

THREE RIVERS SCHOOL DISTRICT
Josephine County, Oregon

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2015

WITH

INDEPENDENT AUDITOR'S REPORTS

**THREE RIVERS SCHOOL DISTRICT
Josephine County, Oregon
June 30, 2015**

BOARD OF EDUCATION AS OF JUNE 30, 2015

Danny York	Chairperson
Ron Lengwin	Vice Chairperson
Kara Olmo	Member
Ron Crume	Member
Kate Dwyer	Member

ADMINISTRATION

P.O. Box 160
Murphy, Oregon 97533

David Holmes	Superintendent-Clerk
Lisa Cross	Accounting Manager

THREE RIVERS SCHOOL DISTRICT

Josephine County, Oregon

June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Three Rivers School District
Murphy, OR

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. According, 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, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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, the Schedule of Funding Progress - Other Postemployment Benefits, the Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset), and the Schedule of the District's Pension Contributions 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 and the Schedule of Funding Progress – Other Postemployment Benefits 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, the Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset), and the Schedule of the District's Pension Contributions 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, the Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset), and the Schedule of the District's Pension Contributions 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 the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, 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 23, 2015, 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 23, 2015 on our consideration of the District's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.

Stewart C. Parmele, CPA, Partner

Stewart C. Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 23, 2015

**THREE RIVERS/JOSEPHINE COUNTY UNIT JOINT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, 2015. 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.

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.

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

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

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

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

Fund Financial Statements - The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives (like the Food Service Fund) or to show that it is meeting legal responsibilities for using certain grants (like Title I and other federal, state, or locally funded grants). All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds reporting focuses on showing how money flows into and out of funds, and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual, which measures cash and all other *financial assets* that can 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* and other supplementary information as listed in the table of contents.

Government-Wide Financial Analysis

Over time, net position may serve as a useful indicator of the District's financial position; as of 30 June 2015, the District's assets and deferred outflows exceeded its liabilities and deferred inflows by \$6.7 million, an increase of approximately \$9.6 million from Fiscal year 2014. Additionally, there was a restatement of the beginning net position resulting in a decrease of \$24.9 million. This decrease is related to the implementation of the new GASB No. 68 and GASB No. 71 accounting guidance, as discussed in Note 15 to the financial statements.

About 67% of the District's total assets signify its investment in capital assets, which consist of the District's land, buildings and improvements, equipment, and vehicles and total \$38.9 million. The remaining assets consist mainly of cash, prepaid pension asset, and receivables.

The District's largest liability is \$38.9 million for the repayment of general and pension obligation bonds, an additional compensation obligation and a capital lease. Current liabilities, representing about 8.4% of the District's total liabilities, consist primarily of payables on accounts, and salaries and benefits.

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

**Statement of Net Position Summary
Governmental Activities**

	2011	2012	2013	2014	2015	Increase (Decrease): 2014 to 2015
Assets and Deferred Outflows						
Current and other assets	30,311,500	29,008,169	26,110,083	26,320,657	18,905,013	(7,415,644)
Capital assets	48,473,773	45,990,739	43,224,558	40,579,794	38,899,052	(1,680,742)
Deferred outflow s related to pension	-	-	-	-	3,146,651	3,146,651
Total assets and deferred outflows	78,785,273	74,998,908	69,334,641	66,900,451	60,950,716	(5,949,735)
Liabilities						
Current liabilities	3,244,505	3,877,747	3,714,720	3,340,704	3,560,227	219,523
Long term liabilities	47,173,227	45,275,520	43,771,186	41,540,479	38,887,806	(2,652,673)
Deferred inflow s related to pension	-	-	-	-	11,764,814	11,764,814
Total liabilities and deferred inflows	50,417,732	49,153,267	47,485,906	44,881,183	54,212,847	9,331,664
Net Assets						
Net investment in capital assets	28,078,928	27,146,236	25,937,024	24,497,314	24,626,267	128,953
Restricted	4,458,137	4,156,447	3,427,598	2,582,248	2,495,184	(87,064)
Unrestricted	(4,169,524)	(5,457,043)	(7,515,887)	(5,060,294)	(20,383,582)	(15,323,288)
Total Net Assets	28,367,541	25,845,640	21,848,735	22,019,268	6,737,869	(15,281,399)

