

THREE RIVERS SCHOOL DISTRICT

Josephine County, Oregon

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2017

WITH

INDEPENDENT AUDITOR'S REPORTS



Certified Public Accountants, LLP

audit | tax | advisory | wealth management | cfo

THREE RIVERS SCHOOL DISTRICT

Josephine County, Oregon

June 30, 2017

BOARD OF EDUCATION AS OF JUNE 30, 2017

Danny York	Chairperson
Kate Dwyer	Vice Chairperson
Kara Olmo	Member
Paul Kelly	Member
Ron Lengwin	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, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2017, 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.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the General Fund and Special Revenue Fund budgetary comparison information, certain pension schedules, and certain other post-employment benefit schedules 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, and certain other post-employment benefit schedules in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information 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 18, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

In accordance with Oregon State Regulation, we have also issued our report dated December 18, 2017 on our consideration of the District's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-0000 through 162-10-3200 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
KDP Certified Public Accountants, LLP
Medford, Oregon
December 18, 2017

**THREE RIVERS/JOSEPHINE COUNTY UNIT JOINT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
30 JUNE 2017**

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, 2017. 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 72, *Fair Value Measurement and Application*, Statement 73, *Accounting and Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans*; and all remaining requirements of GASB Statement 27, *Accounting for Pensions by State and Local Government Employers*, GASB Statement 75, supersedes GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; and GASB 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Additional information can be found in Note 1 of the Financial Statements.
- The Prior Year Net Position was restated from negative \$4.9 million to negative \$14.2 million due to the implementation of GASB 73 and 75 in order to recognize the Districts Stipend Pension Liability, and the Districts Postemployment Medical Benefit Liability.
- 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, 2017 by negative \$17.2 million (net position), a reduction of \$3.0 million from the prior year's restated net position. Aside from the GASB restatement, the net decrease is due in part to a reduction of capital assets (net of depreciation), and a decrease of debt payable.
- In the General Fund, the primary operating fund for the District, the fund balance remained relatively stable at \$3.4 million. Of that balance, \$2.6 million was unrestricted fund balance (the total of the committed and unassigned components of fund balance), \$.698 million in assigned fund balance and \$0.117 million in nonspendable fund balance, totaling 7.3% of General Fund revenue.
- Total cost of all the District's governmental programs was \$62.2 million for the fiscal year, an increase of \$2.5 million (6.1%) from the prior year.
- The Special Revenue fund balance increased \$180,000, a result of new grant fund balances of \$70,000 and the food service and student body fund balances increasing, \$70,000 and \$50,000 respectively.
- The District continues to pay down its bond debt from \$36.2 million to \$33.3 million which includes the retirement of \$2.97 million of principal debt and the addition of a \$66,281 capital lease for scoreboards at Hidden Valley High School. More information on long-term debt may be found in Note 7 of the financial statements.
- Capital assets decreased by \$2.2 million from \$37.2 million to \$35.0 million as the District continues to depreciate assets at a faster rate than new capital investment. The assets depreciated are primarily buildings and building improvements from the 2000, \$24 million general obligation bond initiative.

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 is 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 readily be 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* is 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 Fund this fund 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 2017, the District's liabilities and deferred inflows exceeded its assets and deferred outflows by \$17.2 million, a decrease of approximately \$3.0 million from Fiscal year 2016.

About 53.7% 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 \$35.0 million. The remaining assets consist mainly of cash and receivables. Net deferred outflows are \$19.0 million up significantly from last year as part of GASB 68 pension accounting reflecting the increased future outflow needed to fund the District portion of the growing PERS unfunded pension liability.

The District's \$82.3 million in liabilities are primarily made up of \$33.3 million in long-term debt, \$36.6 million for the District's proportionate share of the State of Oregon's Public Employee Retirement System (PERS) unfunded pension liability and \$11.3 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	2013	2014	2015	2016	2017	Increase (Decrease): 2016 to 2017
Current and other assets	26,110,083	26,320,657	18,905,013	12,401,138	11,000,368	(1,400,770)
Capital assets	43,224,558	40,579,794	38,899,054	37,208,662	35,018,159	(2,190,503)
Deferred outflows related to pension	-	-	3,146,651	9,423,883	19,081,983	9,658,100
Total assets and deferred outflows	69,334,641	66,900,451	60,950,718	59,033,683	65,100,510	6,066,827
Liabilities						
Current liabilities	3,714,720	3,340,704	3,560,227	2,555,308	761,421	(1,793,887)
Long term liabilities	43,771,186	41,540,479	38,887,806	* 61,398,092	81,170,760	19,772,668
Deferred inflows related to pension	-	-	11,764,814	9,300,629	368,605	(8,932,024)
Total Liabilities and deferred inflows	47,485,906	44,881,183	54,212,847	73,254,029	82,300,786	9,046,757
Net Position						
Net investments in capital assets	25,937,024	24,497,314	24,626,267	24,880,635	24,574,253	(306,382)
Restricted	3,427,598	2,582,248	2,495,184	1,919,927	2,044,681	124,754
Unrestricted	(7,515,887)	(5,060,294)	(20,383,582)	(41,020,908)	(43,819,210)	(2,798,302)
Total Net Assets	21,848,735	22,019,268	6,737,869	(14,220,346)	(17,200,276)	(2,979,930)

* Due to implementation of GASB statements 73 and 75, the long term liabilities at June 30, 2016 were restated from \$52,098,814 to \$61,398,092. This resulted in a restatement of net position at June 30, 2016 from negative \$4,921,068 to negative \$14,220,346.

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, 2017, the District's governmental funds reported combined ending fund balances of \$7.7 million (page 3). The General Fund accounts for \$3.42 million, the Special Revenue Fund accounts for \$1.64 million, Debt Service Fund account for \$0.99 million and Capital Projects Fund for \$1.66 million.

Governmental Funds Balance Sheet 2016 - 2017					
Assets	2013	2014	2015	2016	2017
Equity in cash and investments	5,025,365	7,654,537	7,852,400	7,283,400	5,574,867
Taxes receivable	1,535,887	1,591,735	1,657,608	1,608,392	1,601,440
Other receivables	1,719,701	1,358,814	1,490,825	2,222,032	2,449,791
Prepaid expenses	754,684	140,138	609,067	124,512	117,972
Total assets	9,035,637	10,745,224	11,609,900	11,238,336	9,744,070
Liabilities					
Accounts Payable	354,415	945,008	618,083	452,521	374,147
Accrued Payroll	882,144	1,001,435	1,013,155	1,939,098	228,792
Unearned/Unavailable Revenues	1,297,062	1,494,648	1,463,778	1,369,986	1,422,352
Total Liabilities	2,533,621	3,441,091	3,095,016	3,761,605	2,025,291
Fund Balances					
Non-Spendable	810,903	180,728	652,449	124,512	117,972
Restricted Balances	2,094,443	2,402,667	2,311,950	1,735,938	1,862,380
Committed Balance	1,328,167	1,252,324	1,128,222	1,004,902	880,523
Assigned Balances	1,703,486	2,246,630	2,364,249	2,887,360	2,749,344
Unassigned Balances	565,017	1,221,784	2,058,012	1,724,019	2,108,560
Total Fund Balance	6,502,016	7,304,133	8,514,882	7,476,731	7,718,779

Financial Analysis of the District's Funds - continued

General Fund - The General Fund is the primary operating fund of the District. As of June 30, 2017, the fund balance was \$3.42 million; an increase of \$66 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 7.3% of General Fund revenues. The fund balance increase was due primarily to a growth in investment earnings and additional state school fund revenues.

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 increased from the prior year, up \$181 thousand from 2015-2016. This increase was due to efficiencies in Food Service and Student Body Funds and cash grants for staff development.

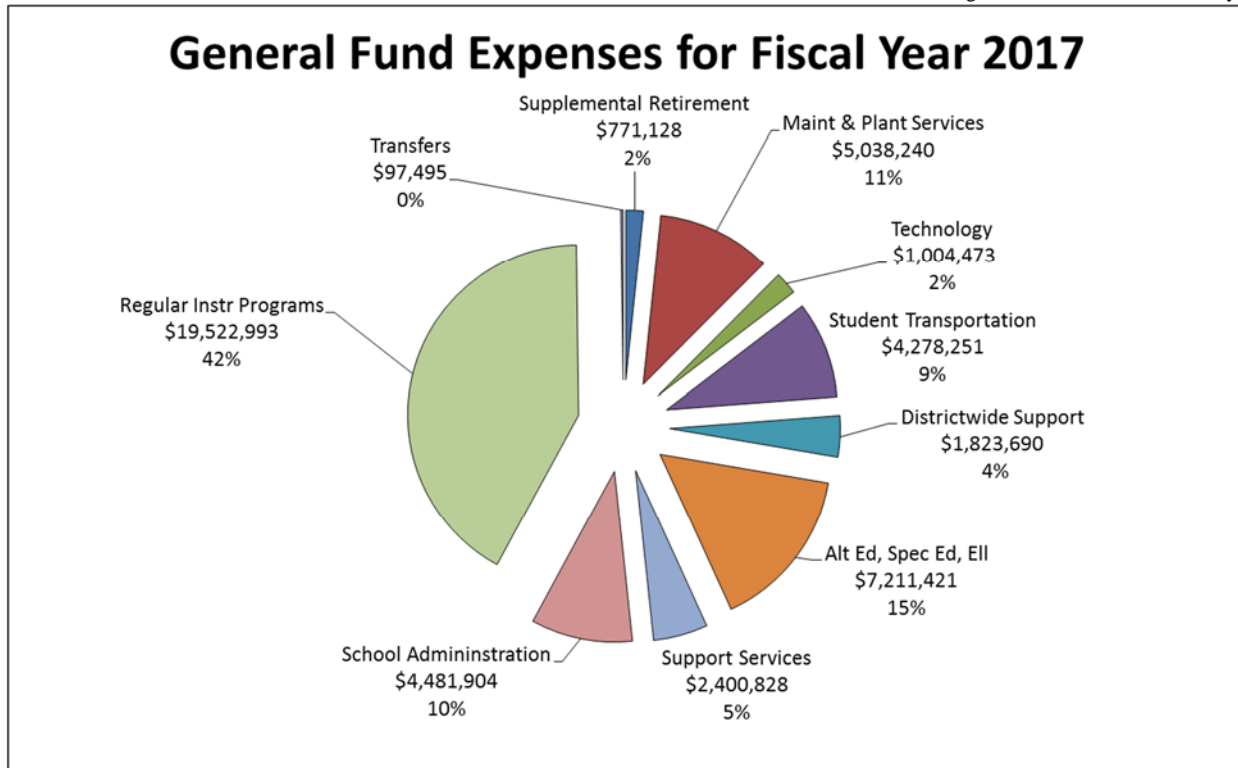
Debt Service - The Ending Fund Balance in the debt service fund decreased by \$78 thousand. The revenue source for general obligation bonds is through a property tax levy with the amounts based on debt service requirements and the revenue source for the limited tax pension obligation bonds is through a payroll fringe expenditure.

