fund as of June 30, 2018 was \$213,024.

Property Taxes Receivable

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

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

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

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. Due to the nature of the receivables and the likelihood of collection, no provision for uncollectible receivables has been made.

Grants

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

Supplies Inventory

Supplies Inventory is valued at cost using first-in, first-out method. Accounting for supplies inventory is based on the consumption method whereby inventory is recorded when purchased and expenditures/expenses are recorded when inventory items are used.

Capital Assets

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

Buildings and improvements	25 to 50 years
Vehicles	10 to 15 years
Equipment	5 to 20 years

Pensions

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

Compensated Absences

The District's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. The current and long term liabilities for vested or accumulated vacation leave, compensatory time, and retirement benefits are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave or resignation.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position (government-wide financials and proprietary funds) 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 outflows, which arise only under the full accrual of accounting (i.e. government-wide financials) that qualify for reporting in this category. Accordingly, the items, a deferred amount related to pensions and a deferred amount related to other post employment benefit (OPEB) obligation, is reported only in the government-wide statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of deferred inflows. One 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 two types of deferred inflows which arise only under the full accrual basis of accounting that qualify for reporting in this category. Accordingly, the items, deferred amounts related to pensions and deferred amounts related to other post employment benefit (OPEB) obligations, are reported in the government-wide statement of net position.

Long-term Debt

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Position. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements bond premiums and discounts, as well as bond issuance costs, are recognized when incurred and not deferred. The face amount of the debt issued, premiums received on debt issuances, and discounts are reported as other financing sources and uses.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Post-employment Health Benefits

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

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position / Fund Balance

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

- a. Net investment in capital assets – Total capital assets reduced by accumulated depreciation and any outstanding debt incurred to acquire, construct, or improve those assets. Deferred inflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included.
- b. Restricted net position – Consists of restricted assets and deferred outflows or resources reduced by liabilities and deferred inflows of resources related to those assets and deferred outflows of resources. Constraints may be placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources not included in the definitions above.

In the fund financial statements, governmental fund balance is classified in the following categories.

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

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

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

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

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

Budget

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting. 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.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Budget (continued)

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 appropriation resolution.

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers within a fund between the levels of control (major function levels) with Board approval. During the year there was no supplemental budget appropriating unanticipated resources and five resolutions transferring appropriation authority within the General Fund. Appropriations lapse at the end of each fiscal year.

During the fiscal year ended June 30, 2018, the District was in compliance with Local Budget Law, except as follows:

The District over expended in the General Fund in the Support Services category by \$193,372 and in the Federal Programs Fund in the Enterprise and Community Services category and the transfers of grants and contributions category by \$314,603 and \$60,877, respectively. The General Fund over-expenditure was due to the value of a capital lease accepted early and expensed on June 28, 2018 with the inability to convene the Board to pass a resolution. The Special Revenue over-expenditures were due to the lack of proper encumbrances estimating the new grants awarded, three June payrolls completed on June 20, 2018 and several unexpected grants and contributions received towards year end that were transferred through to others.

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, 2018, the District implemented the following GASB Pronouncements:

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. 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:

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

New GASB Pronouncements Adopted (continued)

- 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. 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 was effective for the District, fiscal year ending June 30, 2018.

Future GASB Pronouncements

The following GASB pronouncements have been issued, but are not effective as of June 30, 2018:

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. 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 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 fiscal year ending June 30, 2020.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Future GASB Pronouncements (continued)

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.

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements, issued March 2018 to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 88 will be effective for the District for fiscal year ending June 30, 2019.

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

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

The District will implement new GASB pronouncements no later than the required effective date. The District is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the District's financial statements.

Note 2 - Equity in Pooled Cash and Investments

Cash and investments are comprised of the following as of June 30, 2018:

Petty cash	\$	50
Carrying amount of demand deposits		2,207,599
Carrying amount of investments		4,890,315
	<u>\$</u>	<u>7,097,964</u>

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

Statement of Net Position		
Cash and investments	\$	6,850,882
Assets held in trust		213,024
Statement of Fiduciary Net Position		
Cash and investments		<u>34,058</u>
Total cash and investments	<u>\$</u>	<u>7,097,964</u>

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 2 - Equity in Pooled Cash and Investments (continued)

Deposits. The Governmental Accounting Standards Boards has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the District at June 30, 2018. If bank deposits at year end are not entirely insured or collateralized with securities held by the District or by its agent in the District's name, the District must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits. For the fiscal year ended June 30, 2018, the carrying amounts of the District's deposits in various financial institutions were \$2,207,599 and the bank balances were \$2,507,109. All deposits are held in the name of the District.

The bank balance is comprised of amounts held at various financial institutions with each providing \$250,000 coverage of FDIC insurance. Of the total bank balance all but \$1,846,684 was covered by FDIC. However, this balance was covered by the State of Oregon shared liability structure for participating bank depositories in Oregon.

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

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

Investments. Three Rivers School District has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2018. The Oregon Short-term Fund is the local government investment pool for local governments and was established by the State Treasurer.

It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an external investment pool managed by the State Treasurer's office, which allow governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB statement No. 40, the LGIP is not rated.

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

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

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 2 - Equity in Pooled Cash and Investments (continued)

Investments (continued) State of Oregon statutes restrict the types of investments in which the District may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool. As of June 30, 2018 and for the year then ended, the District was in compliance with the aforementioned State of Oregon statutes.

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

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

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

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 6/30/2018	Level One	Level Two	Level Three	Amortized Cost Not Measured at Fair Value
Local Government					
Investment Pool	\$4,474,425	\$ -	\$ -	\$ -	\$ 4,474,425
Cerificates of Deposit	115,434	-	-	-	115,434
Treasury Securities	87,432	87,432	-	-	-
2012 QSCB Sinking Fund Reserve:					
Cash held in reserve account	261	261	-	-	-
Treasury Securities	212,763	212,763	-	-	-
	<u>\$4,890,315</u>	<u>\$ 300,456</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,589,859</u>

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 2 - Equity in Pooled Cash and Investments (continued)

As of June 30, 2018, the District's investments had the following maturities and credit ratings:

	<u>Total Investments</u>	<u>Investment Maturities</u>		
		<u>Less than 1 yr</u>	<u>1-5 years</u>	<u>6-10 years</u>
Cash held in sinking fund accounts	\$ 261	\$ 261	\$ -	\$ -
Local Government				
Investment Pool	4,474,425	4,474,425	-	-
Certificates of Deposit	115,434	115,434	-	-
Treasury Securities	300,195	-	-	300,195
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Investments	<u>\$ 4,890,315</u>	<u>\$ 4,590,120</u>	<u>\$ -</u>	<u>\$ 300,195</u>

	<u>Moody's</u>	<u>Standard & Poor</u>	<u>Percentage of Total Investme</u>
	<u>Rating</u>	<u>Rating</u>	
Cash held in sinking fund accounts	N/R	N/R	0.01%
Local Government			
Investment Pool	N/R	N/R	91.50%
Certificates of Deposit	N/R	N/R	2.36%
Treasury Securities	N/R	N/R	6.13%
			<u> </u>
Total Investments			<u>100.00%</u>

N/R = Not Rated

Note 3 - Receivables

Receivables are comprised of the following as of June 30, 2018:

	<u>Other</u>	<u>Grants</u>	<u>Property Taxes</u>	<u>Total</u>
General fund	\$ 704,685	\$ -	\$ 1,444,076	\$ 2,148,761
Special revenue fund	128,962	1,796,378	-	1,925,340
Debt service fund	-	-	216,985	216,985
Capital projects fund	197,784	-	-	197,784
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 1,031,431</u>	<u>\$ 1,796,378</u>	<u>\$ 1,661,061</u>	<u>\$ 4,488,870</u>

Note 4 - Unavailable / Unearned Revenues

Governmental funds, under the modified accrual basis of accounting, accrue deferred revenue 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.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 4 - Unavailable / Unearned Revenues (continued)

At the end of the current fiscal year, the various components of unavailable (deferred inflow) and unearned revenue in the governmental funds were as follows:

<u>Fund Type</u>	<u>Property Tax Unavailable</u>	<u>Total</u>
General Fund	\$ 1,236,263	\$ 1,236,263
Debt Service Fund	186,336	186,336
Total	<u>\$ 1,422,599</u>	<u>\$ 1,422,599</u>

Note 5 - Capital Assets

The changes in capital assets for the year ended June 30, 2018, are as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Capital assets not being depreciated				
Land	\$ 598,310	\$ -	\$ -	\$ 598,310
Construction-in-Progress	131,042	41,638	(125,042)	47,638
Total capital assets not being depreciated	<u>729,352</u>	<u>41,638</u>	<u>(125,042)</u>	<u>645,948</u>
Capital assets being depreciated				
Buildings and Improvements	107,824,580	204,336	58,761	108,087,677
Machinery/Equipment/Vehicles	6,478,953	824,570	66,281	7,369,804
Total	<u>114,303,533</u>	<u>1,028,906</u>	<u>125,042</u>	<u>115,457,481</u>
Less accumulated depreciation for:				
Buildings and Improvements	(76,583,860)	(2,285,648)	-	(78,869,508)
Machinery/Equipment/Vehicles	(3,430,866)	(354,627)	-	(3,785,493)
Total	<u>(80,014,726)</u>	<u>(2,640,275)</u>	<u>-</u>	<u>(82,655,001)</u>
Total capital assets, net				
Land	598,310	-	-	598,310
Construction-in-Progress	131,042	41,638	(125,042)	47,638
Buildings and Improvements	31,240,720	(2,081,312)	58,761	29,218,169
Machinery/Equipment/Vehicles	<u>3,048,087</u>	<u>469,943</u>	<u>66,281</u>	<u>3,584,311</u>
Total	<u>\$ 35,018,159</u>	<u>\$ (1,569,731)</u>	<u>\$ -</u>	<u>\$ 33,448,428</u>

Depreciation expense for the fiscal year was \$2,640,275 and is allocated to the various functions.