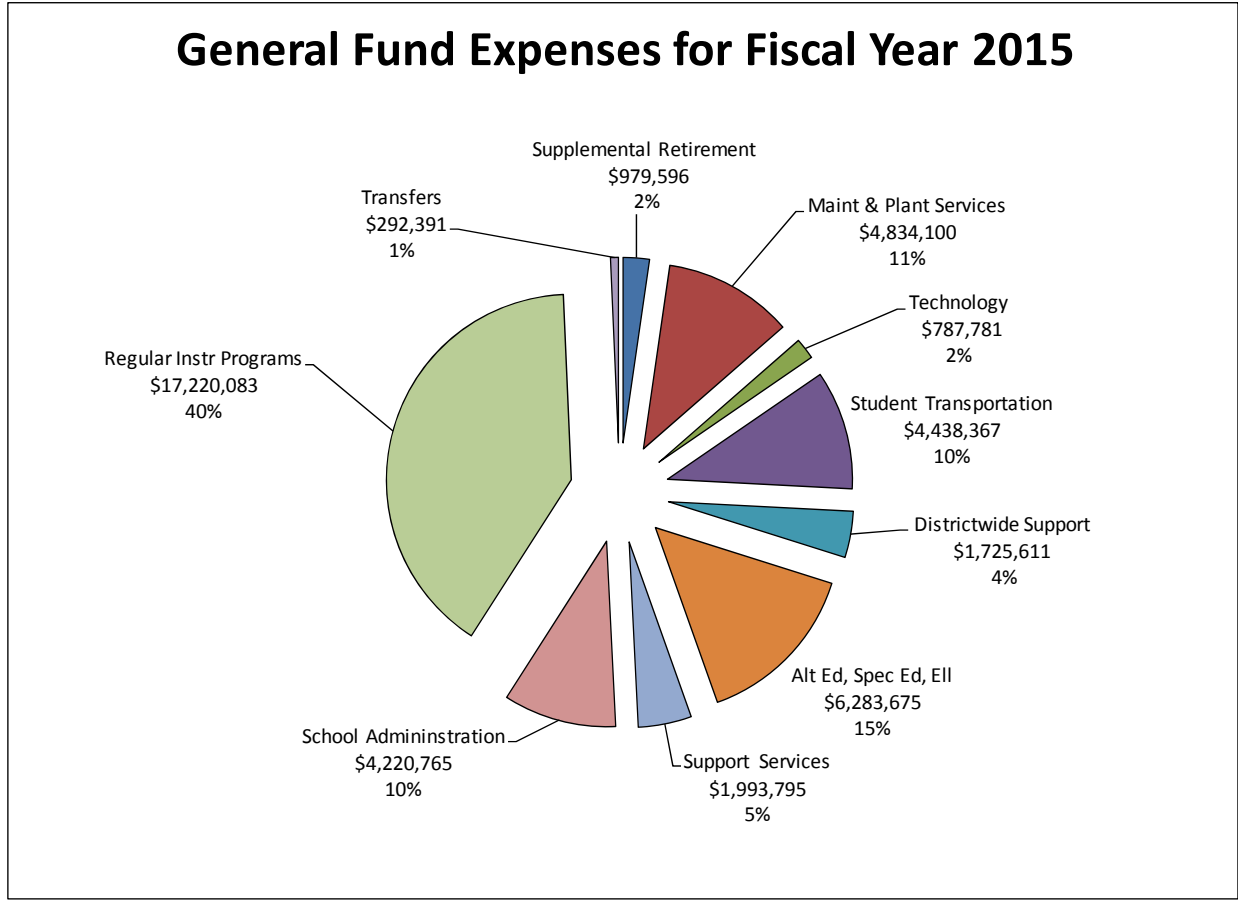
Financial Analysis of the District's Funds

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.