Capital Projects – The Ending Fund Balance in the Capital Projects fund increased by approximately \$73 thousand, this was due to increased collections of Construction Excise Tax and fewer district maintenance projects completed as compared to the prior year.

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, 2017 with the following exceptions:

In the General fund (see page 44) Instruction expense came in at \$26.7 million, \$0.4 million or 1.5% over budget. The primary driver of the overage was an error in calculating tiered vs. composite insurance rates. The District was under budget overall and steps have been taken to avoid this error in the future. In addition, a combination of the same calculation error and a new Special Revenue grant that was awarded in June caused this fund to be overspent in the Instructional and Enterprise appropriations. The combination of very tight budgets and the fact the District expends approximately 16.4% of the annual budget in the last month of the fiscal year, June; (due primarily to prorating of payroll over the summer) makes it challenging to submit resolutions prior to June 30.



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, 2017, the District had invested \$35.0 million in capital assets, net of depreciation. This is down \$2.2 million from the previous year due to the accumulated depreciation outweighing acquisitions. The major capital asset gains were:

- Daycare remodel at Hidden Valley High School
- Kioti tractor for grounds
- HVAC systems at Manzanita Elementary and District Office Building
- Food bar and oven for food service program
- Domestic hot water heaters at Fleming Middle School
- Boiler at Lincoln Savage Middle School
- Mower for Illinois Valley area
- Security cameras at Illinois Valley High School
- Industrial washer at Illinois Valley High School
- Wide area network connections district wide
- Wrestling mats at Illinois Valley High School
- Plasma table cutter and banner maker for Lincoln Savage Middle School

Additional information on the District's capital assets can be found in Note 6 of the financial statements.

Long Term Debt – At the end of the current fiscal year, the District had total debt outstanding of \$33.3 million, consisting of the following:

- | | |
|---------------------------|-----------------|
| • PERS Bond | \$22.65 million |
| • General Obligation Bond | \$ 8.70 million |
| • QZAB Bonds | \$ 1.21 million |
| • HV Turf Field | \$.11 million |
| • Capital Leases | \$.63 million |

Additional information on the District's long-term debt can be found in Note 7 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 2.9% over the past 2 years. Supporting continued growth and improving future graduation rates will require the same collaborative effort we have seen from all staff, students, families and community partners as in the past. 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. For the first time since 1997 the student enrollment increased by 17 students in 2016 and again by 23 students in 2017. Consistent enrollment trends are projected to continue for the next 5 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 3 biennium. This is due to projected increases in PERS contributions, healthcare costs and consistent annual roll up costs. PERS costs increased an estimated \$1.2 million per year for the 2017-19 biennium, and an additional increase of approximately the same for *both* the 2019-2021 and 2021-2023 biennia.

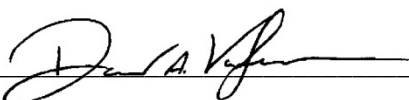
While the 2017-19 State of Oregon Revenue Forecast is down from projected amounts, the State is reporting steady but slow growth that is outpacing the national rate. At the Federal level there are tax reforms in the House and Senate poised to pass and take effect in 2018. Projections have estimated, if passed, it could put a hole in State revenue. And in addition, HB 2391 passed in 2017, that places a surcharge on commercial health insurance premiums could cause even higher rate increases for consumers.

All these factors will need to be closely monitored when budgeting for the future. For the next 3 biennia, 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.

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 Superintendent 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, 2017**

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS:	
ASSETS:	
Cash and investments	\$ 6,831,138
Taxes receivable	1,601,440
Other receivables	1,023,394
Intergovernmental account receivables	1,426,424
Prepaid expenses	80,731
Inventories	37,241
Capital assets, net	
Land	598,310
Construction in progress	131,042
Buildings and improvements	31,240,720
Machinery, equipment and vehicles	3,048,087
TOTAL ASSETS	46,018,527
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows related to pension	19,081,983
TOTAL ASSETS AND DEFERRED OUTFLOWS	65,100,510
LIABILITIES AND DEFERRED INFLOWS:	
LIABILITIES:	
Accounts payable	378,518
Accrued payroll liabilities	229,769
Accrued interest payable	25,625
Accrued compensated absences	100,790
Unearned revenue	26,719
Accrued retirement benefits	11,252,491
Net pension liability	36,591,868
Capital lease payable	
Due within one year	97,954
Due in more than one year	535,091
Note payable	
Due within one year	14,217
Due in more than one year	97,741
Debt payable, net of bond premiums	
Due within one year	3,161,540
Due in more than one year	29,419,858
TOTAL LIABILITIES	81,932,181
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows related to pension	368,605
TOTAL LIABILITIES AND DEFERRED INFLOWS	82,300,786
NET POSITION:	
Net investment in capital assets	24,574,253
Restricted for:	
Special projects	139,054
Debt service	1,174,465
Capital projects	731,162
Unrestricted	(43,819,210)
TOTAL NET POSITION	\$ (17,200,276)

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 35,417,324	\$ 1,755,070	\$ 4,677,416	\$ (28,984,838)
Supporting services	23,854,768	191,491	1,828,538	(21,834,739)
Community services	2,478,549	172,117	2,148,845	(157,587)
Facilities acquisition and construction	80	-	-	(80)
Interest on long term debt	1,794,993	-	-	(1,794,993)
Total government activities	<u>\$ 63,545,714</u>	<u>\$ 2,118,678</u>	<u>\$ 8,654,799</u>	<u>(52,772,237)</u>
General revenues:				
Property taxes levied for general purposes				15,171,253
Property taxes levied for debt service				2,437,909
Construction excise tax				282,050
State school fund - general support				29,500,454
Common school fund				552,759
Federal forest fees				15,204
Unrestricted state and local sources				795,969
Earnings on investments				116,271
Gain (Loss) on sale of fixed assets				(12,512)
Contributions				145,343
Miscellaneous				787,607
Total general revenues				<u>49,792,307</u>
CHANGE IN NET POSITION				(2,979,930)
NET POSITION - July 1, 2016 (as restated)				<u>(14,220,346)</u>
NET POSITION - June 30, 2017				<u><u>\$ (17,200,276)</u></u>

FUND FINANCIAL STATEMENTS

**THREE RIVERS SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS:					
Equity in pooled cash and investments	\$ 2,662,335	\$ 323,480	\$ 965,665	\$ 1,623,387	\$ 5,574,867
Receivables					
Property taxes	1,392,640	-	208,800	-	1,601,440
Accounts	819,652	136,837	-	66,878	1,023,367
Grants	-	1,426,424	-	-	1,426,424
Prepaid	80,731	-	-	-	80,731
Inventory	37,241	-	-	-	37,241
TOTAL ASSETS	<u>\$ 4,992,599</u>	<u>\$ 1,886,741</u>	<u>\$ 1,174,465</u>	<u>\$ 1,690,265</u>	<u>\$ 9,744,070</u>
LIABILITIES:					
Accounts payable	\$ 196,762	\$ 144,803	\$ -	\$ 32,582	\$ 374,147
Accrued payroll liabilities	157,912	70,880	-	-	228,792
Unearned revenue	-	26,719	-	-	26,719
TOTAL LIABILITIES	<u>354,674</u>	<u>242,402</u>	<u>-</u>	<u>32,582</u>	<u>629,658</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	1,213,332	-	182,301	-	1,395,633
TOTAL DEFERRED INFLOWS	<u>1,213,332</u>	<u>-</u>	<u>182,301</u>	<u>-</u>	<u>1,395,633</u>
Fund Balances:					
Nonspendable					
Prepaid & Inventory	117,972	-	-	-	117,972
Restricted					
Education - Grants	-	92,899	-	-	92,899
Building Improvements	-	46,155	-	-	46,155
Debt Service	-	-	992,164	-	992,164
Excise Tax Projects	-	-	-	731,162	731,162
Committed					
Emergency funds	500,000	-	-	-	500,000
Energy projects	-	-	-	380,523	380,523
Assigned					
School Improvement projects	506,458	-	-	-	506,458
Technology	-	121,075	-	-	121,075
Student Body Funds	-	999,491	-	-	999,491
Other purposes	191,603	384,719	-	-	576,322
Capital Improvements	-	-	-	545,998	545,998
Unassigned	2,108,560	-	-	-	2,108,560
TOTAL FUND BALANCES	<u>3,424,593</u>	<u>1,644,339</u>	<u>992,164</u>	<u>1,657,683</u>	<u>7,718,779</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 4,992,599</u>	<u>\$ 1,886,741</u>	<u>\$ 1,174,465</u>	<u>\$ 1,690,265</u>	<u>\$ 9,744,070</u>