<u>Program</u>	
Instruction	\$ 1,489,908
Supporting Services	1,050,301
Community Services	<u>100,066</u>
Total	<u>\$ 2,640,275</u>

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 6 - Long-Term Debt

Qualified Zone Academy Bonds

On September 24, 2009, the District issued Qualified Zone Academy Bonds (QZAB) in the amount of \$2,000,000. The bonds purchased by All Points Capital Corp. 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 the 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 primary and secondary schools in the District. In addition, initial funding for the SB 1149 energy efficiency projects was provided by the QZAB proceeds so that projects could move forward in a timely manner. As SB 1149 funds become available in future years, they will then be utilized to repay a portion of the QZAB debt.

As a result of the structure of the QZAB, the District is required to repay \$2,224,816 in total principal and interest payments over the 15 year term. The District will make equal annual payments in the amount of \$133,332 through 2024. Interest paid for the fiscal year was \$14,861.

As part of the terms of the QZAB agreement, the District opted to create a sinking fund upon bond issuance to pay for the fifteenth and final balloon payment of \$358,168, which includes principal and interest, due and payable in fiscal 2025. At closing on September 24, 2009, the District transmitted \$133,332 to the Deutsche Bank, which was used to purchase a State & Local Government Security, which will mature on September 14, 2024. The value of the sinking fund as of June 30, 2018 was \$213,024.

Year ending June 30th	QZAB Installment		
	Principal	Interest	Total
2019	\$ 119,920	\$ 13,412	\$ 133,332
2020	121,386	11,946	133,332
2021	122,871	10,461	133,332
2022	124,373	8,959	133,332
2023	125,894	7,438	133,332
2024 - 2025	482,345	9,154	491,499
	\$ 1,096,789	\$ 61,370	\$ 1,158,159

Pension Obligation Bonds

On February 5, 2004, the District participated in pooled issuances of taxable pension obligation bonds to finance the District's unfunded actuarially accrued liability (UAAL) with the State of Oregon Public Employees Retirement System (PERS). The District issued \$26,620,000 in debt as part of a pooled issuance of \$467,820,000. Except for the payment of its pension bond payments and additional charges when due, each participating school district has no obligation or liability to any other participating school district's pension bonds or liabilities to PERS.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 6 - Long-Term Debt (continued)

Pension Obligation Bonds (continued)

Bond proceeds were paid to the Public Employee Retirement System. The bonds were issued February 2004. An intercept agreement with the State of Oregon was required as a condition of issuance; therefore, a portion of State School Support is withheld on a monthly basis to repay debt. Funds are accumulated and invested by a trust officer, and annual principal and interest payments are made June 30, beginning June 30, 2004 and ending June 30, 2028. The series 2004 bond interest rates range from 3.25% to 5.53% with a true interest cost of 5.47%.

The issuance of the bonds was evaluated based on advance refunding criteria. 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. Interest paid on these bonds for the fiscal year was \$1,240,997.

<u>Year ending June 30th</u>	Pension Obligation Bonds		
	Principal	Interest	Total
2019	\$ 1,280,000	\$ 1,183,283	\$ 2,463,283
2020	1,475,000	1,115,148	2,590,148
2021	1,680,000	1,035,897	2,715,897
2022	1,910,000	944,790	2,854,790
2023	2,155,000	840,256	2,995,256
2024 - 2028	13,045,000	2,103,404	15,148,404
	\$ 21,545,000	\$ 7,222,778	\$ 28,767,778

General Obligation Bonds

General Obligation bonds are a direct obligation and pledge the full faith and credit of the District. These bonds were issued to provide funds for the acquisition and construction of school facilities. The original amount of the General Obligation bonds issued in prior years was \$24,000,000. On January 26, 2005, the District issued \$17,720,000 federally taxable Series 2005 General Obligation Refunding bonds (Series 2005 Bonds) with an interest rate that ranges between 2.5% and 5% to advance refund \$17,405,000 of Series 2001 Bonds with an average interest rate of 5.11%. The Series 2001 Bonds were paid in full as of June 30, 2011. 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 2001 Bonds. As a result, the refunded portions of the Series 2001 Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

Principal payments associated with the Series 2005 Bonds are due annually on December 15th and interest payments are due semiannually on June 15th and December 15th. The Series 2005 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, 2021 and are not subject to redemption prior to their maturity. Interest paid on these bonds for the fiscal year was \$371,413.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 6 - Long-Term Debt (continued)

General Obligation Bonds (continued)

<u>Year ending June 30th</u>	General Obligation Bonds		
	Principal	Interest	Total
2019	\$ 2,085,000	\$ 272,600	\$ 2,357,600
2020	2,255,000	167,256	2,422,256
2021	2,430,000	56,238	2,486,238
	\$ 6,770,000	\$ 496,094	\$ 7,266,094

Hidden Valley Turf Field Note Payable

On September 4, 2014, the District entered into an agreement with Evergreen Federal Bank for \$150,000 at 3.00% fixed interest to finance a portion of the new turf field at Hidden Valley High School. Monthly payments of principal and interest are to be repaid over a period of ten years commencing on October 1, 2014. Interest paid on this note for the fiscal year was \$3,164. This note matures September, 2024 and is payable from non-restricted General Fund revenues.

<u>Year ending June 30th</u>	HVHS Turf Field Note Payable		
	Principal	Interest	Total
2019	\$ 14,649	\$ 2,732	\$ 17,381
2020	15,095	2,286	17,381
2021	15,554	1,827	17,381
2022	16,027	1,354	17,381
2023-2025	36,416	1,238	37,654
	\$ 97,741	\$ 9,437	\$ 107,178

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 6 - Long-Term Debt (continued)

Capital Leases

Various lease agreements have been entered into with interest rates varying from 3.50% to 4.346%. These agreements qualify as capital leases for accounting purposes and were recorded at the present value of the future minimum lease payments as of the inception date in the Statement of Net Position. The total cost of the lease purchase items is \$1,620,434. Interest expense in the current year was \$29,269.

Year ending June 30th	Capital Leases		
	Principal	Interest	Total
2019	\$ 228,732	\$ 29,935	\$ 258,667
2020	229,912	28,756	258,668
2021	176,418	16,586	193,004
2022	105,148	7,264	112,412
2023	109,809	2,602	112,411
	\$ 850,019	\$ 85,143	\$ 935,162

The changes in long-term obligations for year ended June 30, 2018, are as follows:

Issue Date:	Outstanding July 1, 2017	New Debt Issued	Matured & Redeemed	Outstanding June 30, 2018	Due within 1 year	Interest Rate
PERS Bonds						
February 5, 2004	\$ 22,650,000	\$ -	\$ (1,105,000)	\$ 21,545,000	\$ 1,280,000	5.22-5.53%
GO Bonds						
January 26, 2005	8,700,000	-	(1,930,000)	6,770,000	2,085,000	3.75-5.25%
QZAB Bonds						
September 24, 2009	1,215,260	-	(118,471)	1,096,789	119,920	1.22%
Turf Field Note Payable						
September 24, 2009	111,958	-	(14,217)	97,741	14,649	3.00%
Capital Leases						
Various Equipment	633,045	314,928	(97,954)	850,019	228,732	3.5-4.346%
Total	33,310,263	314,928	(3,265,642)	30,359,549	3,728,301	
Unamortized premium	16,138	-	(8,069)	8,069	8,069	
Total	\$ 33,326,401	\$ 314,928	\$ (3,273,711)	\$ 30,367,618	\$ 3,736,370	

The District also has the following changes in Other Long Term Obligations:

	Balance 7/1/2017	Earned	Used	Balance 6/30/2018	Due Within One Year
Compensated absences	\$ 100,790	\$ 209,548	\$ 192,638	\$ 117,700	\$ 117,700

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 7 - Operating Lease Commitments

The District has several operating leases associated with vehicles. Total expense for such leases was \$24,465 for the year ended June 30, 2018. The future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30	
2019	\$ 24,465
2020	24,465
2021	24,465
2022	3,426
2023	-
Total	<u>\$ 76,821</u>

Note 8 - Interfund Transactions

Interfund transfers during the year ended June 30, 2018, were as follows:

	Transfers	
	In	Out
General fund	\$ -	\$ 117,772
Special revenue fund	20,272	-
Debt service fund	17,500	-
Capital projects fund	80,000	-
	<u>\$ 117,772</u>	<u>\$ 117,772</u>

During the 2017-18 fiscal year, the Board of Directors approved transfers out from the General Fund. Special Revenue Funds received the transfer to fund the food service required food match program. The Debt Service Fund transfer was to transfer funds committed by Hidden Valley High School to repay the obligation related to their new turf field. The Capital Projects transfer was set aside for a future energy lease, capital needs, and QZAB payments.

Note 9 - Postemployment Benefits Other Than Pensions (OPEB)

Single-Employer Defined Benefit Health Care Plan –

Plan Description – The District has two separate other post-employment benefits (OPEB) plans. The District maintains a single-employer defined benefit OPEB plan that provides post-employment health, dental, and life insurance benefits to eligible employees and their spouses, domestic partners, and children.

**THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018**

Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

Single-Employer Defined Benefit Health Care Plan (continued)–

Current administrators who have served in the administrative capacity for more than ten years as of June 30, 2004 shall receive early retirement benefits of ten years of current health insurance benefits, but not beyond age 65. All other administrators who have served in an administrative capacity for seven years, or as a licensed teacher and administrator for 18 or more years, will receive seven years of current health insurance, but not beyond age 65. Notwithstanding the above, any administrator hired after August 15, 2007, will not be eligible for any early retirement benefits. Classified bargaining unit members who have at least 20 years of service as of June 30, 2004 shall receive early retirement benefits of ten years of current health insurance benefits, but not beyond age 65. Classified bargaining unit members who have at least 15 years of service in a classified position, and are on the highest step of the salary schedule, shall receive early retirement benefits of seven years of current health insurance benefits, but not beyond age 65. However, if such an employee retires after June 30, 2011, the coverage will be for the employee only. Notwithstanding the above, any classified employee hired after June 30, 2000, will not be eligible for any early retirement benefits. Licensed bargaining unit members who have at least 20 years of service and were hired in 1991 or earlier shall receive early retirement benefits of ten years of current health insurance benefits, but not beyond age 65. Notwithstanding the above, any licensed employee retiring after June 30, 2011, will not be eligible for any early retirement benefits.

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. There 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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 August 30, 2007. As a result, the total plan members receiving the explicit benefit will decrease over time. At June 30, 2018, the following employees were covered by the explicit benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	70
Active employees entitled to but not yet receiving benefit payments	70
	140

Total OPEB Liability – The districts total OPEB liability of \$6,563,986 was measured as of June 30, 2018, and was determined by an actuarial valuation date as of July 1, 2016.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

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

<u>Input</u>	<u>Assumption</u>
Actuarial Cost Method	Early age normal, level percent of salary
Interest Rate Utilized for Discounting	3.0% 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 plus merit table
Annual Premium Increase Rate	Between 5% and 6.5% 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
Marital Status	70% of future retirees electing coverage are assumed to cover a spouse as well
Coverage of Eligible Children	We have assumed no impact of dependent children on the implicit subsidy

Changes in the Total OPEB Liability –

OPEB Liability at June 30, 2017	\$ 7,096,306
Changes for the year:	
Service cost	304,420
Interest	206,268
Assumptions or other input	(297,175)
Benefit payments	<u>(745,833)</u>
OPEB Liability at June 30, 2018	<u>\$ 6,563,986</u>

Deferred Outflows of Resources, and Deferred Inflows of Resources

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience:	\$ -	\$ -
Changes of assumptions or other input	<u>-</u>	<u>247,646</u>
Total	<u>\$ -</u>	<u>\$ 247,646</u>

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year Ended June 30	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date)
2019	\$ (49,529)
2020	(49,529)
2021	(49,529)
2022	(49,529)
2023	(49,530)
Thereafter	-
Total	<u>\$ (247,646)</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 2.75%	Current Discount Rate 3.75%	1% Increase Rate 4.75%
Total OPEB Liability	\$ 6,962,999	\$ 6,563,986	\$ 6,189,743

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 6% Graded Down to 4%	Current Trend Rate 7% Graded Down to 5% Trend Rates	1% Increase 8% Graded Down to 6%
Total OPEB Liability	\$ 6,025,859	\$ 6,563,986	\$ 7,288,112

OPEB Expense– For the year ended June 30, 2018, the District recognized OPEB expense of \$510,688.

Retirement Health Insurance Account (RHIA) –

Plan Description – The District contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. Oregon Revised Statute (ORS) 238.420 established this trust fund and authorizes the Oregon Legislature to establish and amend the benefit provisions. 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, telephone (503) 598-7377, or by URL: <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

Retirement Health Insurance Account (continued)

Benefits Provided – RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible employees. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the District, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. The plan has been closed to new entrants since January 1, 2004.

Contributions – 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. Participating Districts are contractually required to contribute to RHIA at a rate assessed each year by PERS.

The District's contractually required contribution rate for the year ended June 30, 2018, was 0.07% of annual covered OPERF payroll and 0.43% of OPSRP payroll, actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year. Contributions to the OPEB plan from the District were \$132,581 for the year ended June 30, 2018.

OPEB Asset, Income, Deferred Outflows of Resources, and Deferred Inflows of Resources –

At June 30, 2018, the District reported an asset of \$101,349 for its proportionate share of the total RHIA asset. The asset was measured as of June 30, 2017, and the total pension asset used to calculate the asset was determined by an actuarial valuation as of December 31, 2015. The District's proportion of the RHIA asset was based on a projection of the District's long-term share of contributions to the plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was approximately 0.24284476 percent.

For the year ended June 30, 2018, the District recognized expense related to RHIA of \$544. Pension expense was generated during the measurement period as a result of less than anticipated investment returns and factors associated with the Moro Decision. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments:	\$ -	\$ 46,939
Change in proportionate share	4,536	-
District's contributions subsequent to the measurement date:	132,581	-
Total	\$ 137,117	\$ 46,939

\$132,581 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability in the year ended June 30, 2018.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

Retirement Health Insurance Account (continued)

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

Year Ended June 30	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date)
2019	\$ (10,055)
2020	(10,055)
2021	(10,559)
2022	(11,734)
2023	-
Thereafter	-
Total	\$ (42,403)

Actuarial Methods and Assumptions – The actuarial valuation used for RHIA is identical to the actuarial valuation details related to the OPERS Plan disclosed in *Note 10* Pension and Retirement Plans (excluding the Actuarial Methods and Assumptions cost of living adjustment assumption, which has been removed, and a retiree healthcare participation assumption of 38% for healthy retirees and 20% for disabled retirees has been used). The actuarial valuation details are the Actuarial Methods and Assumptions, Discount Rate, Assumed Asset Allocation, and the Investment Rate of Return.

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

District's Net Pension Asset/Liability	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Retirement Health Insurance Account	\$ (14,128)	\$ 101,349	\$ 199,569

Note 10 - Pension and Retirement Plans

Early Retirement Stipend Pension Plan –

Plan Description – The District maintains a single-employer defined benefit pension early retirement supplemental plan for eligible licensed employees of the District (not administered through a trust). The program covers licensed staff that have at least 18 years of service with the district and are not receiving District-paid medical benefits. This program provides employees with a stipend of 1/84 of their final annual salary per month. Payments are made for a maximum of seven years, but in no event past age 65 or death.

Funding Policy – The benefits from this program are fully paid by the District and, consequently, no contributions by employees are required. The District funds this benefit as it comes due and the amount paid by the District for the benefit for the period ended June 30, 2018 was \$140,406. There are no assets accumulated in a trust.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 10 - Pension and Retirement Plans (continued)

Early Retirement Stipend Pension Plan (continued)

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the stipend benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	22
Active employees entitled to but not yet receiving benefit payments	57
	79

Total Stipend Pension Liability – The districts total stipend pension liability of \$4,015,779 was measured as of June 30, 2018, 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	3.0% 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 plus merit table
Annual Premium Increase Rate	Between 5% and 6.5% 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
Marital Status	70% of future retirees electing coverage are assumed to cover a spouse as well
Coverage of Eligible Children	We have assumed no impact of dependent children on the implicit subsidy

Changes in the Stipend Pension Liability –

Stipend Pension Liability at June 30, 2017	\$ 4,156,185
Changes for the year:	
Service cost	183,752
Interest	124,163
Assumptions or other input	(229,724)
Benefit payments	(218,597)
Stipend Pension Liability at June 30, 2018	\$ 4,015,779

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 10 - Pension and Retirement Plans (continued)

Deferred Outflows of Resources, and Deferred Inflows of Resources

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience:	\$ -	\$ -
Changes of assumptions or other input	-	201,009
Total	\$ -	\$ 201,009

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date)
2019	\$ (28,716)
2020	(28,716)
2021	(28,716)
2022	(28,716)
2023	(28,716)
Thereafter	(57,429)
Total	\$ (201,009)

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

	1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
Total Stipend Pension Liability	\$ 4,324,224	\$ 4,015,779	\$ 3,725,337

Stipend Pension Expense – For the year ended June 30, 2018, the District recognized stipend pension expense of \$307,915.

OPERS Plan -

Plan Description - Employees are provided pensions as participants under one or more plans currently available through Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit plan in accordance with Oregon Revised Statutes Chapter 238, Chapter 23A, and Internal Revenue Service Code Section 401(a).

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 10 - Pension and Retirement Plans (continued)

OPERS Plan – (continued)

There are currently two programs within OPERS, with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are OPERS Program members, and benefits are provided based on whether a member qualifies for Tier One or Tier Two described below. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPSRP is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and 2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

The ORS Chapter 238 Defined Benefit Plan was closed to new members hired on or after August 29, 2003. In 1995, the Oregon Legislature created a second tier of benefits for those who became OPERS Program members after 1995 but before August 29, 2003. The second tier does not have the Tier One assumed earnings rate guarantee.

Beginning January 1, 2004, all employees who were active members of OPERS became members of the OPSRP IAP Program. OPERS plan member contributions (the employee contribution, whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. OPERS plan members retain their existing OPERS accounts; however, member contributions after January 1, 2004 are deposited in the member's IAP, not into the member's OPERS account.