Governmental Funds Balance Sheet 2014 - 2015

Assets	2011	2012	2013	2014	2015
Equity in cash and investments	7,397,463	7,004,095	5,025,365	7,654,534	7,852,398
Taxes receivable	1,355,681	1,551,197	1,535,887	1,591,736	1,657,607
Other receivables	2,040,965	1,798,996	1,719,701	1,358,814	1,490,824
Prepaid expenses	299,206	611,030	754,684	140,138	609,067
Total assets	11,093,315	10,965,318	9,035,637	10,745,222	11,609,896
Liabilities					
Accounts Payable	625,324	366,910	354,415	945,007	605,430
Accrued Payroll	741,367	1,170,837	882,144	1,001,433	1,013,156
Unearned/Unavailable Revenues	1,187,513	1,442,804	1,297,062	1,494,645	1,476,432
Total Liabilities	2,554,204	2,980,551	2,533,621	3,441,085	3,095,018
Fund Balances					
Non-Spendable	355,458	655,067	810,903	180,728	652,449
Restricted Balances	2,817,868	1,871,512	2,094,443	2,402,668	2,311,949
Committed Balance	1,130,304	2,029,354	1,328,167	1,252,324	1,128,222
Assigned Balances	2,949,409	1,848,553	1,703,486	2,246,631	2,364,244
Unassigned Balances	1,286,072	1,580,281	565,017	1,221,786	2,058,014
Total Fund Balance	8,539,111	7,984,767	6,502,016	7,304,137	8,514,878

General Fund - The General Fund is the primary operating fund of the District. As of June 30, 2015, the fund balance was \$3.9 million; an increase of \$1.1 million from the previous year. 53% of this increase was due to additional state funding recognized in May of 2015. Reduction of expenditures in several areas of the district accounted for the balance, i.e., workers' compensation insurance, utilities, legal services, and supplies.



Financial Analysis of the District's Funds - continued

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 balance is consistent with the prior year, up \$156,000 from 2013-2014.

Debt Service - The Ending Fund Balance in the debt service fund increased by \$175,000. 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 decreased by approximately \$227,000, this was due to district maintenance projects, along with equipment and vehicles purchased as mentioned in Note 5 - Capital Assets.

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, 2015, the District had invested \$38.9 million in capital assets, net of depreciation. This is down \$1.7 million from the previous year due to the accumulated depreciation outweighing acquisitions.

The major capital asset additions were:

- 1 courier van
- 3 maintenance / technology vehicles
- Bleacher upgrades and repairs at all 3 high schools
- 2 domestic hot water heaters at Lincoln Savage Middle School
- New Boiler at Williams Elementary
- Hidden Valley Turf Field

Long Term Debt – At the end of the current fiscal year, the District had total bonded debt outstanding and capital leases of \$38.86 million, consisting of the following:

- PERS Bond \$24.38 million
- General Obligation Bond \$12.13 million
- QZAB Bonds \$ 1.45 million
- HV Turf Field \$.14 million
- Capital Leases \$.76 million

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

Economic Factors & Next Year's Budget

District revenues for 2015-16 will increase over the prior year. The State School Fund which comprises the largest resource for the District includes revenues from income taxes, which have remained stable, and property taxes which have steadily climbed over the past two years. Those increases along with a substantial beginning fund balance will help the district realize its goal to increase learning opportunities for students with an additional 6 new licensed staff to implement full day kindergarten, a district librarian, a second ELL instructor, additional career and guidance counseling at each high school, and pay for head coaches at the middle and high schools. However, the District is still realizing declining enrollment and the challenge for 2016-17 will be to continue offering the same services as the 2015-16 school year.

For the 2017-19 biennium the entire state of Oregon will be struggling with increased PERS contributions due to legislative reforms being overturned in court. Those increases for the Three Rivers School District could be as much as \$1.2 million dollars a year. Those factors will need to be considered closely when planning for future budgeting and expensing.

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.