**THREE RIVERS SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2017**

TOTAL FUND BALANCES		\$ 7,718,779
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 115,032,885	
Accumulated depreciation	<u>(80,014,726)</u>	35,018,159
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.		1,395,633
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.		1,250,950
The asset (liability) associated with the District's pension (OPERS) is not recorded in the governmental funds as it is not available nor payable currently.		(36,591,868)
The net deferred outflow/(inflow) associated with the District's pension (OPERS) is not recorded in the governmental funds as it is not available nor payable currently.		18,713,378
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	(25,625)	
Note payable	(111,958)	
Capital leases payable	(633,045)	
Debt payable, net of bond premium	(32,581,398)	
Accrued compensated absences	<u>(100,790)</u>	(33,452,816)
The other post employment benefit liability obligation is not reported with the governmental funds.		<u>(11,252,491)</u>
TOTAL NET POSITION		<u>\$ (17,200,276)</u>

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES					
Property taxes and other taxes	\$ 15,327,907	\$ -	\$ 2,255,608	\$ 282,050	\$ 17,865,565
Intergovernmental	30,865,796	8,654,200	-	-	39,519,996
Charges for services	92,892	1,752,676	-	15,987	1,861,555
Local grants and contributions	12,807	132,536	-	-	145,343
Investment earnings	92,691	1,020	20,208	(1,375)	112,544
Miscellaneous	263,509	246,660	2,124,070	253,830	2,888,069
TOTAL REVENUES	46,655,602	10,787,092	4,399,886	550,492	62,393,072
EXPENDITURES					
Current					
Instruction	26,734,414	6,329,295	-	-	33,063,709
Support services	19,798,514	1,990,597	-	466,923	22,256,034
Enterprise and community services	-	2,305,753	-	-	2,305,753
Facilities and acquisition	-	-	-	40,911	40,911
Debt Service	-	-	4,495,715	-	4,495,715
TOTAL EXPENDITURES	46,532,928	10,625,645	4,495,715	507,834	62,162,122
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	122,674	161,447	(95,829)	42,658	230,950
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	818	-	-	-	818
Proceeds from capital lease agreement	40,281	-	-	-	40,281
Transfers	(97,495)	19,995	17,500	30,000	(30,000)
TOTAL OTHER FINANCING SOURCES (USES)	(56,396)	19,995	17,500	30,000	11,099
NET CHANGE IN FUND BALANCE	66,278	181,442	(78,329)	72,658	242,049
FUND BALANCE, July 1, 2016	3,358,315	1,462,897	1,070,493	1,585,025	7,476,730
FUND BALANCE, June 30, 2017	\$ 3,424,593	\$ 1,644,339	\$ 992,164	\$ 1,657,683	\$ 7,718,779

**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, 2017**

NET CHANGE IN FUND BALANCE **\$ 242,049**

Amounts reported for governmental activities in the Statement of Activities are different because:

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.

Expenditures for capital assets	\$ 395,975	
Less current year depreciation	<u>(2,573,148)</u>	(2,177,173)

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.	2,940,482
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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:

Amortization of premium	8,069
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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	(40,281)
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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.	90,944
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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.

Interest paid	1,801,084	
Interest expense	<u>(1,796,135)</u>	4,949

Governmental funds report proceeds from the sale of capital assets as revenue. However, only the net gain (loss) on the sale is reported in the Statement of Activities.

Cost basis of assets sold	(74,609)	
Accumulated depreciation	61,279	(13,330)

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.	25,647
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The change in the net post employment benefit obligation (OPEB) is not recognized in the governmental funds.	62,649
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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.	29,528
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Governmental funds report pension contributions as expenditures. In the statement of activities, the cost of pension benefits earned (actuarially determined) net of employee contributions is reported as pension expense.	<u>(4,153,463)</u>
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CHANGE IN NET POSITION **\$ (2,979,930)**

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017**

	Internal Service Fund
ASSETS:	
Equity in pooled cash and investments	\$ 1,256,271
Accounts receivable	<u>27</u>
TOTAL ASSETS	<u><u>\$ 1,256,298</u></u>
LIABILITIES:	
Current liabilities	
Accounts payable	\$ 4,371
Accrued payroll liabilities	<u>977</u>
TOTAL LIABILITIES	<u>5,348</u>
NET POSITION:	
Unrestricted	<u>1,250,950</u>
TOTAL NET POSITION	<u><u>\$ 1,250,950</u></u>

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2017**

	Internal Service Fund
	<hr/>
OPERATING REVENUES	
Self insurance revenues	\$ 279,921
	<hr/>
TOTAL OPERATING REVENUES	279,921
	<hr/>
OPERATING EXPENSES	
Current	
Support services	222,704
	<hr/>
TOTAL OPERATING EXPENSES	222,704
	<hr/>
TOTAL OPERATING INCOME / (LOSS)	57,217
	<hr/>
NONOPERATING REVENUES (EXPENSES)	
NONOPERATING REVENUES	
Interest income	3,727
	<hr/>
TOTAL NONOPERATING REVENUES (EXPENSES)	3,727
	<hr/>
INCOME (LOSS) BEFORE TRANSFERS	60,944
	<hr/>
Transfers in	30,000
	<hr/>
CHANGE IN NET POSITION	90,944
	<hr/>
NET POSITION, June 30, 2016	1,160,006
	<hr/>
NET POSITION, June 30, 2017	\$ 1,250,950
	<hr/> <hr/>

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2017**

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Interfund activity - self insurance receipts	\$ 279,921
Supporting services	(218,444)
	<u>61,477</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>61,477</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	30,000
	<u>30,000</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>30,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	3,727
	<u>3,727</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3,727</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	95,204
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,161,067</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,256,271</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING INCOME	
Operating income (loss)	\$ 57,217
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Change in assets and liabilities:	
Decrease in accounts receivable	1,708
Increase in accounts payable	2,552
	<u>4,260</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 61,477</u></u>

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2017**

	Scholarship Expendable Trust Fund
	<hr/>
ASSETS:	
Equity in pooled cash and investments	\$ 5,871
	<hr/>
NET POSITION	
Reserved for scholarships	\$ 5,871
	<hr/> <hr/>

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2017**

	Scholarship Expendable Trust Fund
ADDITIONS	
Earnings on investments	\$ 61
TOTAL ADDITIONS	61
CHANGE IN NET POSITION	61
NET POSITION, June 30, 2016	5,810
NET POSITION, June 30, 2017	<u>\$ 5,871</u>

NOTES TO BASIC FINANCIAL STATEMENT

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

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, 2017

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, 2017

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.

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 one type of deferred outflow, which arises only under the full accrual of accounting (i.e. government-wide financials) that qualifies for reporting in this category. Accordingly, the item, a deferred amount related to pensions, is reported only in the government-wide statement of net position.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

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 one type of deferred inflow which arises only under the full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, deferred amounts related to pensions, is reported in the government-wide statement of net position.

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.

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.

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.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Property Taxes Receivable (continued)

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

Accounts and Other Receivables

Accounts 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.

Interfund Transactions

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. These advances (reported in "due from" asset accounts) are considered "available spendable resources".

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

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

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Retirement Plan

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

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently has deferred outflows related to pension costs reported on the 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 on 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 currently has deferred inflows related to pension costs reported on the Statement of Net Position. Additionally, the District has one type of deferred inflows which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

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. Such costs are recorded as expenses in the governmental fund types as premiums become due.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

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.

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.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Budget (continued)

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers 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, 2017, the District was in compliance with Local Budget Law, except as follows:

The District over expended in the General Fund in the Instruction category by \$405,075 and in the Federal Programs Fund in both the Instruction and the Enterprise and Community Services category by \$130,804 and 161,472, respectively. These over-expenditures were due to a change in the District from composite to tiered rates for medical insurance, and new federal grants received during the year that were not expended until the end of the year.

Use of Estimates

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

New GASB Pronouncements Adopted

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

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

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

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

New GASB Pronouncements Adopted (continued)

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

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

Future GASB Pronouncements

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

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

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

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

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

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Future GASB Pronouncements (continued)

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

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

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

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

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

The District 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.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

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

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

The implementation of GASB 73 and 75 resulted in a restatement of beginning net position in order to recognize the District's Stipend Pension Liability, and the District's Postemployment Medical Benefit Liability (Explicit and Implicit). The result of the restatement was a \$9,299,278 reduction in the beginning net position, a \$2,807,920 addition to the Stipend Pension Liability, and a \$6,491,358 addition to the Other Post Employment Medical Benefit Liability.

Note 3 - Equity in Pooled Cash and Investments

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

Petty cash	\$ 50
Carrying amount of demand deposits	1,670,560
Carrying amount of investments	5,166,399
	<hr/>
	\$ 6,837,009
	<hr/>

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

Statement of Net Position	
Cash and investments	\$ 6,831,138
Statement of Fiduciary Net Position	
Cash and investments	5,871
	<hr/>
Total cash and investments	\$ 6,837,009
	<hr/>

Deposits. The Governmental Accounting Standards Board 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, 2017. 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, 2017, the carrying amounts of the District's deposits in various financial institutions were \$1,670,560 and the bank balances were \$1,921,819. 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 \$1,173,941 was covered by FDIC. However, this balance was covered by the State of Oregon shared liability structure for participating bank depositories in Oregon.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 3 - Equity in Pooled Cash and Investments (continued)

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 2017. 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.