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

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

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

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

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

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

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 10 - Pension and Retirement Plans (continued)

OPERS Plan – (continued)

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

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

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

OPSRP Pension Program (Chapter 238A) -

Pension Benefits - The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

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

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

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

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

Benefit Changes After Retirement - Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living adjustment (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.

**THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018**

Note 10 - Pension and Retirement Plans (continued)

Contributions (continued)

The District's employer contributions for the year ended June 30, 2018 were \$3,805,443 excluding amounts to fund employer specific liabilities. The contribution rates in effect for the fiscal year ended June 30, 2018 for each pension program were: Tier1/Tier 2 – 16.37%, and OPSRP general service – 11.04%.

Pension Plan Comprehensive Annual Financial Report (CAFR) –

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

<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Actuarial Valuation –

The 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 cost method	Entry age normal
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>

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 10 - Pension and Retirement Plans (continued)

Actuarial Methods and Assumptions Used in Developing Total Pension Liability (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.

Discount Rate –

The discount rate used to measure the total pension liability was 7.5 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Investment Rate of Return –

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

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/EMP/Pages/GASB.aspx>

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

At June 30, 2018, the District reported a liability of \$32,897,601 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 0.2440468 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$3,564,689. Pension expense was generated during the measurement period primarily as a result of less than anticipated investment returns at the OPERS level. The \$3,564,689 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 55%, 41% and 4%, respectively.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 10 - Pension and Retirement Plans (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments:	\$ 6,523,685	\$ 331,118
Change in proportion and differences between employer contributions and proportionate share of contributions:	125,662	260,191
District's contributions subsequent to the measurement date:	3,805,443	-
Difference between expected and actual experience:	1,590,942	-
Total	\$ 12,045,732	\$ 591,309

\$3,805,443 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Year Ended June 30	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date)
2019	\$ 1,522,659
2020	4,151,994
2021	2,784,364
2022	(836,961)
2023	26,924
Thereafter	-
Total	\$ 7,648,980

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

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

District's Net Pension Asset/Liability	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Defined Benefit Pension	\$ (56,063,519)	\$ (32,897,601)	\$ (13,526,604)

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 10 - Pension and Retirement Plans (continued)

Changes in Assumptions –

A summary of key changes implemented since the December 31, 2013 valuation can be found in the 2014 Experience Study for the System, which can be found at:

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

Defined Contribution Plan – Individual Account Program (IAP)

Pension Benefits - Participants in OPERS defined contribution 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 2018, the District paid \$1,841,005 for this contribution.

Note 11 - Contingencies

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

The School District has elected, under the State Unemployment Act of July 1, 1974, to reimburse the State Employment Department for any claims paid. Reimbursements are made from the District's Unemployment Insurance Fund. The District is unable to determine at this time the amount of the contingent liability for potential unemployment insurance claims.

Note 12 - Current Vulnerability Due to Certain Concentrations

The District's operations are concentrated within Josephine 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.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 13 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year.

Note 14 - Economic Dependency

Statement of Financial Accounting Standards (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenue. The Basic School Support funding provided by the state to all public school systems in Oregon is primarily based on student enrollment. The State provided \$32,726,848 to the District, which represents approximately 64.9% of the District's total general revenues for the year.

Note 15 - Tax Abatements

As of June 30, 2018, Jackson and Josephine counties provide tax abatements through the Enterprise Zone program.

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, 2018, Three Rivers School District abated property taxes totaling \$1,600 under this program.

Note 16 - Restricted Net Position

As noted on the Statement of Net Position, there are various restrictions. The amount restricted for special projects, \$119,605, consists of monies to be used for Allcare professional development (\$38,394), building upgrades (\$16,507), the music program (\$8,918), an ETIC grant (\$4,406), a studio grant (\$6,927), an internship grant (\$44,255) and Josephine Educational funds (\$198). All of these funds are restricted for these various projects. Other amounts are restricted to debt service and capital projects as stated.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 17 - Subsequent Events

Management of the District has evaluated events and transactions occurring after June 30, 2018 through December 10, 2018, 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, 2018 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 for OPERS and effective July 1, 2018 for the District. 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 \$4.88 to \$5.86 million.

REQUIRED SUPPLEMENTARY INFORMATION

**THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget
				Positive (Negative)
REVENUES				
Local sources:				
Property taxes	\$ 16,070,853	\$ 16,070,853	\$ 15,887,173	\$ (183,680)
Charges for services	84,000	84,000	118,525	34,525
Donations	-	-	1,028	1,028
Interest on investments	74,000	74,000	150,868	76,868
Miscellaneous	210,500	210,500	274,508	64,008
Intermediate sources				
Intergovernmental	700,000	700,000	732,418	32,418
State sources				
Basic school support	30,584,755	30,787,666	32,726,848	1,939,182
Intergovernmental	571,818	571,818	458,632	(113,186)
Federal sources				
Intergovernmental	-	-	115,069	115,069
TOTAL REVENUES	48,295,926	48,498,837	50,465,069	1,966,232
EXPENDITURES				
Current:				
Instruction	28,734,970	29,190,881	28,908,143	282,738
Support services	21,854,345	21,855,645	22,049,017	(193,372)
Contingency	793,586	538,786	-	538,786
TOTAL EXPENDITURES	51,382,901	51,585,312	50,957,160	628,152
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,086,975)	(3,086,475)	(492,091)	2,594,384
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease agreement	-	-	314,928	314,928
Transfers out	(117,500)	(118,000)	(117,772)	228
TOTAL OTHER FINANCING SOURCES (USES)	(117,500)	(118,000)	197,156	315,156
NET CHANGE IN FUND BALANCE	(3,204,475)	(3,204,475)	(294,935)	2,909,540
FUND BALANCE, July 1, 2017	3,204,475	3,204,475	3,424,593	220,118
FUND BALANCE, June 30, 2018	\$ -	\$ -	\$ 3,129,658	\$ 3,129,658

**THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL PROGRAMS FUND
YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget
				Positive (Negative)
REVENUES				
Local sources:				
Charges for services	\$ 1,835,773	\$ 1,835,773	\$ 1,665,977	\$ (169,796)
Donations	-	-	203,960	203,960
Interest on investments	3,000	3,000	697	(2,303)
Miscellaneous	150,000	150,000	244,831	94,831
Intermediate sources				
Intergovernmental	-	-	44,965	44,965
State sources				
Intergovernmental	1,916,403	2,570,403	2,475,730	(94,673)
Federal sources				
Intergovernmental	5,802,071	5,802,071	6,900,458	1,098,387
TOTAL REVENUES	9,707,247	10,361,247	11,536,618	1,175,371
EXPENDITURES				
Current:				
Instruction	7,010,365	7,010,365	6,477,211	533,154
Support services	2,469,214	3,123,214	2,623,233	499,981
Enterprise and community services	2,181,949	2,181,949	2,496,552	(314,603)
Facilities acquisition and construction	61,000	61,000	30,264	30,736
Contingency	124,514	124,514	-	124,514
TOTAL EXPENDITURES	11,847,042	12,501,042	11,627,260	873,782
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,139,795)	(2,139,795)	(90,642)	2,049,153
OTHER FINANCING SOURCES (USES):				
Transfers in	20,000	20,000	20,272	272
Transfers of grants and contributions	-	-	(60,877)	(60,877)
NET CHANGE IN FUND BALANCE	(2,119,795)	(2,119,795)	(131,247)	1,988,548
FUND BALANCE, July 1, 2017	2,119,795	2,119,795	1,644,339	(475,456)
FUND BALANCE, June 30, 2018	\$ -	\$ -	\$ 1,513,092	\$ 1,513,092

**THREE RIVERS SCHOOL DISTRICT
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)**

Three Rivers School District Proportionate Share of Net Pension (Liability) / Asset

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension asset/(liability)	0.2440468%	0.2437456%	0.2411978%	0.2689813%
District's proportion of the net pension asset/(liability)	\$ (32,897,601)	\$ (36,591,868)	\$ (13,848,281)	\$ 6,097,038
District's covered-employee payroll	\$ 28,164,703	\$ 26,105,736	\$ 24,804,360	\$ 23,985,316
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-116.80%	-140.17%	-55.83%	25.42%
Plan fiduciary net position as a percentage of the total pension liability	83.10%	80.52%	91.88%	103.59%

Three Rivers School District Pension Contributions

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 3,805,443	\$ 2,403,712	\$ 2,376,272	\$ 2,695,646
Contribution in relation to the contractually required	\$ (3,805,443)	\$ (2,403,712)	\$ (2,376,272)	\$ (2,695,646)
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	\$ 28,164,703	\$ 26,105,736	\$ 24,804,360	\$ 23,985,316
Contributions as a percentage of covered-employee payroll	13.51%	9.21%	9.58%	11.24%

Note 1 - Changes of Benefit Terms and Assumptions

A summary of assumption changes implemented since the December 31, 2014 valuation are outlined briefly below. 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 68 during fiscal 2014, as a result, only four years of information is presented.