_____, Superintendent


_____, Accounting Manager

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS:	
ASSETS:	
Cash and investments	\$ 9,050,464
Taxes receivable	1,657,607
Other receivables	481,257
Intergovernmental account receivables	966,198
Prepaid expenses	609,067
Inventories	43,382
Net pension asset	6,097,038
Capital assets, net	
Land	598,311
Construction in progress	155,131
Buildings and improvements	35,149,548
Machinery, equipment and vehicles	2,996,062
TOTAL ASSETS	57,804,065
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows related to pension	3,146,651
TOTAL ASSETS AND DEFERRED OUTFLOWS	60,950,716
LIABILITIES AND DEFERRED INFLOWS:	
LIABILITIES:	
Accounts payable	606,044
Accrued payroll liabilities	1,013,156
Accrued interest payable	37,978
Accrued compensated absences	86,960
Unearned revenue	75,310
Accrued retirement benefits	1,526,779
Accrued compensation	214,000
Capital lease payable	
Due within one year	81,051
Due in more than one year	677,409
Debt payable, net of bond premiums	
Due within one year	2,572,085
Due in more than one year	35,557,261
TOTAL LIABILITIES	42,448,033
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	11,764,814
TOTAL LIABILITIES AND DEFERRED INFLOWS	54,212,847
NET POSITION:	
Net investment in capital assets	24,626,267
Restricted for:	
Special projects	63,533
Debt service	1,217,743
Capital projects	1,213,908
Unrestricted	(20,383,582)
TOTAL NET POSITION	\$ 6,737,869

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change In Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 25,710,832	\$ 1,706,434	\$ 4,547,122	\$ -	\$ (19,457,276)
Supporting services	18,125,333	255,510	1,564,287	-	(16,305,536)
Community services	1,724,923	186,597	1,846,102	-	307,776
Facilities acquisition and construction	-	45,301	1,304	367,490	414,095
Interest on long term debt	2,030,565	-	-	-	(2,030,565)
Total government activities	\$ 47,591,653	\$ 2,193,842	\$ 7,958,815	\$ 367,490	(37,071,506)
General revenues:					
Property taxes levied for general purposes					14,217,412
Property taxes levied for debt service					2,156,717
Construction excise tax					241,025
State school fund - general support					27,672,114
Common school fund					453,844
Federal forest fees					156,266
Unrestricted state and local sources					916,188
Earnings on investments					89,375
Gain on sale of surplus property					83,553
Miscellaneous					675,027
Total general revenues					46,661,521
CHANGE IN NET POSITION					9,590,015
NET POSITION - July 1, 2014 (AS RESTATED)					(2,852,146)
NET POSITION - June 30, 2015					\$ 6,737,869

FUND FINANCIAL STATEMENTS

**THREE RIVERS SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS					
Equity in pooled cash and investments	\$ 4,075,813	\$ 529,713	\$ 1,001,018	\$ 2,245,854	\$ 7,852,398
Receivables					
Property taxes	1,440,882	-	216,725	-	1,657,607
Accounts	345,103	91,744	-	44,397	481,244
Grants	-	966,198	-	-	966,198
Prepaid	609,067	-	-	-	609,067
Inventory	43,382	-	-	-	43,382
TOTAL ASSETS	\$ 6,514,247	\$ 1,587,655	\$ 1,217,743	\$ 2,290,251	\$ 11,609,896
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 366,301	\$ 197,331	\$ -	\$ 41,798	\$ 605,430
Accrued payroll liabilities	1,007,442	5,714	-	-	1,013,156
Unearned revenue	12,654	62,656	-	-	75,310
TOTAL LIABILITIES	1,386,397	265,701	-	41,798	1,693,896
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	1,217,887	-	183,235	-	1,401,122
TOTAL DEFERRED INFLOWS	1,217,887	-	183,235	-	1,401,122
Fund Balances:					
Nonspendable	652,449	-	-	-	652,449
Restricted	-	63,533	1,034,508	1,213,908	2,311,949
Committed	510,000	-	-	618,222	1,128,222
Assigned	689,500	1,258,421	-	416,323	2,364,244
Unassigned	2,058,014	-	-	-	2,058,014
TOTAL FUND BALANCES	3,909,963	1,321,954	1,034,508	2,248,453	8,514,878
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,514,247	\$ 1,587,655	\$ 1,217,743	\$ 2,290,251	\$ 11,609,896