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

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

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

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 3 - Equity in Pooled Cash and Investments (continued)

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

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

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

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

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

Investments Measured at Fair Value:	Totals as of 6/30/2017	Level One	Level Two	Level Three	Amortized Cost Not Measured at Fair Value
Local Government					
Investment Pool	\$4,746,039	\$ -	\$ -	\$ -	\$ 4,746,039
Certificates of Deposit	115,214	-	115,214	-	-
Treasury Securities	305,146	305,146	-	-	-
	<u>\$5,166,399</u>	<u>\$305,146</u>	<u>\$115,214</u>	<u>\$ -</u>	<u>\$ 4,746,039</u>

As of June 30, 2017, the District's investments had the following maturities:

	Fair Value	Investment Maturities			Rating
		Less than 1 yr	1-5 years	6-10 years	
Local Government					
Investment Pool	\$4,746,039	\$4,746,039	\$ -	\$ -	N/A
Certificates of Deposit	115,214	115,214	-	-	N/A
Treasury Securities	305,146	-	-	305,146	N/A
	<u>\$5,166,399</u>	<u>\$4,861,253</u>	<u>\$ -</u>	<u>\$305,146</u>	

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 4 - Receivables

Receivables are comprised of the following as of June 30, 2017:

	Other	Grants	Property Taxes	Total
General fund	\$ 819,652	\$ -	\$ 1,392,640	\$ 2,212,292
Special revenue fund	136,837	1,426,424	-	1,563,261
Debt service fund	-	-	208,800	208,800
Capital projects fund	66,878	-	-	66,878
Internal service fund	27	-	-	27
	<u>\$ 1,023,394</u>	<u>\$ 1,426,424</u>	<u>\$ 1,601,440</u>	<u>\$ 4,051,258</u>

Note 5 - 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.

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:

Fund Type	Property Tax Unavailable	Grants/Other Unearned	Total
General Fund	\$ 1,213,332	\$ -	\$ 1,213,332
Special Revenue fund	-	26,719	26,719
Debt Service Fund	182,301	-	182,301
Total	<u>\$ 1,395,633</u>	<u>\$ 26,719</u>	<u>\$ 1,422,352</u>

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 6 - Capital Assets

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

	PY Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated				
Land	\$ 598,310	\$ -	\$ -	\$ 598,310
Construction-in-Progress	-	131,042	-	131,042
Total capital assets not being depreciated	598,310	131,042	-	729,352
Capital assets being depreciated				
Buildings and Improvements	107,824,580	-	-	107,824,580
Machinery/Equipment/Vehicles	6,288,629	264,933	(74,609)	6,478,953
Total	114,113,209	264,933	(74,609)	114,303,533
Less accumulated depreciation for:				
Buildings and Improvements	(74,305,735)	(2,278,125)	-	(76,583,860)
Machinery/Equipment/Vehicles	(3,197,122)	(295,023)	61,279	(3,430,866)
Total	(77,502,857)	(2,573,148)	61,279	(80,014,726)
Total capital assets, net				
Land	598,310	-	-	598,310
Construction-in-Progress	-	131,042	-	131,042
Buildings and Improvements	33,518,845	(2,278,125)	-	31,240,720
Machinery/Equipment/Vehicles	3,091,507	(30,090)	(13,330)	3,048,087
Total	\$ 37,208,662	\$ (2,177,173)	\$ (13,330)	\$ 35,018,159

Depreciation expense for the fiscal year was \$2,573,148 and is allocated to the various functions.

<u>Program</u>	
Instruction	\$ 1,452,068
Supporting Services	1,023,662
Community Services	97,418
Total	<u>\$ 2,573,148</u>

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 7 - 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 \$16,292.

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, 2017 was \$216,207.

Year ending June 30th	QZAB Installment		
	Principal	Interest	Total
2018	\$ 118,471	\$ 14,861	\$ 133,332
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 - 2025	608,239	16,592	624,831
	<u>\$ 1,215,260</u>	<u>\$ 76,231</u>	<u>\$ 1,291,491</u>

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, 2017

Note 7 - 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 \$1,289,153.

Year ending June 30th	Pension Obligation Bonds		
	Principal	Interest	Total
2018	\$ 1,105,000	\$ 1,240,997	\$ 2,345,997
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 - 2027	13,645,000	2,857,700	16,502,700
2028	1,555,000	85,960	1,640,960
	<u>\$ 22,650,000</u>	<u>\$ 8,463,775</u>	<u>\$ 31,113,775</u>

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.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 7 - Long-Term Debt (continued)

General Obligation Bonds (continued)

Year ending June 30th	General Obligation Bonds		
	Principal	Interest	Total
2018	\$ 1,930,000	\$ 371,413	\$ 2,301,413
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
	<u>\$ 8,700,000</u>	<u>\$ 867,507</u>	<u>\$ 9,567,507</u>

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 \$3,584. This note matures September, 2024 and is payable from non-restricted General Fund revenues.

Year ending June 30th	HVHS Turf Field Note Payable		
	Principal	Interest	Total
2018	\$ 14,217	\$ 3,164	\$ 17,381
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
	<u>\$ 111,958</u>	<u>\$ 12,601</u>	<u>\$ 124,559</u>

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 7 - 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 \$1,303,512 with a net book value of \$746,758.

Year ending June 30th	Capital Leases		
	Principal	Interest	Total
2018	\$ 97,954	\$ 25,424	\$ 123,378
2019	102,208	21,170	123,378
2020	106,646	16,731	123,377
2021	111,279	12,099	123,378
2022	105,148	7,264	112,412
2023	109,810	2,602	112,412
	<u>\$ 633,045</u>	<u>\$ 85,290</u>	<u>\$ 718,335</u>

The changes in long-term obligations for year ended June 30, 2017, are as follows:

Issue Date:	Outstanding July 1, 2016	New Debt Issued	Matured & Redeemed	Outstanding June 30, 2017	Due within 1 year	Interest Rate
PERS Bonds						
February 5, 2004	\$ 23,590,000	\$ -	\$ (940,000)	\$ 22,650,000	\$ 1,105,000	5.22-5.53%
GO Bonds						
January 26, 2005	10,485,000	-	(1,785,000)	8,700,000	1,930,000	3.75-5.25%
QZAB Bonds						
September 24, 2009	1,332,300	-	(117,040)	1,215,260	118,471	1.22%
Turf Field Note Payable						
September 24, 2009	125,755	-	(13,797)	111,958	14,217	3.00%
Capital Leases						
Various Equipment	677,409	66,281	(110,645)	633,045	97,954	3.5-4.346%
Total	<u>36,210,464</u>	<u>66,281</u>	<u>(2,966,482)</u>	<u>33,310,263</u>	<u>3,265,642</u>	
Unamortized premium	<u>24,207</u>	<u>-</u>	<u>(8,069)</u>	<u>16,138</u>	<u>8,069</u>	
Total	<u>\$ 36,234,671</u>	<u>\$ 66,281</u>	<u>\$ (2,974,551)</u>	<u>\$ 33,326,401</u>	<u>\$ 3,273,711</u>	

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

	Balance 7/1/2016	Earned	Used	Balance 6/30/2017	Due Within One Year
Compensated absences	\$ 130,318	\$ 183,257	\$ 212,785	\$ 100,790	\$ 100,790

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 8 - Operating Lease

The District has several operating leases associated with vehicles. Total expense for such leases was \$24,465 for the year ended June 30, 2017. The future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30	
2018	\$ 24,465
2019	24,465
2020	24,465
2021	24,465
2022	3,426
Total	<u>\$ 101,286</u>

Note 9 - Interfund Transactions

Interfund transfers during the year ended June 30, 2017, were as follows:

	In	Out
General fund	\$ -	\$ 97,495
Special revenue fund	19,995	-
Debt service fund	17,500	-
Capital projects fund	30,000	-
Self insurance fund	30,000	-
	<u>\$ 97,495</u>	<u>\$ 97,495</u>

During the 2016-17 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 for future energy savings payment and the Self Insurance Fund transfer was to keep a sustainable balance and fund future obligations.

Note 10 - Postemployment Benefits Other Than Pensions (OPEB)

Single-Employer Defined Benefit Health Care Plan –

Plan Description – The District maintains a single-employer defined benefit OPEB plan that provides post-employment health, 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, 2017

Note 10 - 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, 2017, the following employees were covered by the explicit benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	56
Active employees entitled to but not yet receiving benefit payments	81
	<u>137</u>

Total OPEB Liability – The districts total OPEB liability of \$7,096,306 was measured as of June 30, 2017, and was determined by an actuarial valuation date as of July 1, 2016.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 10 - 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:

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 Total OPEB Liability –

OPEB Liability at June 30, 2016	\$ 7,281,105
Changes for the year:	
Service cost	304,420
Interest	212,474
Benefit payments	<u>(701,693)</u>
OPEB Liability at June 30, 2017	<u><u>\$ 7,096,306</u></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 2.00%	Current Discount Rate 3.00%	1% Increase Rate 4.00%
Total OPEB Liability	\$ 7,522,023	\$ 7,096,306	\$ 6,696,052

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

	1% Decrease 5.5% Graded Down to 4%	Current Trend Rate 6.5% Graded Down to 5% Trend Rates	1% Increase 7.5% Graded Down to 6%
Total OPEB Liability	\$ 6,445,487	\$ 7,096,306	\$ 7,839,938

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources – For the year ended June 30, 2017, the District recognized OPEB expense of \$516,894. At June 30, 2017, the District reported no deferred outflows or inflows associated with its OPEB plan.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 10 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

Retirement Health Insurance Account (RHIA) –

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

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

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

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

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the years ended June 30, 2015, 2016, and 2017 were \$126,959, \$116,434, and \$109,017, which equaled the required contributions each year.

Note 11 - 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.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 11 - Pension and Retirement Plans (continued)

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, 2017 was \$182,640. There are no assets accumulated in a trust.

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

Inactive employees or beneficiaries currently receiving benefit payments	18
Active employees entitled to but not yet receiving benefit payments	74
	<u>92</u>

Total Stipend Pension Liability – The districts total stipend pension liability of \$4,156,185 was measured as of June 30, 2017, and was determined by an actuarial valuation date as of July 1, 2016.

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

Input	Assumption
Actuarial Cost Method	Early age normal, level percent of salary
Interest Rate Utilized for Discounting	3.0% 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, 2016	\$ 4,034,035
Changes for the year:	
Service cost	183,752
Interest	121,038
Benefit payments	<u>(182,640)</u>
Stipend Pension Liability at June 30, 2017	<u>\$ 4,156,185</u>

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 11 - Pension and Retirement Plans (continued)

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 2.00%	Current Discount Rate 3.00%	1% Increase 4.00%
Total Stipend Pension Liability	\$ 4,475,576	\$ 4,156,186	\$ 3,854,195

Stipend Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources – For the year ended June 30, 2017, the District recognized stipend pension expense of \$304,790. At June 30, 2017, the District reported no deferred outflows or inflows associated with its stipend pension plan.