**THREE RIVERS SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB (RHIA)
 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)**

Three Rivers School District Proportionate Share of Net OPEB (Liability) / Asset

	<u>2018</u>
District's proportion of the net OPEB RHIA asset/(liability)	0.24284476%
District's proportion of the net OPEB RHIA asset/(liability)	\$ 101,349
District's covered-employee payroll	\$ 28,164,703
District's proportionate share of the net OPEB RHIA asset/(liability) as a percentage of its covered-employee payroll	0.36%
Plan fiduciary net position as a percentage of the total pension liability	108.88%

Three Rivers School District Contributions

	<u>2018</u>
Contractually required contributions	\$ 132,581
Contribution in relation to the contractually required	\$ (132,581)
Contributions deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	\$ 28,164,703
Contributions as a percentage of covered-employee payroll	0.47%

Note 1 - Changes of Benefit Terms and Assumptions -

Other Information:

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

**THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF CHANGE IN THE DISTRICT'S NET PENSION LIABILITY AND RELATED RATIOS
JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
Total Pension Liability (Stipend):		
Service cost	\$ 183,752	\$ 183,752
Interest	124,163	121,038
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions of other inputs	(229,724)	-
Benefit payments	<u>(218,597)</u>	<u>(182,640)</u>
Net change in total pension liability (stipend)	(140,406)	122,150
Total Pension Liability (Stipend) - beginning	<u>\$ 4,156,185</u>	<u>\$ 4,034,035</u>
Total Pension liability (Stipend) - ending	<u>\$ 4,015,779</u>	<u>\$ 4,156,185</u>
Estimated Covered - employee payroll	<u>\$ 18,394,083</u>	<u>\$ 17,858,333</u>
Total pension liability (Stipend) as a percentage of estimated covered - employee payroll	21.83%	23.27%

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 11 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 two years of information are presented.

**THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2018**

Total OPEB Liability (Medical):	<u>2018</u>	<u>2017</u>
Service cost	\$ 304,420	\$ 304,420
Interest	206,268	212,474
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions of other inputs	(297,175)	-
Benefit payments	<u>(745,833)</u>	<u>(701,693)</u>
Net change in total OPEB liability	(532,320)	(184,799)
Total OPEB liability - beginning	<u>\$ 7,096,306</u>	<u>\$ 7,281,105</u>
Total OPEB liability - ending	<u>\$ 6,563,986</u>	<u>\$ 7,096,306</u>
Estimated Covered - employee payroll	<u>\$ 31,872,867</u>	<u>\$ 30,944,531</u>
Total OPEB liability as a percentage of estimated covered - employee payroll	20.59%	22.93%

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 10 to the financial statements. No assets are accumulated in a trust to pay related benefits.

Changes in benefit terms:

None noted.

Other information:

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

OTHER SUPPLEMENTARY INFORMATION

**THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
REVENUES				
Local sources:				
Property taxes	\$ 2,101,414	\$ 2,101,414	\$ 2,379,650	\$ 278,236
Interest on investments	13,577	13,577	36,454	22,877
Miscellaneous	2,399,231	2,399,231	2,505,097	105,866
TOTAL REVENUES	4,514,222	4,514,222	4,921,201	406,979
EXPENDITURES				
Debt service:				
Principal	3,049,217	3,049,217	3,049,217	-
Interest	1,615,575	1,615,575	1,614,927	648
Contingency	953,380	953,380	-	953,380
TOTAL EXPENDITURES	5,618,172	5,618,172	4,664,144	954,028
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,103,950)	(1,103,950)	257,057	1,361,007
OTHER FINANCING SOURCES (USES):				
Transfers in	17,500	17,500	17,500	-
NET CHANGE IN FUND BALANCE	(1,086,450)	(1,086,450)	274,557	1,361,007
FUND BALANCE, July 1, 2017	1,086,450	1,086,450	992,164	(94,286)
FUND BALANCE, June 30, 2018	\$ -	\$ -	\$ 1,266,721	\$ 1,266,721

THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Local sources:				
Property taxes	\$ 208,000	\$ 208,000	\$ 401,562	\$ 193,562
Charges for services	25,000	25,000	18,282	(6,718)
Interest on investments	6,560	6,560	11,540	4,980
Miscellaneous	212,000	212,000	361,890	149,890
TOTAL REVENUES	451,560	451,560	793,274	341,714
EXPENDITURES				
Current:				
Support services	1,322,597	1,202,597	816,307	386,290
Facilities acquisition and construction	50,000	170,000	121,679	48,321
Contingency	458,834	458,834	-	458,834
TOTAL EXPENDITURES	1,831,431	1,831,431	937,986	893,445
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,379,871)	(1,379,871)	(144,712)	1,235,159
OTHER FINANCING SOURCES (USES):				
Transfers in	80,000	80,000	80,000	-
NET CHANGE IN FUND BALANCE	(1,299,871)	(1,299,871)	(64,712)	1,235,159
FUND BALANCE, July 1, 2017	1,299,871	1,299,871	1,657,683	357,812
FUND BALANCE, June 30, 2018	\$ -	\$ -	\$ 1,592,971	\$ 1,592,971

**THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
SELF-INSURANCE FUND
YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Local sources:				
Interest on investments	\$ 2,500	\$ 2,500	\$ 5,895	\$ 3,395
Self insurance revenues	212,667	212,667	306,770	94,103
TOTAL REVENUES	<u>215,167</u>	<u>215,167</u>	<u>312,665</u>	<u>97,498</u>
EXPENDITURES				
Current:				
Support services	404,641	404,641	365,200	39,441
Contingency	1,017,903	1,017,903	-	1,017,903
TOTAL EXPENDITURES	<u>1,422,544</u>	<u>1,422,544</u>	<u>365,200</u>	<u>1,057,344</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,207,377)	(1,207,377)	(52,535)	1,154,842
NET POSITION, July 1, 2017	<u>1,207,377</u>	<u>1,207,377</u>	<u>1,250,950</u>	<u>43,573</u>
NET POSITION, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,198,415</u>	<u>\$ 1,198,415</u>

THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
PRIVATE PURPOSE TRUST SCHOLARSHIP FUND
YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Local sources:				
Donations	\$ -	\$ 28,105	\$ 28,105	\$ -
Interest on investments	15	15	82	67
TOTAL REVENUES	15	28,120	28,187	67
EXPENDITURES				
Current:				
Instruction	4,825	32,930	-	32,930
Contingency	-	-	-	-
TOTAL EXPENDITURES	4,825	32,930	-	32,930
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,810)	(4,810)	28,187	32,997
NET POSITION, July 1, 2017	4,810	4,810	5,871	1,061
NET POSITION, June 30, 2018	\$ -	\$ -	\$ 34,058	\$ 34,058

OTHER FINANCIAL SCHEDULES

SCHOOL DISTRICT FINANCIAL
ACCOUNTING SUMMARIES

**2017 - 2018 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
Revenue from Local Sources							
1110 Ad Valorem Taxes Levied by District	\$ 15,887,173		\$ 2,378,829				
1120 Local Option Ad Valorem Taxes Levied by District			\$ 821				
1130 Construction Excise Tax				\$ 401,562			
1200 Rev from Local Gov't Units Other Than Districts							
1310 Regular Day School Tuition	\$ 31,941						
1320 Adult/Continuing Education Tuition							
1330 Summer School Tuition		\$ 1,539					
1400 Local & Federal Sources							
1500 Earnings on Investments	\$ 150,868	\$ 697	\$ 36,454	\$ 11,540		\$ 5,895	\$ 82
1600 Food Service		\$ 171,160					
1700 Extracurricular Activities	\$ 38,775	\$ 1,493,278					
1800 Community Services Activities							
1910 Rentals	\$ 47,809			\$ 18,282			
1920 Contributions and Donations From Private Sources	\$ 1,028	\$ 203,960		\$ 361,890			\$ 28,105
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							
1970 Services Provided Other Funds			\$ 2,505,097				
1980 Fees Charged to Grants						\$ 266,656	
1990 Miscellaneous	\$ 274,508	\$ 244,831				\$ 40,114	
Total Revenue from Local Sources	\$ 16,432,102	\$ 2,115,465	\$ 4,921,201	\$ 793,274	\$	\$ 312,665	\$ 28,187
Revenue from Intermediate Sources							
2101 County School Funds							
2102 Education Service District Apportionment	\$ 732,418						
2105 Natural Gas, Oil, and Mineral Receipts							
2199 Other Intermediate Sources							
2200 Restricted Revenue		\$ 44,965					
2800 Revenue in Lieu of Taxes							
2900 Revenue for/on Behalf of the District							
Total Revenue from Intermediate Sources	\$ 732,418	\$ 44,965	\$	\$	\$	\$	\$
Revenue from State Sources							
3101 State School Fund - General Support	\$ 32,726,848						
3102 State School Fund - School Lunch Match							
3103 Common School Fund	\$ 458,632						
3104 State Managed County Timber							
3199 Other Unrestricted Grants-in-Aid							
3204 Driver Education							
3222 State School Fund (SSF) Transportation Equipment							
3299 Other Restricted Grants-in-Aid		\$ 2,475,730					
3800 Revenue in Lieu of Taxes							
3900 Revenue for/on Behalf of the District							
Total Revenue from State Sources	\$ 33,185,480	\$ 2,475,730	\$	\$	\$	\$	\$
Revenue from Federal Sources							
4100 Unrestricted Revenue Direct From the Federal Government							
4200 Unrestricted Revenue From the Federal Government Through the State							
4500 Restricted Revenue From the Federal Government Through the State		\$ 6,765,119					
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies							
4801 Federal Forest Fees	\$ 115,069						
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		\$ 135,339					
Total Revenue from Federal Sources	\$ 115,069	\$ 6,900,458	\$	\$	\$	\$	\$
Revenue from Other Sources							
5100 Long Term Debt Financing Sources	\$ 314,928						
5200 Interfund Transfers		\$ 20,272	\$ 17,500	\$ 80,000			
5300 Sale of or Compensation for Loss of Fixed Assets							
5400 Resources - Beginning Fund Balance	\$ 3,424,593	\$ 1,644,339	\$ 992,164	\$ 1,657,683		\$ 1,250,950	\$ 5,871
Total Revenue from Other Sources	\$ 3,739,521	\$ 1,664,611	\$ 1,009,664	\$ 1,737,683	\$	\$ 1,250,950	\$ 5,871
Grand Totals	\$ 54,204,590	\$ 13,201,229	\$ 5,930,865	\$ 2,530,957	\$	\$ 1,563,615	\$ 34,058