**THREE RIVERS SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2015**

TOTAL FUND BALANCES		\$ 8,514,878
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 113,986,117	
Accumulated depreciation	<u>(75,087,065)</u>	38,899,052
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.		
		1,401,122
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.		
		1,197,465
The asset (liability) associated with the District's pension (OPERS) is not recorded in the governmental funds as it is not available nor payable currently.		
		6,097,038
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.		
		(8,618,163)
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	(37,978)	
ERB liability	(214,000)	
Capital leases payable	(758,460)	
Debt payable, net of bond premium	(38,129,346)	
Accrued compensated absences	(86,960)	(39,226,744)
The other post employment benefit liability obligation is not reported with the governmental funds.		
		<u>(1,526,779)</u>
TOTAL NET POSITION		<u><u>\$ 6,737,869</u></u>

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES					
Property taxes and other taxes	\$ 14,201,457	\$ -	\$ 2,156,717	\$ 241,025	\$ 16,599,199
Intergovernmental	29,207,779	7,957,511	-	1,304	37,166,594
Charges for services	120,046	1,694,964	-	-	1,815,010
Local grants and contributions	6,863	78,553	-	367,490	452,906
Investment earnings	54,778	1,000	8,735	23,224	87,737
Miscellaneous	272,690	160,525	2,158,830	244,600	2,836,645
TOTAL REVENUES	43,863,613	9,892,553	4,324,282	877,643	58,958,091
EXPENDITURES					
Current					
Instruction	23,483,758	6,226,551	-	40,000	29,750,309
Support services	18,980,015	1,693,673	-	671,265	21,344,953
Enterprise and community services	-	2,058,783	-	-	2,058,783
Facilities and acquisition	-	15,000	-	543,772	558,772
Debt Service	-	-	4,154,533	-	4,154,533
TOTAL EXPENDITURES	42,463,773	9,994,007	4,154,533	1,255,037	57,867,350
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,399,840	(101,454)	169,749	(377,394)	1,090,741
OTHER FINANCING SOURCES (USES)					
Loan proceeds	-	-	-	150,000	150,000
Transfers	(292,391)	257,391	5,000	-	(30,000)
TOTAL OTHER FINANCING SOURCES (USES)	(292,391)	257,391	5,000	150,000	120,000
NET CHANGE IN FUND BALANCE	1,107,449	155,937	174,749	(227,394)	1,210,741
FUND BALANCE, July 1, 2014	2,802,514	1,166,017	859,759	2,475,847	7,304,137
FUND BALANCE, June 30, 2015	\$ 3,909,963	\$ 1,321,954	\$ 1,034,508	\$ 2,248,453	\$ 8,514,878

**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, 2015**

NET CHANGE IN FUND BALANCE		\$ 1,210,741
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Government funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Expenditures for capital assets	\$ 963,254	
Less current year depreciation	<u>(2,643,996)</u>	(1,680,742)
<p>Repayment of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position. This is the principal payment.</p>		
		2,580,605
<p>Governmental funds report the effect of issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences:</p>		
Amortization of premium		8,069
<p>Governmental funds report the proceeds from long term debt financing as income, while in the State of Activities the proceeds are eliminated and included in the Statement of Net Position as a liability</p>		
		(150,000)
<p>Internal service funds are used by management to charge the costs of unemployment insurance premiums to individual funds. This activity is consolidated with the governmental activities in the statement of activities.</p>		
		(188,197)
<p>In the Statement of Activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as an interest expense when due.</p>		
Interest paid	2,037,605	
Interest expense	<u>(2,038,657)</u>	(1,052)
<p>Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the statement of activities property taxes are recognized as revenue when levied.</p>		
		15,955
<p>The change in the net post employment benefit obligation is not recognized in the governmental funds.</p>		
		(365,108)
<p>Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as an expenditure when earned.</p>		
		(13,311)
<p>Governmental funds report pension contributions as expenditures. In the statement of activities, the cost of pension benefits earned (actuarially determined) net of employee contributions is reported as pension expense.</p>		
		<u>8,173,055</u>
CHANGE IN NET POSITION		<u>\$ 9,590,015</u>