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).

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.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 11 - Pension and Retirement Plans (continued)

OPERS Plan – (continued)

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.

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.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 11 - 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 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.

The District's employer contributions for the year ended June 30, 2017 were \$2,403,712 excluding amounts to fund employer specific liabilities. The contribution rates in effect for the fiscal year ended June 30, 2017 for each pension program were: Tier1/Tier 2 – 10.85%, and OPSRP general service – 6.16%.

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.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 11 - Pension and Retirement Plans (continued)

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>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are 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.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 11 - Pension and Retirement Plans (continued)

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, 2017, the District reported a liability of \$36,591,868 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, 2016, the District's proportion was approximately 0.2437 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$4,153,463. Pension expense was generated during the measurement period primarily as a result of less than anticipated investment returns at the OPERS level. The \$1,660,241 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 56%, 40% and 4%, respectively.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments:	\$ 15,330,497	\$ -
Change in proportion and differences between employer contributions and proportionate share of contributions:	137,155	368,605
District's contributions subsequent to the measurement date:	2,403,712	-
Difference between expected and actual experience:	1,210,619	-
Total	<u>\$ 19,081,983</u>	<u>\$ 368,605</u>

\$2,403,712 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 11 - Pension and Retirement Plans (continued)

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

Year Ended June 30	Deferred Outflow/Inflow of Resources (prior to post- measurement date)
2018	\$ 2,956,052
2019	2,956,052
2020	5,582,093
2021	4,216,154
2022	599,315
Thereafter	-
Total	<u>\$ 16,309,666</u>

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	\$ (59,083,666)	\$ (36,591,868)	\$ (17,792,660)

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.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 11 - Pension and Retirement Plans (continued)

Defined Contribution Plan – Individual Account Program (IAP) (continued)

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

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

Contributions - During 2017, the District, as an employee benefit, paid the employees portion of the contribution. For 2017, the District paid \$1,399,419 for this contribution.

Note 12 - 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 13 - 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.

Note 14 - 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 15 - 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 \$29,500,454 to the District, which represents approximately 59.2% of the District's total general revenues for the year.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2017

Note 16 - Tax Abatements

As of June 30, 2017, 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, 2017, Three Rivers School District abated property taxes totaling \$54,800 under this program.

Note 17 - Restricted Net Position

As noted on the Statement of Net Position, there are various restrictions. The amount restricted for special projects, \$139,054, consists of monies to be used for Allcare professional development (\$76,758), building upgrades (\$46,155), the music program (\$10,294), an ETIC grant (\$4,406), a studio grant (\$1,100), and Josephine Educational funds (\$341). All of these funds are restricted for these various projects. Other amounts are restricted to debt service and capital projects as stated.

Note 18 - Subsequent Events

Management of the District has evaluated events and transactions occurring after June 30, 2017 through December 15, 2017, the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements. The following event and transaction occurred after June 30, 2017 through the date the financial statements were available for issuance.

Changes in OPERS Pension Plan Provisions -

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

The lowered rate is expected to increase the PERS net pension liability by an estimated \$2.0 to \$2.4 billion. Of this increase, the District's portion is estimated at \$4.9 to \$5.9 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, 2017**

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Local sources:				
Property taxes	\$ 15,642,550	\$ 15,642,550	\$ 15,327,907	\$ (314,643)
Charges for services	116,000	116,000	92,892	(23,108)
Donations	500	500	12,807	12,307
Interest on investments	50,000	50,000	92,691	42,691
Miscellaneous	119,000	119,000	263,509	144,509
Intermediate sources				
Intergovernmental	800,000	800,000	795,969	(4,031)
State sources				
Basic school support	27,014,253	27,014,253	29,500,454	2,486,201
Intergovernmental	444,319	444,319	554,169	109,850
Federal sources				
Intergovernmental	155,919	155,919	15,204	(140,715)
TOTAL REVENUES	44,342,541	44,342,541	46,655,602	2,313,061
EXPENDITURES				
Current:				
Instruction	26,202,805	26,329,339	26,734,414	(405,075)
Support services	20,113,398	20,127,973	19,798,514	329,459
Contingency	810,000	668,891	-	668,891
TOTAL EXPENDITURES	47,126,203	47,126,203	46,532,928	593,275
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,783,662)	(2,783,662)	122,674	2,906,336
OTHER FINANCING SOURCES (USES):				
Proceeds from the sale of fixed assets	-	-	818	818
Proceeds from capital lease agreement	-	-	40,281	40,281
Transfers out	(107,500)	(107,500)	(97,495)	10,005
TOTAL OTHER FINANCING SOURCES (USES)	(107,500)	(107,500)	(56,396)	51,104
NET CHANGE IN FUND BALANCE	(2,891,162)	(2,891,162)	66,278	2,957,440
FUND BALANCE, July 1, 2016	2,891,162	2,891,162	3,358,315	467,153
FUND BALANCE, June 30, 2017	\$ -	\$ -	\$ 3,424,593	\$ 3,424,593

**THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL PROGRAMS FUND
YEAR ENDED JUNE 30, 2017**

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Local sources:				
Charges for services	\$ 748,280	\$ 748,280	\$ 1,752,676	\$ 1,004,396
Donations	-	-	132,536	132,536
Interest on investments	4,720	4,720	1,020	(3,700)
Miscellaneous	133,351	133,351	246,660	113,309
Intermediate sources				
Intergovernmental	-	-	128,136	128,136
State sources				
Intergovernmental	1,295,379	1,295,379	2,183,235	887,856
Federal sources				
Intergovernmental	6,139,781	6,139,781	6,342,829	203,048
TOTAL REVENUES	8,521,511	8,521,511	10,787,092	2,265,581
EXPENDITURES				
Current:				
Instruction	6,198,491	6,198,491	6,329,295	(130,804)
Support services	2,139,045	2,139,045	1,990,597	148,448
Enterprise and community services	2,144,281	2,144,281	2,305,753	(161,472)
Facilities acquisition and construction	60,200	60,200	-	60,200
TOTAL EXPENDITURES	10,542,017	10,542,017	10,625,645	(83,628)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,020,506)	(2,020,506)	161,447	2,181,953
OTHER FINANCING SOURCES (USES):				
Transfers in	30,000	30,000	19,995	(10,005)
NET CHANGE IN FUND BALANCE	(1,990,506)	(1,990,506)	181,442	2,171,948
FUND BALANCE, July 1, 2016	1,990,506	1,990,506	1,462,897	(527,609)
FUND BALANCE, June 30, 2017	\$ -	\$ -	\$ 1,644,339	\$ 1,644,339

**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

	2017	2016	2015	2014
District's proportion of the net pension asset/(liability)	0.2437456%	0.2411978%	0.2689813%	0.2689813%
District's proportion of the net pension asset/(liability)	\$ (36,591,868)	\$ (13,848,281)	\$ 6,097,038	\$ (13,726,509)
District's covered-employee payroll	\$ 26,105,736	\$ 24,804,360	\$ 23,985,316	\$ 23,058,311
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-140.17%	-55.83%	25.42%	-59.53%
Plan fiduciary net position as a percentage of the total pension liability	80.52	91.88%	103.59%	91.97%

Three Rivers School District Pension Contributions

	2017	2016	2015	2014
Contractually required contributions	\$ 2,403,712	\$ 2,376,272	\$ 2,695,646	\$ 3,032,329
Contribution in relation to the contractually required	\$ (2,403,712)	\$ (2,376,272)	\$ (2,695,646)	\$ (3,032,329)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered - employee payroll	\$ 26,105,736	\$ 24,804,360	\$ 23,985,316	\$ 23,058,311
Contributions as a percentage of covered-employee payroll	9.21%	9.58%	11.24%	13.15%

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 73 during fiscal 2017, as a result, only four years of information is presented.

THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF CHANGE IN THE DISTRICT'S NET PENSION LIABILITY AND RELATED RATIOS
JUNE 30, 2017

Total Pension Liability (Stipend):	2017
Service cost	\$ 183,752
Interest	121,038
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions of other inputs	-
Benefit payments	(182,640)
Net change in total pension liability (stipend)	122,150
Total Pension Liability (Stipend) - beginning	\$ 4,034,035
Total Pension liability (Stipend) - ending	\$ 4,156,185
Estimated Covered - employee payroll	\$ 17,858,333
Total pension liability (Stipend) as a percentage of estimated covered - employee payroll	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 one year of information is presented.

THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2017

Total OPEB Liability (Medical):	2017
Service cost	\$ 304,420
Interest	212,474
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions of other inputs	-
Benefit payments	(701,693)
Net change in total OPEB liability	(184,799)
Total OPEB liability - beginning	\$ 7,281,105
Total OPEB liability - ending	\$ 7,096,306
Estimated Covered - employee payroll	\$ 30,944,531
Total OPEB liability as a percentage of estimated covered - employee payroll	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 one year of information is 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, 2017**

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Local sources:				
Property taxes	\$ 2,249,287	\$ 2,249,287	\$ 2,255,608	\$ 6,321
Interest on investments	7,500	7,500	20,208	12,708
Miscellaneous	2,279,854	2,279,854	2,124,070	(155,784)
TOTAL REVENUES	4,536,641	4,536,641	4,399,886	(136,755)
EXPENDITURES				
Debt service:				
Principal	2,738,797	2,738,797	2,738,797	-
Interest	1,757,024	1,757,024	1,756,918	106
Contingency	786,712	786,712	-	786,712
TOTAL EXPENDITURES	5,282,533	5,282,533	4,495,715	786,818
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(745,892)	(745,892)	(95,829)	650,063
OTHER FINANCING SOURCES (USES):				
Transfers in	17,500	17,500	17,500	-
NET CHANGE IN FUND BALANCE	(728,392)	(728,392)	(78,329)	650,063
FUND BALANCE, July 1, 2016	728,392	728,392	1,070,493	342,101
FUND BALANCE, June 30, 2017	\$ -	\$ -	\$ 992,164	\$ 992,164

THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2017

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Local sources:				
Property taxes	\$ 200,000	\$ 200,000	\$ 282,050	\$ 82,050
Charges for services	15,000	15,000	15,987	987
Interest on investments	6,560	6,560	(1,375)	(7,935)
Miscellaneous	145,000	145,000	253,830	108,830
TOTAL REVENUES	366,560	366,560	550,492	183,932
EXPENDITURES				
Current:				
Support services	1,081,120	1,081,120	466,923	614,197
Facilities acquisition and construction	50,000	50,000	40,911	9,089
Contingency	439,733	439,733	-	439,733
TOTAL EXPENDITURES	1,570,853	1,570,853	507,834	1,063,019
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,204,293)	(1,204,293)	42,658	1,246,951
OTHER FINANCING SOURCES (USES):				
Transfers in	30,000	30,000	30,000	-
NET CHANGE IN FUND BALANCE	(1,174,293)	(1,174,293)	72,658	1,246,951
FUND BALANCE, July 1, 2016	1,174,293	1,174,293	1,585,025	410,732
FUND BALANCE, June 30, 2017	\$ -	\$ -	\$ 1,657,683	\$ 1,657,683

**THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
SELF-INSURANCE FUND
YEAR ENDED JUNE 30, 2017**

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Local sources:				
Interest on investments	\$ 1,500	\$ 1,500	\$ 3,727	\$ 2,227
Self insurance revenues	251,314	251,314	279,921	28,607
TOTAL REVENUES	252,814	252,814	283,648	30,834
EXPENDITURES				
Current:				
Support services	382,594	382,594	222,704	159,890
Contingency	1,047,905	1,047,905	-	1,047,905
TOTAL EXPENDITURES	1,430,499	1,430,499	222,704	1,207,795
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,177,685)	(1,177,685)	60,944	1,238,629
OTHER FINANCING SOURCES (USES):				
Transfers in	30,000	30,000	30,000	-
NET CHANGE IN NET POSITION	(1,147,685)	(1,147,685)	90,944	1,238,629
NET POSITION, July 1, 2016	1,147,685	1,147,685	1,160,006	12,321
NET POSITION, June 30, 2017	\$ -	\$ -	\$ 1,250,950	\$ 1,250,950

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, 2017

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Local sources:				
Interest on investments	\$ 15	\$ 15	\$ 61	\$ 46
TOTAL REVENUES	<u>15</u>	<u>15</u>	<u>61</u>	<u>46</u>
EXPENDITURES				
Current:				
Instruction	4,300	4,300	-	4,300
Contingency	<u>2,215</u>	<u>2,215</u>	<u>-</u>	<u>2,215</u>
TOTAL EXPENDITURES	<u>6,515</u>	<u>6,515</u>	<u>-</u>	<u>6,515</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,500)	(6,500)	61	6,561
NET POSITION, July 1, 2016	<u>6,500</u>	<u>6,500</u>	<u>5,810</u>	<u>(690)</u>
NET POSITION, June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,871</u>	<u>\$ 5,871</u>

OTHER FINANCIAL SCHEDULES

SCHOOL DISTRICT FINANCIAL
ACCOUNTING SUMMARIES

**2016 - 17 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

Revenue from Local Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
1110 Ad Valorem Taxes Levied by District	\$ 15,327,907		\$ 2,255,608				
1120 Local Option Ad Valorem Taxes Levied by District							
1130 Construction Excise Tax				\$ 282,050			
1200 Rev from Local Gov't Units Other Than Districts							
1310 Regular Day School Tuition	\$ 33,287						
1320 Adult/Continuing Education Tuition							
1330 Summer School Tuition		\$ 1,239					
1400 Local & Federal Sources							
1500 Earnings on Investments	\$ 92,691	\$ 1,020	\$ 20,208	\$ (1,375)		\$ 3,727	\$ 61
1600 Food Service		\$ 170,898					
1700 Extracurricular Activities	\$ 44,700	\$ 1,580,539					
1800 Community Services Activities							
1910 Rentals	\$ 14,905			\$ 15,987			
1920 Contributions and Donations From Private Sources	\$ 12,807	\$ 132,536					
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	\$ 10,374		\$ 2,124,070				
1980 Fees Charged to Grants						\$ 214,513	
1990 Miscellaneous	\$ 253,135	\$ 246,660		\$ 253,830		\$ 65,408	
Total Revenue from Local Sources	\$ 15,789,806	\$ 2,132,892	\$ 4,399,886	\$ 550,492	\$	\$ 283,648	\$ 61
Revenue from Intermediate Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
2101 County School Funds							
2102 Education Service District Apportionment	\$ 795,969						
2105 Natural Gas, Oil, and Mineral Receipts							
2199 Other Intermediate Sources							
2200 Restricted Revenue		\$ 128,136					
2800 Revenue in Lieu of Taxes							
2900 Revenue for/on Behalf of the District							
Total Revenue from Intermediate Sources	\$ 795,969	\$ 128,136	\$	\$	\$	\$	\$
Revenue from State Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
3101 State School Fund - General Support	\$ 29,500,454						
3102 State School Fund - School Lunch Match							
3103 Common School Fund	\$ 552,759						
3104 State Managed County Timber							
3199 Other Unrestricted Grants-in-Aid	\$ 1,410	\$ 24,981					
3204 Driver Education							
3222 State School Fund (SSF) Transportation Equipment							
3299 Other Restricted Grants-in-Aid		\$ 2,158,254					
3800 Revenue in Lieu of Taxes							
3900 Revenue for/on Behalf of the District							
Total Revenue from State Sources	\$ 30,054,623	\$ 2,183,235	\$	\$	\$	\$	\$
Revenue from Federal Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
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		\$ 6,186,270					
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies							
4801 Federal Forest Fees	\$ 15,204						
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		\$ 156,559					
Total Revenue from Federal Sources	\$ 15,204	\$ 6,342,829	\$	\$	\$	\$	\$
Revenue from Other Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
5100 Long Term Debt Financing Sources	\$ 40,281						
5200 Interfund Transfers	\$	\$ 19,995	\$ 17,500	\$ 30,000		\$ 30,000	
5300 Sale of or Compensation for Loss of Fixed Assets	\$ 818						
5400 Resources - Beginning Fund Balance	\$ 3,358,315	\$ 1,462,897	\$ 1,070,493	\$ 1,585,025		\$ 1,160,006	\$ 5,810
Total Revenue from Other Sources	\$ 3,399,414	\$ 1,482,892	\$ 1,087,993	\$ 1,615,025	\$	\$ 1,190,006	\$ 5,810
Grand Totals	\$ 50,055,016	\$ 12,269,984	\$ 5,487,879	\$ 2,165,517	\$	\$ 1,473,654	\$ 5,871

**2016 - 17 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	\$ 8,361,052	\$ 5,221,929	\$ 2,744,844	\$ 244,209	\$ 150,070			
1113 Elementary Extracurricular	\$ 3,260	\$ 2,436	\$ 824					
1121 Middle/Junior High Programs	\$ 3,896,281	\$ 2,352,488	\$ 1,293,889	\$ 190,078	\$ 59,826			
1122 Middle/Junior High School Extracurricular	\$ 45,308	\$ 39,070	\$ 5,915	\$ 122	\$ 36		\$ 165	
1131 Local & Federal Sources	\$ 6,095,763	\$ 3,584,702	\$ 1,896,160	\$ 230,295	\$ 379,694		\$ 4,912	
1132 High School Extracurricular	\$ 1,121,329	\$ 568,338	\$ 223,296	\$ 82,619	\$ 99,033	\$ 40,281	\$ 107,762	
1140 Pre-Kindergarten Programs	\$							
1210 Programs for the Talented and Gifted	\$							
1220 Restrictive Programs for Students with Disabilities	\$ 2,121,619	\$ 1,369,478	\$ 718,359	\$ 9,603	\$ 24,179			
1250 Less Restrictive Programs for Students with Disabilities	\$ 2,192,001	\$ 1,311,119	\$ 701,741	\$ 159,549	\$ 19,592			
1260 Early Intervention	\$							
1271 Remediation	\$							
1272 Title I	\$							
1280 Alternative Education	\$ 2,698,610	\$ 302,051	\$ 190,705	\$ 2,192,816	\$ 13,038			
1291 English Second Language Programs	\$ 199,191	\$ 116,049	\$ 76,274	\$ 780	\$ 6,088			
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	\$ 26,734,414	\$ 14,867,660	\$ 7,852,007	\$ 3,110,071	\$ 751,556	\$ 40,281	\$ 112,839	\$