**2017 - 2018 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

Fund: 100 - General Fund

Instruction Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	\$ 9,287,181	\$ 5,556,475	\$ 3,276,741	\$ 221,377	\$ 232,588			
1113 Elementary Extracurricular	\$ 3,510	\$ 2,515	\$ 995					
1121 Middle/Junior High Programs	\$ 4,051,392	\$ 2,475,404	\$ 1,389,469	\$ 143,510	\$ 43,009			
1122 Middle/Junior High School Extracurricular	\$ 51,164	\$ 41,090	\$ 9,492	\$	\$ 362		\$ 220	
1131 Local & Federal Sources	\$ 5,977,378	\$ 3,501,136	\$ 2,014,395	\$ 253,720	\$ 201,848		\$ 6,279	
1132 High School Extracurricular	\$ 1,190,225	\$ 600,193	\$ 277,011	\$ 88,703	\$ 95,044	\$ 15,900	\$ 113,374	
1140 Pre-Kindergarten Programs								
1210 Programs for the Talented and Gifted								
1220 Restrictive Programs for Students with Disabilities	\$ 2,598,069	\$ 1,666,278	\$ 892,943	\$ 15,035	\$ 23,813			
1250 Less Restrictive Programs for Students with Disabilities	\$ 2,636,914	\$ 1,639,651	\$ 846,326	\$ 138,300	\$ 12,637			
1260 Early Intervention								
1271 Remediation								
1272 Title I								
1280 Alternative Education	\$ 2,949,002	\$ 329,023	\$ 210,068	\$ 2,395,849	\$ 13,467		\$ 595	
1291 English Second Language Programs	\$ 163,308	\$ 84,627	\$ 73,601	\$ 1,105	\$ 3,875		\$ 100	
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 Expenditures	\$ 28,908,143	\$ 15,896,392	\$ 8,991,041	\$ 3,257,599	\$ 626,643	\$ 15,900	\$ 120,568	\$

Support Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$ 11,751			\$ 492	\$ 11,259			
2120 Guidance Services	\$ 932,496	\$ 603,706	\$ 324,662	\$ 3,441	\$ 687			
2130 Health Services	\$ 46,793			\$ 45,000	\$ 1,793			
2140 Psychological Services								
2150 Speech Pathology and Audiology Services								
2160 Other Student Treatment Services								
2190 Service Direction, Student Support Services	\$ 485,196	\$ 263,142	\$ 179,216	\$ 37,464	\$ 4,680		\$ 694	
2210 Improvement of Instruction Services	\$ 195,498	\$ 104,337	\$ 59,503	\$ 8,628	\$ 21,840		\$ 1,190	
2220 Educational Media Services	\$ 838,894	\$ 379,020	\$ 276,494	\$ 122,531	\$ 60,849			
2230 Assessment & Testing								
2240 Instructional Staff Development	\$ 609			\$ 609				
2310 Board of Education Services	\$ 99,108	\$ 20,093	\$ 15,777	\$ 50,188	\$ 5,665		\$ 7,385	
2320 Executive Administration Services	\$ 314,407	\$ 195,257	\$ 106,229	\$ 5,428	\$ 6,138		\$ 1,355	
2410 Office of the Principal Services	\$ 4,878,440	\$ 2,906,775	\$ 1,772,178	\$ 71,003	\$ 112,168		\$ 16,316	
2490 Other Support Services - School Administration								
2510 Direction of Business Support Services								
2520 Fiscal Services	\$ 809,237	\$ 217,269	\$ 139,012	\$ 88,889	\$ 7,260		\$ 356,807	
2540 Operation and Maintenance of Plant Services	\$ 5,877,737	\$ 2,093,470	\$ 1,361,043	\$ 2,080,283	\$ 323,246		\$ 19,695	
2550 Student Transportation Services	\$ 4,607,315	\$ 15,074	\$ 8,987	\$ 4,583,254				
2570 Internal Services	\$ 145,933	\$ 70,660	\$ 54,965	\$ 4,037	\$ 16,271			
2610 Direction of Central Support Services								
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services								
2640 Staff Services	\$ 732,791	\$ 342,678	\$ 294,319	\$ 59,010	\$ 23,871		\$ 12,913	
2660 Technology Services	\$ 1,404,151	\$ 412,309	\$ 230,477	\$ 180,761	\$ 192,592	\$ 387,712	\$ 300	
2670 Records Management Services								
2680 Translation Services	\$ 2,110	\$ 1,570	\$ 540					
2690 Other Support Services - Central								
2700 Supplemental Retirement Program	\$ 666,551	\$ 218,597	\$ 447,954					
Total Support Services Expenditures	\$ 22,049,017	\$ 7,843,957	\$ 5,271,356	\$ 7,341,018	\$ 788,319	\$ 387,712	\$ 416,655	\$

Enterprise and Community Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services								
3200 Other Enterprise Services								
3300 Community Services								
3500 Custody and Care of Children Services								

Total Enterprise and Community Services Expenditures \$ \$ \$ \$ \$ \$ \$ \$

Facilities Acquisition and Construction Expenditures

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

Total Facilities Acquisition and Construction Expenditures \$ \$ \$ \$ \$ \$ \$ \$

Other Uses Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service								
5200 Transfers of Funds	\$ 117,772							\$ 117,772
5300 Apportionment of Funds by ESD								
5400 PERS UAL Bond Lump Sum								

Total Other Uses Expenditures \$ 117,772 \$ \$ \$ \$ \$ \$ \$ 117,772

Grand Total \$ 51,074,932 \$ 23,740,349 \$ 14,262,397 \$ 10,598,617 \$ 1,414,962 \$ 403,612 \$ 537,223 \$ 117,772

**2017 - 2018 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

Fund: 200 - Special Revenue

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Primary, K-3	\$ 26,290	\$ 16,027	\$ 1,782	\$ 584	\$ 7,897			
1112 Intermediate Programs								
1113 Elementary Extracurricular	\$ 225,136			\$ 63,534	\$ 148,740		\$ 12,862	
1121 Middle/Junior High Programs	\$ 123,222	\$ 13,403	\$ 4,731	\$ 89,729	\$ 15,153		\$ 206	
1122 Middle/Junior High School Extracurricular	\$ 222,587			\$ 24,373	\$ 155,924		\$ 42,290	
1131 Local & Federal Sources	\$ 102,088			\$ 16,170	\$ 48,004	\$ 24,183	\$ 13,731	
1132 High School Extracurricular	\$ 1,056,006	\$ 1,749	\$ 601	\$ 239,224	\$ 539,751	\$ 22,966	\$ 251,715	
1140 Pre-Kindergarten Programs	\$ 36,964	\$ 5,548	\$ 1,912	\$ 68	\$ 29,436			
1210 Programs for the Talented and Gifted								
1220 Restrictive Programs for Students with Disabilities	\$ 411,976	\$ 217,720	\$ 122,470	\$ 39,540	\$ 16,488		\$ 15,758	
1250 Less Restrictive Programs for Students with Disabilities	\$ 1,067,896	\$ 660,043	\$ 370,892		\$ 300		\$ 36,661	
1260 Early Intervention								
1271 Remediation	\$ 232,214	\$ 102,824	\$ 34,378	\$ 441	\$ 94,541		\$ 30	
1272 Title I	\$ 1,936,689	\$ 1,032,368	\$ 597,657	\$ 59,566	\$ 247,098			
1280 Alternative Education	\$ 26,579	\$ 10,699	\$ 2,980		\$ 12,900			
1291 English Second Language Programs	\$ 49,502	\$ 10,799	\$ 1,326	\$ 6,128	\$ 31,249			
1292 Teen Parent Program								
1293 Migrant Education								
1294 Youth Corrections Education	\$ 899,933	\$ 555,910	\$ 276,707	\$ 46,289	\$ 19,897		\$ 1,130	
1299 Other Programs								
1300 Adult/Continuing Education Programs								
1400 Summer School Programs	\$ 60,129	\$ 38,185	\$ 13,530	\$ 28	\$ 8,386			
Total Instruction Expenditures	\$ 6,477,211	\$ 2,665,275	\$ 1,428,966	\$ 585,674	\$ 1,375,764	\$ 47,149	\$ 374,383	\$
Support Services Expenditures								
2110 Attendance and Social Work Services	\$ 127,469	\$ 41,846	\$ 25,820	\$ 22,477	\$ 37,276		\$ 50	
2120 Guidance Services	\$ 402,614	\$ 184,371	\$ 106,644	\$ 63,188	\$ 45,513		\$ 2,898	
2130 Health Services	\$ 114,417			\$ 113,694	\$ 723			
2140 Psychological Services								
2150 Speech Pathology and Audiology Services								
2160 Other Student Treatment Services								
2190 Service Direction, Student Support Services	\$ 85,926	\$ 56,329	\$ 29,597					
2210 Improvement of Instruction Services	\$ 813,409	\$ 323,630	\$ 162,774	\$ 137,092	\$ 78,247		\$ 111,666	
2220 Educational Media Services	\$ 3,846	\$ 3,564	\$ 282					
2230 Assessment & Testing								
2240 Instructional Staff Development	\$ 545,532	\$ 229,737	\$ 110,346	\$ 107,271	\$ 55,743		\$ 42,435	
2310 Board of Education Services								
2320 Executive Administration Services								
2410 Office of the Principal Services	\$ 279,768	\$ 149,763	\$ 81,741	\$ 2,994			\$ 45,270	
2490 Other Support Services - School Administration	\$ 20,321	\$ 853	\$ 294	\$ 19,174				
2510 Direction of Business Support Services								
2520 Fiscal Services								
2540 Operation and Maintenance of Plant Services								
2550 Student Transportation Services	\$ 154,062			\$ 154,062				
2570 Internal Services								
2610 Direction of Central Support Services								
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services								
2640 Staff Services								
2660 Technology Services	\$ 75,869			\$ 4,373		\$ 71,496		
2670 Records Management Services								
2690 Other Support Services - Central								
2700 Supplemental Retirement Program								
Total Support Services Expenditures	\$ 2,623,233	\$ 990,093	\$ 517,498	\$ 624,325	\$ 217,502	\$ 71,496	\$ 202,319	\$
Enterprise and Community Services Expenditures								
3100 Food Services	\$ 2,451,860	\$ 784,012	\$ 469,058	\$ 1,121,206	\$ 50,272	\$ 7,996	\$ 19,316	
3200 Other Enterprise Services								
3300 Community Services	\$ 44,692	\$ 4,544	\$ 797	\$ 37,184	\$ 2,167			
3500 Custody and Care of Children Services								
Total Enterprise and Community Services Expenditures	\$ 2,496,552	\$ 788,556	\$ 469,855	\$ 1,158,390	\$ 52,439	\$ 7,996	\$ 19,316	\$
Facilities Acquisition and Construction Expenditures								
4110 Service Area Direction								
4120 Site Acquisition and Development Services								
4150 Building Acquisition, Construction, and Improvement Services	\$ 30,264					\$ 30,264		
4190 Other Facilities Construction Services								
Total Facilities Acquisition and Construction Expenditures	\$ 30,264	\$	\$	\$	\$	\$ 30,264	\$	\$
Other Uses Expenditures								
5100 Debt Service								
5200 Transfers of Funds								
5300 Apportionment of Funds by ESD	\$ 60,877							\$ 60,877
5400 PERS UAL Bond Lump Sum								
Total Other Uses Expenditures	\$ 60,877	\$	\$	\$	\$	\$	\$	\$ 60,877
Grand Total	\$ 11,688,137	\$ 4,443,924	\$ 2,416,319	\$ 2,368,389	\$ 1,645,705	\$ 156,905	\$ 596,018	\$ 60,877