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015**

	Internal Service Funds
ASSETS	
Equity in pooled cash and investments	\$ 1,198,066
Accounts receivable	<u>13</u>
TOTAL ASSETS	<u>1,198,079</u>
 LIABILITIES AND NET POSITION	
Current liabilities	
Accounts payable	<u>614</u>
TOTAL LIABILITIES	<u>614</u>
 NET POSITION	
Unrestricted	<u>1,197,465</u>
TOTAL NET POSITION	<u><u>\$ 1,197,465</u></u>

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015**

	Internal Service Fund
	<u> </u>
OPERATING REVENUES	
Self insurance revenues	\$ <u>352,313</u>
TOTAL OPERATING REVENUES	<u>352,313</u>
OPERATING EXPENSES	
Current	
Support services	<u>572,148</u>
TOTAL OPERATING EXPENSES	<u>572,148</u>
TOTAL OPERATING INCOME / (LOSS)	(219,835)
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>1,638</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,638</u>
INCOME (LOSS) BEFORE TRANSFERS	(218,197)
TRANSFERS IN	<u>30,000</u>
CHANGE IN NET POSITION	(188,197)
NET POSITION, June 30, 2014	<u>1,385,662</u>
NET POSITION, June 30, 2015	<u><u>\$ 1,197,465</u></u>

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015**

	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Interfund activity - self insurance receipts	\$ 352,300
Supporting services	<u>(584,072)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(231,772)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	<u>30,000</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>30,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>1,638</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,638</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(200,134)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,398,200</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,198,066</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING INCOME	
Operating income (loss)	\$ (219,835)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase in accounts receivable	(13)
Decrease in accounts payable	<u>(11,924)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (231,772)</u></u>

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	<u>Scholarship Expendable Trust Fund</u>
ASSETS:	
Equity in pooled cash and investments	<u>\$ 7,741</u>
LIABILITIES	
Due to students and other groups	<u>-</u>
NET POSITION	
Reserved for scholarships	<u><u>\$ 7,741</u></u>

**THREE RIVERS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2015**

	Scholarship Expendable Trust Fund
ADDITIONS	
Earnings on investments	<u>\$ 77</u>
TOTAL ADDITIONS	<u>77</u>
REDUCTIONS	
Total Deductions	<u>1,000</u>
CHANGE IN NET POSITION	(923)
NET POSITION, June 30, 2014	<u>8,664</u>
NET POSITION, June 30, 2015	<u><u>\$ 7,741</u></u>

NOTES TO BASIC FINANCIAL STATEMENT

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

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, 2015

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, 2015

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, 2015

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 inflow. 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.

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.

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

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

Accounts and Other Receivables

Accounts and other receivables are comprised primarily of State school support and claims for reimbursement of costs under various federal and state grants. Due to the nature of the receivables and the likelihood of collection, no provision for uncollectible receivables has been made.

Grants

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

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.

A portion of the inventory consists of donated United States Department of Agriculture (USDA) commodities. Commodities are recorded as expenditures when purchased and are stated at their fair market value based on guidelines provided by the USDA. Commodities on hand at year end are included in Supplies Inventory on the Statement of Net Position.

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

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.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (continued)

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 does not have any items that qualify for reporting in this category.

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 has only 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.

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

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, 2015

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 e 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, 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, 2015

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 were no resolutions appropriating unanticipated resources. Appropriations lapse at the end of each fiscal 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.

Defining Operating Revenues and Expenses

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.

Note 2 - Equity in Pooled Cash and Investments

Cash and investments are comprised of the following as of June 30, 2015:

Petty cash	\$ -
Carrying amount of demand deposits	7,521,485
Carrying amount of investments	1,536,670
	\$ 9,058,155

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

Statement of Net Position	
Cash and investments	\$ -
Statement of Fiduciary Net Position	
Cash and investments	-
Total cash and investments	\$ -

Deposits. The Governmental Accounting Standards Boards has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the District at June 30, 2015. 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, 2015, the carrying amounts of the District's deposits in various financial institutions were \$7,521,485 and the bank balances were \$7,797,498. All deposits are held in the name of the District.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

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

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 \$6,761,479 was covered by FDIC. However, this balance was covered by the State of Oregon shared liability structure for participating bank depositories in Oregon.