Support Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$ 11,650			\$ 359	\$ 11,291			
2120 Guidance Services	\$ 898,052	\$ 551,925	\$ 296,467	\$ 47,606	\$ 2,054			
2130 Health Services	\$ 2,816			\$ 20	\$ 2,796			
2140 Psychological Services	\$							
2150 Speech Pathology and Audiology Services	\$							
2160 Other Student Treatment Services	\$							
2190 Service Direction, Student Support Services	\$ 456,347	\$ 247,106	\$ 159,668	\$ 43,984	\$ 4,895		\$ 694	
2210 Improvement of Instruction Services	\$ 190,811	\$ 108,000	\$ 59,888	\$ 9,512	\$ 11,671		\$ 1,740	
2220 Educational Media Services	\$ 841,152	\$ 378,426	\$ 274,534	\$ 110,927	\$ 77,265			
2230 Assessment & Testing	\$							
2240 Instructional Staff Development	\$ 9,334	\$ 757	\$ 219	\$ 8,358				
2310 Board of Education Services	\$ 89,079	\$ 16,161	\$ 13,452	\$ 50,937	\$ 1,144		\$ 7,385	
2320 Executive Administration Services	\$ 267,633	\$ 172,190	\$ 82,158	\$ 7,083	\$ 4,973		\$ 1,229	
2410 Office of the Principal Services	\$ 4,481,904	\$ 2,662,723	\$ 1,560,533	\$ 74,803	\$ 155,056	\$ 9,245	\$ 19,544	
2490 Other Support Services - School Administration	\$							
2510 Direction of Business Support Services	\$							
2520 Fiscal Services	\$ 739,300	\$ 179,718	\$ 118,370	\$ 76,542	\$ 17,825		\$ 346,845	
2540 Operation and Maintenance of Plant Services	\$ 5,038,240	\$ 1,795,256	\$ 1,147,162	\$ 1,836,214	\$ 241,802	\$ 8,200	\$ 9,606	
2550 Student Transportation Services	\$ 4,278,251	\$ 13,630	\$ 7,647	\$ 4,256,974				
2570 Internal Services	\$ 142,959	\$ 59,920	\$ 48,126	\$ 3,170	\$ 31,743			
2610 Direction of Central Support Services	\$							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$							
2640 Staff Services	\$ 575,385	\$ 312,020	\$ 162,024	\$ 70,111	\$ 17,273		\$ 13,957	
2660 Technology Services	\$ 1,004,473	\$ 436,941	\$ 215,752	\$ 128,088	\$ 159,025	\$ 64,367	\$ 300	
2670 Records Management Services	\$							
2690 Other Support Services - Central	\$							
2700 Supplemental Retirement Program	\$ 771,128	\$ 205,734	\$ 565,394					
Total Support Services Expenditures	\$ 19,798,514	\$ 7,140,507	\$ 4,711,394	\$ 6,724,688	\$ 738,813	\$ 81,812	\$ 401,300	\$

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	\$ 97,495	\$ 97,495						
5300 Apportionment of Funds by ESD	\$							
5400 PERS UAL Bond Lump Sum	\$							

Total Other Uses Expenditures \$ 97,495 \$ 97,495 \$ \$ \$ \$ \$

Grand Total \$ 46,630,423 \$ 22,105,662 \$ 12,563,401 \$ 9,834,759 \$ 1,490,369 \$ 122,093 \$ 514,139 \$

**2016 - 17 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

Fund: 200 - Special Revenue

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	\$ 27,024	\$ 20,375	\$ 1,930		\$ 4,719			
1112 Intermediate Programs	\$							
1113 Elementary Extracurricular	\$ 228,862			\$ 72,207	\$ 137,787		\$ 18,868	
1121 Middle/Junior High Programs	\$ 75,418	\$ 2,374	\$ 735	\$ 71,502	\$ 807			
1122 Middle/Junior High School Extracurricular	\$ 201,622			\$ 41,452	\$ 138,352		\$ 21,818	
1131 Local & Federal Sources	\$ 50,773	\$ 725	\$ 247	\$ 13,407	\$ 33,991		\$ 2,403	
1132 High School Extracurricular	\$ 1,128,749	\$ 4,240	\$ 1,441	\$ 282,208	\$ 548,541	\$ 55,613	\$ 236,706	
1140 Pre-Kindergarten Programs	\$							
1210 Programs for the Talented and Gifted	\$							
1220 Restrictive Programs for Students with Disabilities	\$ 444,019	\$ 191,949	\$ 104,412	\$ 40,442	\$ 97,917		\$ 9,299	
1250 Less Restrictive Programs for Students with Disabilities	\$ 1,110,600	\$ 708,073	\$ 362,488	\$ 634			\$ 39,405	
1260 Early Intervention	\$							
1271 Remediation	\$ 279,741	\$ 103,560	\$ 29,920	\$ 1,687	\$ 107,367	\$ 36,807	\$ 400	
1272 Title I	\$ 1,618,327	\$ 909,036	\$ 528,046	\$ 63,288	\$ 117,957			
1280 Alternative Education	\$							
1291 English Second Language Programs	\$ 91,006	\$ 736	\$ 212	\$ 21,568	\$ 66,346		\$ 2,144	
1292 Teen Parent Program	\$							
1293 Migrant Education	\$							
1294 Youth Corrections Education	\$ 1,029,766	\$ 535,237	\$ 252,291	\$ 45,152	\$ 195,236		\$ 1,850	
1299 Other Programs	\$							
1300 Adult/Continuing Education Programs	\$							
1400 Summer School Programs	\$ 43,388	\$ 33,049	\$ 10,339					
Total Instruction Expenditures	\$ 6,329,295	\$ 2,509,354	\$ 1,292,061	\$ 653,547	\$ 1,449,020	\$ 92,420	\$ 332,893	\$
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$ 58,615	\$ 28,935	\$ 24,003	\$ 13	\$ 5,614		\$ 50	
2120 Guidance Services	\$ 119,990	\$ 18,997	\$ 3,097	\$ 84,864	\$ 9,914		\$ 3,118	
2130 Health Services	\$ 118,560	\$ 1,015	\$ 337	\$ 116,648	\$ 560			
2140 Psychological Services	\$							
2150 Speech Pathology and Audiology Services	\$							
2160 Other Student Treatment Services	\$							
2190 Service Direction, Student Support Services	\$ 84,914	\$ 52,391	\$ 28,990	\$ 3,533				
2210 Improvement of Instruction Services	\$ 791,388	\$ 370,530	\$ 161,433	\$ 97,059	\$ 72,550		\$ 89,816	
2220 Educational Media Services	\$							
2230 Assessment & Testing	\$							
2240 Instructional Staff Development	\$ 402,911	\$ 166,617	\$ 91,373	\$ 88,292	\$ 26,796		\$ 29,833	
2310 Board of Education Services	\$							
2320 Executive Administration Services	\$							
2410 Office of the Principal Services	\$ 257,269	\$ 144,736	\$ 65,332	\$ 3,518			\$ 43,683	
2490 Other Support Services - School Administration	\$ 11,247			\$ 11,247				
2510 Direction of Business Support Services	\$							
2520 Fiscal Services	\$							
2540 Operation and Maintenance of Plant Services	\$ 24,981			\$ 24,981				
2550 Student Transportation Services	\$ 46,851			\$ 46,851				
2570 Internal Services	\$							
2610 Direction of Central Support Services	\$							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$							
2640 Staff Services	\$ 140			\$ 140				
2660 Technology Services	\$ 73,731			\$ 5,595		\$ 68,136		
2670 Records Management Services	\$							
2690 Other Support Services - Central	\$							
2700 Supplemental Retirement Program	\$							
Total Support Services Expenditures	\$ 1,990,597	\$ 783,221	\$ 374,565	\$ 482,741	\$ 115,434	\$ 68,136	\$ 166,500	\$
Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$ 2,224,922	\$ 667,147	\$ 411,212	\$ 1,104,387	\$ 10,741	\$ 14,253	\$ 17,182	
3200 Other Enterprise Services	\$							
3300 Community Services	\$ 80,831	\$ 15,800	\$ 3,728	\$ 41,444	\$ 19,859			
3500 Custody and Care of Children Services	\$							
Total Enterprise and Community Services Expenditures	\$ 2,305,753	\$ 682,947	\$ 414,940	\$ 1,145,831	\$ 30,600	\$ 14,253	\$ 17,182	\$
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	\$							
5300 Apportionment of Funds by ESD	\$							
5400 PERS UAL Bond Lump Sum	\$							
Total Other Uses Expenditures	\$	\$	\$	\$	\$	\$	\$	\$
Grand Total	\$ 10,625,645	\$ 3,975,522	\$ 2,081,566	\$ 2,282,119	\$ 1,595,054	\$ 174,809	\$ 516,575	\$

**2016 - 17 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	\$0							
1112 Intermediate Programs	\$0							
1113 Elementary Extracurricular	\$0							
1121 Middle/Junior High Programs	\$0							
1122 Middle/Junior High School Extracurricular	\$0							
1131 Local & Federal Sources	\$0							
1132 High School Extracurricular	\$0							
1140 Pre-Kindergarten Programs	\$0							
1210 Programs for the Talented and Gifted	\$0							
1220 Restrictive Programs for Students with Disabilities	\$0							
1250 Less Restrictive Programs for Students with Disabilities	\$0							
1260 Early Intervention	\$0							
1271 Remediation	\$0							
1272 Title I	\$0							
1280 Alternative Education	\$0							
1291 English Second Language Programs	\$0							
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$0							
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$0							
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$0							
Total Instruction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Support Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$0							
2120 Guidance Services	\$0							
2130 Health Services	\$0							
2140 Psychological Services	\$0							
2150 Speech Pathology and Audiology Services	\$0							
2160 Other Student Treatment Services	\$0							
2190 Service Direction, Student Support Services	\$0							
2210 Improvement of Instruction Services	\$0							
2220 Educational Media Services	\$0							
2230 Assessment & Testing	\$0							
2240 Instructional Staff Development	\$0							
2310 Board of Education Services	\$0							
2320 Executive Administration Services	\$0							
2410 Office of the Principal Services	\$0							
2490 Other Support Services - School Administration	\$0							
2510 Direction of Business Support Services	\$0							
2520 Fiscal Services	\$0							
2540 Operation and Maintenance of Plant Services	\$0							
2550 Student Transportation Services	\$0							
2570 Internal Services	\$0							
2610 Direction of Central Support Services	\$0							
2630 Information Services	\$0							
2640 Staff Services	\$0							
2660 Technology Services	\$0							
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$0							
2700 Supplemental Retirement Program	\$0							
Total Support Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Enterprise and Community Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$0							
3200 Other Enterprise Services	\$0							
3300 Community Services	\$0							
3500 Custody and Care of Children Services	\$0							
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Facilities Acquisition and Construction Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	\$0							
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and Improvement Services	\$0							
4190 Other Facilities Construction Services	\$0							
Total Facilities Acquisition and Construction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Other Uses Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$4,495,715						\$4,495,715	
5200 Transfers of Funds	\$0							
5300 Apportionment of Funds by ESD	\$0							
5400 Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$4,495,715	\$0	\$0	\$0	\$0	\$0	\$4,495,715	\$0
Grand Total	\$4,495,715	\$0	\$0	\$0	\$0	\$0	\$4,495,715	\$0