**2017 - 2018 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

Fund: 300 - Debt Service

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3								
1112 Intermediate Programs								
1113 Elementary Extracurricular								
1121 Middle/Junior High Programs								
1122 Middle/Junior High School Extracurricular								
1131 Local & Federal Sources								
1132 High School Extracurricular								
1140 Pre-Kindergarten Programs								
1210 Programs for the Talented and Gifted								
1220 Restrictive Programs for Students with Disabilities								
1250 Less Restrictive Programs for Students with Disabilities								
1260 Early Intervention								
1271 Remediation								
1272 Title I								
1280 Alternative Education								
1291 English Second Language Programs								
1292 Teen Parent Program								
1293 Migrant Education								
1294 Youth Corrections Education								
1299 Other Programs								
1300 Adult/Continuing Education Programs								
1400 Summer School Programs								
Total Instruction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services								
2120 Guidance Services								
2130 Health Services								
2140 Psychological Services								
2150 Speech Pathology and Audiology Services								
2160 Other Student Treatment Services								
2190 Service Direction, Student Support Services								
2210 Improvement of Instruction Services								
2220 Educational Media Services								
2230 Assessment & Testing								
2240 Instructional Staff Development								
2310 Board of Education Services								
2320 Executive Administration Services								
2410 Office of the Principal Services								
2490 Other Support Services - School Administration								
2510 Direction of Business Support Services								
2520 Fiscal Services								
2540 Operation and Maintenance of Plant Services								
2550 Student Transportation Services								
2570 Internal Services								
2610 Direction of Central Support Services								
2630 Information Services								
2640 Staff Services								
2660 Technology Services								
2670 Records Management Services								
2690 Other Support Services - Central								
2700 Supplemental Retirement Program								
Total Support Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services								
3200 Other Enterprise Services								
3300 Community Services								
3500 Custody and Care of Children Services								
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction								
4120 Site Acquisition and Development Services								
4150 Building Acquisition, Construction, and Improvement Services								
4190 Other Facilities Construction Services								
Total Facilities Acquisition and Construction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$4,664,144						\$4,664,144	
5200 Transfers of Funds								
5300 Apportionment of Funds by ESD								
5400 Bond Lump Sum								
Total Other Uses Expenditures	\$4,664,144	\$0	\$0	\$0	\$0	\$0	\$4,664,144	\$0
Grand Total	\$4,664,144	\$0	\$0	\$0	\$0	\$0	\$4,664,144	\$0

**2017 - 2018 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

Fund: 400 - Capital Projects

	Totals	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 School Extracurricular								
1131 Local & Federal Sources								
1132 High School Extracurricular								
1140 Pre-Kindergarten Programs								
1210 Programs for the Talented and Gifted								
1220 Restrictive Programs for Students with Disabilities								
1250 Less Restrictive Programs for Students with Disabilities								
1260 Early Intervention								
1271 Remediation								
1272 Title I								
1280 Alternative Education								
1291 English Second Language Programs								
1292 Teen Parent Program								
1293 Migrant Education								
1294 Youth Corrections Education								
1299 Other Programs								
1300 Adult/Continuing Education Programs								
1400 Summer School Programs								
Total Instruction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Support Services Expenditures								
2110 Attendance and Social Work Services								
2120 Guidance Services								
2130 Health Services								
2140 Psychological Services								
2150 Speech Pathology and Audiology Services								
2160 Other Student Treatment Services								
2190 Service Direction, Student Support Services								
2210 Improvement of Instruction Services								
2220 Educational Media Services								
2230 Assessment & Testing								
2240 Instructional Staff Development								
2310 Board of Education Services								
2320 Executive Administration Services								
2410 Office of the Principal Services								
2490 Other Support Services - School Administration								
2510 Direction of Business Support Services								
2520 Fiscal Services								
2540 Operation and Maintenance of Plant Services	\$816,307			\$114,760	\$16,860	\$550,791	\$133,896	
2550 Student Transportation Services								
2570 Internal Services								
2610 Direction of Central Support Services								
Planning, Research, Development, Evaluation Services, Grant								
2620 Writing and Statistical Services								
2640 Staff Services								
2660 Technology Services								
2670 Records Management Services								
2690 Other Support Services - Central								
2700 Supplemental Retirement Program								
Total Support Services Expenditures	\$816,307	\$0	\$0	\$114,760	\$16,860	\$550,791	\$133,896	\$0
Enterprise and Community Services Expenditures								
3100 Food Services								
3200 Other Enterprise Services								
3300 Community Services								
3500 Custody and Care of Children Services								
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Facilities Acquisition and Construction Expenditures								
4110 Service Area Direction								
4120 Site Acquisition and Development Services								
4150 Building Acquisition, Construction, and Improvement Services	\$121,679			\$2,230	\$1,955	\$117,494		
4190 Other Facilities Construction Services								
Total Facilities Acquisition and Construction Expenditures	\$121,679	\$0	\$0	\$2,230	\$1,955	\$117,494	\$0	\$0
Other Uses Expenditures								
5100 Debt Service								
5200 Transfers of Funds								
5300 Apportionment of Funds by ESD								
5400 Bond Lump Sum								
Total Other Uses Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grand Total	\$937,986	\$0	\$0	\$116,990	\$18,815	\$668,285	\$133,896	\$0

**2017 - 2018 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

Fund: 600 - Self Insurance

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3								
1112 Intermediate Programs								
1113 Elementary Extracurricular								
1121 Middle/Junior High Programs								
1122 Middle/Junior High School Extracurricular								
1131 Local & Federal Sources								
1132 High School Extracurricular								
1140 Pre-Kindergarten Programs								
1210 Programs for the Talented and Gifted								
1220 Restrictive Programs for Students with Disabilities								
1250 Less Restrictive Programs for Students with Disabilities								
1260 Early Intervention								
1271 Remediation								
1272 Title I								
1280 Alternative Education								
1291 English Second Language Programs								
1292 Teen Parent Program								
1293 Migrant Education								
1294 Youth Corrections Education								
1299 Other Programs								
1300 Adult/Continuing Education Programs								
1400 Summer School Programs								
Total Instruction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services								
2120 Guidance Services								
2130 Health Services								
2140 Psychological Services								
2150 Speech Pathology and Audiology Services								
2160 Other Student Treatment Services								
2190 Service Direction, Student Support Services								
2210 Improvement of Instruction Services								
2220 Educational Media Services								
2230 Assessment & Testing								
2240 Instructional Staff Development								
2310 Board of Education Services								
2320 Executive Administration Services								
2410 Office of the Principal Services								
2490 Other Support Services - School Administration								
2510 Direction of Business Support Services								
2520 Fiscal Services	\$176,862	\$107,183	\$59,518	\$4,207	\$5,954			
2540 Operation and Maintenance of Plant Services	\$8,624			\$4,057	\$4,567			
2550 Student Transportation Services								
2570 Internal Services								
2610 Direction of Central Support Services								
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services								
2640 Staff Services	\$85,479	\$22,599	\$62,880					
2660 Technology Services	\$94,235	\$63,209	\$29,376		\$1,650			
2670 Records Management Services								
2690 Other Support Services - Central								
2700 Supplemental Retirement Program								
Total Support Services Expenditures	\$365,200	\$192,991	\$151,774	\$8,264	\$12,171	\$0	\$0	\$0
Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services								
3200 Other Enterprise Services								
3300 Community Services								
3500 Custody and Care of Children Services								
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Facilities Acquisition and Construction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction								
4120 Site Acquisition and Development Services								
4150 Building Acquisition, Construction, and Improvement Services								
4190 Other Facilities Construction Services								
Total Facilities Acquisition and Construction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service								
5200 Transfers of Funds								
5300 Apportionment of Funds by ESD								
5400 Bond Lump Sum								
Total Other Uses Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grand Total	\$365,200	\$192,991	\$151,774	\$8,264	\$12,171	\$0	\$0	\$0