**2016 - 17 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

Fund: 400 - Capital Projects

Instruction Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	\$0							
1112 Intermediate Programs	\$0							
1113 Elementary Extracurricular	\$0							
1121 Middle/Junior High Programs	\$0							
1122 Middle/Junior High School Extracurricular	\$0							
1131 Local & Federal Sources	\$0							
1132 High School Extracurricular	\$0							
1140 Pre-Kindergarten Programs	\$0							
1210 Programs for the Talented and Gifted	\$0							
1220 Restrictive Programs for Students with Disabilities	\$0							
1250 Less Restrictive Programs for Students with Disabilities	\$0							
1260 Early Intervention	\$0							
1271 Remediation	\$0							
1272 Title I	\$0							
1280 Alternative Education	\$0							
1291 English Second Language Programs	\$0							
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$0							
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$0							
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$0							
Total Instruction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Support Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$0							
2120 Guidance Services	\$0							
2130 Health Services	\$0							
2140 Psychological Services	\$0							
2150 Speech Pathology and Audiology Services	\$0							
2160 Other Student Treatment Services	\$0							
2190 Service Direction, Student Support Services	\$0							
2210 Improvement of Instruction Services	\$0							
2220 Educational Media Services	\$0							
2230 Assessment & Testing	\$0							
2240 Instructional Staff Development	\$0							
2310 Board of Education Services	\$0							
2320 Executive Administration Services	\$0							
2410 Office of the Principal Services	\$0							
2490 Other Support Services - School Administration	\$0							
2510 Direction of Business Support Services	\$0							
2520 Fiscal Services	\$0							
2540 Operation and Maintenance of Plant Services	\$466,923	\$3,530	\$1,120	\$35,933	\$46,996	\$242,237	\$137,107	
2550 Student Transportation Services	\$0							
2570 Internal Services	\$0							
2610 Direction of Central Support Services	\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0							
2640 Staff Services	\$0							
2660 Technology Services	\$0							
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$0							
2700 Supplemental Retirement Program	\$0							
Total Support Services Expenditures	\$466,923	\$3,530	\$1,120	\$35,933	\$46,996	\$242,237	\$137,107	\$0

Enterprise and Community Services Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$0							
3200 Other Enterprise Services	\$0							
3300 Community Services	\$0							
3500 Custody and Care of Children Services	\$0							
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Facilities Acquisition and Construction Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	\$0							
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and Improvement Services	\$40,911					\$40,831	\$80	
4190 Other Facilities Construction Services	\$0							
Total Facilities Acquisition and Construction Expenditures	\$40,911	\$0	\$0	\$0	\$0	\$40,831	\$80	\$0

Other Uses Expenditures

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$0							
5200 Transfers of Funds	\$0							
5300 Apportionment of Funds by ESD	\$0							
5400 Bond Lump Sum	\$0							
Total Other Uses Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Grand Total

\$507,834	\$3,530	\$1,120	\$35,933	\$46,996	\$283,068	\$137,187	\$0
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**2016 - 17 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	\$0						
1112 Intermediate Programs	\$0						
1113 Elementary Extracurricular	\$0						
1121 Middle/Junior High Programs	\$0						
1122 Middle/Junior High School Extracurricular	\$0						
1131 Local & Federal Sources	\$0						
1132 High School Extracurricular	\$0						
1140 Pre-Kindergarten Programs	\$0						
1210 Programs for the Talented and Gifted	\$0						
1220 Restrictive Programs for Students with Disabilities	\$0						
1250 Less Restrictive Programs for Students with Disabilities	\$0						
1260 Early Intervention	\$0						
1271 Remediation	\$0						
1272 Title I	\$0						
1280 Alternative Education	\$0						
1291 English Second Language Programs	\$0						
1292 Teen Parent Program	\$0						
1293 Migrant Education	\$0						
1294 Youth Corrections Education	\$0						
1299 Other Programs	\$0						
1300 Adult/Continuing Education Programs	\$0						
1400 Summer School Programs	\$0						
Total Instruction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Support Services Expenditures

Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$0						
2120 Guidance Services	\$0						
2130 Health Services	\$0						
2140 Psychological Services	\$0						
2150 Speech Pathology and Audiology Services	\$0						
2160 Other Student Treatment Services	\$0						
2190 Service Direction, Student Support Services	\$0						
2210 Improvement of Instruction Services	\$0						
2220 Educational Media Services	\$0						
2230 Assessment & Testing	\$0						
2240 Instructional Staff Development	\$0						
2310 Board of Education Services	\$0						
2320 Executive Administration Services	\$0						
2410 Office of the Principal Services	\$0						
2490 Other Support Services - School Administration	\$0						
2510 Direction of Business Support Services	\$0						
2520 Fiscal Services	\$150,804	\$91,617	\$53,614	\$2,458	\$3,115		
2540 Operation and Maintenance of Plant Services	\$3,569			\$3,236	\$333		
2550 Student Transportation Services	\$0						
2570 Internal Services	\$0						
2610 Direction of Central Support Services	\$0						
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0						
2640 Staff Services	\$68,331	\$21,263	\$40,139		\$6,929		
2660 Technology Services	\$0						
2670 Records Management Services	\$0						
2690 Other Support Services - Central	\$0						
2700 Supplemental Retirement Program	\$0						
Total Support Services Expenditures	\$222,704	\$112,880	\$93,753	\$5,694	\$10,377	\$0	\$0

Enterprise and Community Services Expenditures

Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$0						
3200 Other Enterprise Services	\$0						
3300 Community Services	\$0						
3500 Custody and Care of Children Services	\$0						
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Facilities Acquisition and Construction Expenditures

Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
4110 Service Area Direction	\$0						
4120 Site Acquisition and Development Services	\$0						
4150 Building Acquisition, Construction, and Improvement Services	\$0						
4190 Other Facilities Construction Services	\$0						
Total Facilities Acquisition and Construction Expenditures	\$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	\$0						
5200 Transfers of Funds	\$0						
5300 Apportionment of Funds by ESD	\$0						
5400 Bond Lump Sum	\$0						
Total Other Uses Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Grand Total

\$222,704	\$112,880	\$93,753	\$5,694	\$10,377	\$0	\$0	\$0
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SUPPLEMENTAL INFORMATION, 2016-2017

School District Business Managers and Auditors:

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

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

A. Energy Bill for Heating - All Funds:

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

	Objects 325 & 326
Function 2540	\$ 1,162,317
Function 2550	\$ 0

B. Replacement of Equipment – General Fund:

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

\$	8,200
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exclusions:

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, 2017, and have issued our report thereon dated December 18, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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.

A handwritten signature in black ink that reads "Stewart C. Parmele, CPA, Partner". The signature is written in a cursive, flowing style.

Stewart C. Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 18, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 18, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 18, 2017

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

To the Board of Directors
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, 2017. The District's major federal programs are identified in the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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, 2017.

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 2017-001. 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 2017-001 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 18, 2017

THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2017

	FEDERAL CFDA NUMBER	GRANT/CONTRACT NUMBER	FEDERAL EXPENDITURES
FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE			
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	36091	\$ 449,132
Title IA	84.010	41175	1,679,406
Total CFDA 84.010			<u>2,128,538</u>
Title IA - YCEP	84.013	42051	112,946
Title I - N&D SOASTC	84.013	42109	20,205
Total CFDA 84.013			<u>133,151</u>
TITLE IIA - Improving Teacher Quality State Grants			
Title IIA	84.367	36288	72,613
Title IIA	84.367	41430	225,261
Total CFDA 84.367			<u>297,874</u>
Special Education Cluster (IDEA)			
IDEA Part B	84.027	41636	769,315
IDEA Part B	84.027	36982	193,171
IDEA Enhancement	84.027	38449	3,170
IDEA Enhancement	84.027	42773	7,415
IDEA YCEP	84.027	42042	61,687
IDEA Kairos	84.027	42086	9,764
SPR&I	84.027	40968	3,533
Preschool Grant	84.173	40695	634
Total Special Education Cluster (IDEA)			<u>1,048,689</u>
OTHER FEDERAL PROGRAMS			
21st Century Community Learning	84.287	40533	191,181
21st Century Community Learning	84.287	36395	306,914
Total CFDA 84.287			<u>498,095</u>
Gear Up IV year 2	84.334	N/A	6,034
Gear Up - IV year 3	84.334	N/A	25,630
Total CFDA 84.334			<u>31,664</u>
YTP Grant	84.126A	149088	133,652
Total CFDA 84.126			<u>133,652</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>4,271,663</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
Child Nutrition Cluster			
National School Breakfast Program	10.553	N/A	415,992
National School Lunch Program	10.555	N/A	1,318,820
Commodities Program	10.555	N/A	156,559
CACFP	10.559	N/A	37,320
Total Child Nutrition Cluster			<u>1,928,691</u>
Child Care	10.558	N/A	71,366
Total CFDA 10.558			<u>71,366</u>
CNP Fresh Fruit & Vegetable Program	10.582	N/A	2,092
CNP Fresh Fruit & Vegetable Program	10.582	N/A	69,017
Total 10.582			<u>71,109</u>
Passed Through Josephine County:			
Schools and Roads - Grants to States	10.665	N/A	15,204
Total CFDA 10.665			<u>15,204</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>2,086,370</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 6,358,033</u>

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For The Year Ended June 30, 2017**

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, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, 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, 2017, the District received food commodities totaling \$156,559.

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, 2017**

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
21st Century Community Learning	CFDA # 84.287

8. The threshold for distinguishing Types A and B Programs was \$750,000.
9. Three Rivers School District qualified 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

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.