SUPPLEMENTAL INFORMATION, 2017-2018

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	\$ 1,238,200
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:

1113, 1122 & 1132
 1140
 1300
 1400

Co-curricular Activities
 Pre-Kindergarten
 Continuing Education
 Summer School

Exclude these functions:

4150 Construction
 2550 Pupil Transportation
 3100 Food Service
 3300 Community Services

**Independent Auditor's Report
Required by Oregon State Regulations**

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Three Rivers School District
Murphy, Oregon

We have audited the basic financial statements of Three Rivers School District (the District) as of and for the year ended June 30, 2018, and have issued our report thereon dated December 10, 2018. 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 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 under ORS 328.245.
- 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 under ORS Chapter 294.
- Public contracts and purchasing under ORS Chapters 279A, 279B, 279C.
- State School Fund distribution 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.

OAR 162-10-0230 Internal Control

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

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

Stewart C. Parmele CPA, Partner

Stewart C. Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 10, 2018

Items required by the Uniform Guidance

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

Board of Directors
Three Rivers School District
Murphy, OR

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Three Rivers School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 10, 2018.

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

Purpose of this Report

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



Stewart C. Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 10, 2018

**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
Three Rivers School District
Murphy, Oregon

Report on Compliance for Each Major Federal Program

We have audited Three Rivers School District'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, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major 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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applies in the audit of compliance and, accordingly, we express no opinion on the response.

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 and therefore, material weaknesses or significant deficiencies might exist that have not been identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

The District's response to the internal control over the compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applies in the audit of compliance and, accordingly, we express no opinion on the response.

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



Stewart C. Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 10, 2018

THREE RIVERS SCHOOL DISTRICT
 JOSEPHINE COUNTY, OREGON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2018

FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT/CONTRACT NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF EDUCATION			
Local & Federal Sources			
Passed Through State Department of Education:			
TITLE I - Grants to Local Education Agencies			
Title IA	84.010	45711	\$ 2,112,525
Title IA	84.010	41175	407,233
Total CFDA 84.010			<u>2,519,758</u>
Title IA - YCEP	84.013	10990	131,827
Title I - N&D Kairos	84.013	11015	20,351
Total CFDA 84.013			<u>152,178</u>
TITLE IIA - Improving Teacher Quality State Grants			
Title IIA	84.367	45926	217,791
Title IIA	84.367	41430	173,263
Total CFDA 84.367			<u>391,054</u>
TITLE IV			
Title IV	84.424	47840	18,854
			<u>18,854</u>
Special Education Cluster (IDEA)			
IDEA Part B	84.027	41636	101,816
IDEA Part B	84.027	45273	807,148
IDEA Enhancement	84.027	46559	3,152
IDEA Enhancement	84.027	42773	488
IDEA YCEP	84.027	10990	42,604
IDEA Kairos	84.027	11015	12,818
Extended Assessment	84.027	45087	44
Total Special Education Cluster (IDEA)			<u>968,070</u>
OTHER FEDERAL PROGRAMS			
21st Century Community Learning	84.287	40533	285,356
21st Century Community Learning	84.287	44160	247,556
Total CFDA 84.287			<u>532,912</u>
Passed Through Southern Oregon State University:			
Gear Up IV year 3	84.334	N/A	15,430
Gear Up IV year 4	84.334	N/A	27,708
Gear Up - Additional Grant	84.334	N/A	13,140
Total CFDA 84.334			<u>56,278</u>
Passed Through University of Oregon :			
YTP Grant	84.126A	15943	75,120
Total CFDA 84.126			<u>75,120</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>4,714,224</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
Child Nutrition Cluster			
National School Breakfast Program	10.553	N/A	458,448
National School Lunch Program	10.555	N/A	1,345,038
Commodities Program	10.555	N/A	135,339
CACFP	10.559	N/A	39,765
Total Child Nutrition Cluster			<u>1,978,590</u>
Child Care	10.558	N/A	127,939
Total CFDA 10.558			<u>127,939</u>
CNP SAE - National School Lunch SAE Admin	10.560	N/A	3,078
Total CFDA 10.560			<u>3,078</u>
CNP Fresh Fruit & Vegetable Program	10.582	N/A	76,627
Total CFDA 10.582			<u>76,627</u>
Passed Through Josephine County:			
Schools and Roads - Grants to States	10.665	N/A	115,069
Total CFDA 10.665			<u>115,069</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>2,301,303</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 7,015,527</u>

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For The Year Ended June 30, 2018

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Three Rivers School District (the District) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note B - Food Distribution

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2018, the District received food commodities totaling \$135,339.

Note C - Summary of Significant Accounting Policies

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

Note D - Indirect Cost Rate

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

Note E - Subrecipients

There were no awards passed through to subrecipients.

**THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2018**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Three Rivers School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weakness in internal controls were disclosed by the audit of the Financial Statements of Three Rivers School District.
3. No instances of noncompliance material to the financial statements of Three Rivers School District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One material weakness in internal control over major federal award programs was disclosed by the audit. No significant deficiencies relating to the audit of each of the major programs was disclosed.
5. The auditor's report on compliance for the major federal award programs for Three Rivers School District expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major program include:

US Department of Education

Title IA	CFDA # 84.010
Child Nutrition Cluster	CFDA # 10.553, 10.555, 10.559

8. The threshold for distinguishing Types A and B Programs was \$750,000.
9. Three Rivers School District did not qualify as a low-risk auditee under the criteria specified in the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

US Department of Education

Title IA - CFDA # 84.010

2018-001 Allowable Costs - Material Weakness

Time and Effort Documentation

Criteria: In accordance with OMB Circular A-87, the costs of compensation for personnel services are allowable if adequate support exists. When employees are expected to work solely on a single Federal Award or cost objective, charges for their salary and/or wages will be supported by periodic certification that the employees worked solely on that program for the period covered by the certification. When the employee works on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation, such as semi-annual certifications.

Statement of Condition: The District was not in compliance with OMB Circular A-87 for payroll costs charged to the Federal grant listed above. The Federal program payroll expenditures did not correspond with the allocations of time as documented on the semi-annual certifications.

Cause: Management did not follow the procedure in place to regularly review time and effort documentation for the Title IA program.

Effect or Potential Effect: The lack of the time and effort evidence to support the wages paid with Federal monies could require the District to have to pay back the monies received under the Federal program that do not correspond with the time and effort documented on the semi-annual certifications..

Questioned Costs: \$89,978 in payroll and payroll related costs charged to this Federal program in the year under audit.

Recommendations: We recommend the District review their process of identifying time charges to federal programs and ensure that all employees, regardless of position, complete accurate required time and effort documentation.

Views of Responsible Officials and Planned Corrective Actions: The District plans to improve notification of Time and Effort requirements to all of its federally-funded employees. In addition, the District will conduct regular reviews of documentation to ensure accuracy.

SECTION IV – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

US Department of Education

Title IA - CFDA # 84.010

2017-001 Allowable Costs - Material Weakness

Time and Effort Documentation

Criteria: In accordance with OMB Circular A-87, the costs of compensation for personnel services are allowable if adequate support exists. When employees are expected to work solely on a single Federal Award or cost objective, charges for their salary and/or wages will be supported by periodic certification that the employees worked solely on that program for the period covered by the certification. When the employee works on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation, such as semi-annual certifications.

Statement of Condition: The District was not in compliance with OMB Circular A-87 for payroll costs charged to the Federal grant listed above. The Federal program payroll expenditures did not correspond with the allocations of time as documented on the semi-annual certifications.

Cause: Management did not have a procedure in place to regularly review time and effort documentation for the Title IA program.

Effect or Potential Effect: The lack of the time and effort evidence to support the wages paid with Federal monies could require the District to have to pay back the monies received under the Federal program that do not correspond with the time and effort documented on the semi-annual certifications.

Questioned Costs: \$14,766 in payroll and payroll related costs charged to this Federal program in the year under audit.

Recommendations: We recommend the District review their process of identifying time charges to federal programs and ensure that all employees, regardless of position, complete accurate required time and effort documentation.

Views of Responsible Officials and Planned Corrective Actions: The District plans to improve notification of Time and Effort requirements to all of its federally-funded employees. In addition, the District will conduct regular reviews of documentation to ensure accuracy.