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

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

Investments. Three Rivers School District has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2015. 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, 2015 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.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

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

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

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

Investment Type	Maturity	Percentage of Portfolio	Fair Value
Local Government Investment Pool	1 day	100%	\$ 1,536,670

Note 3 - Receivables

Receivables are comprised of the following as of June 30, 2015:

	Other	Grants	Property Taxes	Total
General fund	\$ -	\$ -	\$ -	\$ -
Special revenue fund	-	-	-	-
Debt service fund	-	-	-	-
Capital projects fund	0	-	-	-
Internal service fund	0	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 4 - Unavailable / Unearned Revenues

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

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	\$ -	\$ -	\$ -
Special Revenue fund	-	0	-
Debt Service Fund	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 5 - Capital Assets

The changes in capital assets for the year ended June 30, 2015, are as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction-in-Progress	-	155,131	-	155,131
Total capital assets not being depreciated	-	155,131	-	155,131
Capital assets being depreciated				
Buildings and Improvements	-	607,490	-	607,490
Machinery/Equipment/Vehicles	-	200,633	-	200,633
Total	-	808,123	-	808,123
Less accumulated depreciation for:				
Buildings and Improvements	-	(2,331,535)	-	(2,331,535)
Machinery/Equipment/Vehicles	-	(312,461)	-	(312,461)
Total	-	(2,643,996)	-	(2,643,996)
Total capital assets, net				
Land	-	-	-	-
Construction-in-Progress	-	155,131	-	155,131
Buildings and Improvements	-	(1,724,045)	-	(1,724,045)
Machinery/Equipment/Vehicles	-	(111,828)	-	(111,828)
Total	\$ -	\$ (1,680,742)	\$ -	\$ (1,680,742)

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

<u>Program</u>	
Instruction	\$ -
Supporting Services	-
Community Services	-
Total	\$ -

Note 6 - Long-Term Debt

Accrued Compensation Liability

On August 8, 2013, the Employment Relations Board of the State of Oregon issued an order holding that the District was responsible for additional compensation relating to the 2008 approval of an increase in student contact time for high school teachers represented by the Three Rivers Education Association. The District will make three payments as follows: November 2013, \$77,000; November 2014, \$214,000; and November 2015, \$214,000.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 6 - Long-Term Debt (continued)

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 2023. Interest paid for the fiscal year was \$19,103.

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 2024. 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, 2015 was \$202,745.

Year ending June 30th	QZAB Installment		
	Principal	Interest	Total
2016	\$ 115,626	\$ 17,706	\$ 133,332
2017	117,040	16,292	133,332
2018	118,471	14,861	133,332
2019	119,920	13,412	133,332
2020	121,386	11,946	133,332
2021 - 2025	855,484	36,012	891,496
	\$ 1,447,926	\$ 110,229	\$ 1,558,156

Pension Obligation Bonds

On February 5, 2004, limited tax pension obligation bonds totaling \$26,620,000 were issued to finance the District's unfunded actuarially accrued liability (UAAL) with the State of Oregon Public Employees Retirement System (PERS). The issuance of the bonds was considered an advance refunding of the District's UAAL. The actual savings realized over the life of the bonds is uncertain because of the various legislative changes and legal issues pending with the PERS system which could impact the future required contribution rate. Interest paid on these bonds for the fiscal year was \$1,360,834.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 6 - Long-Term Debt (continued)

Year ending June 30th	Pension Obligation Bonds		
	Principal	Interest	Total
2016	\$ 790,000	\$ 1,328,835	\$ 2,118,835
2017	940,000	1,289,159	2,229,159
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 - 2025	10,870,000	4,129,421	14,999,421
2026 - 2028	7,920,000	794,926	8,714,926
	<u>\$ 24,380,000</u>	<u>\$ 11,081,769</u>	<u>\$ 35,461,769</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 of general obligation bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$17,405,000 of general obligation bonds. The interest paid on these bonds for the fiscal year was \$619,215. As a result, the refunded bonds are considered to be defeased, and the liability has been removed from the governmental activities column on the Statement of Net Position.

Year ending June 30th	General Obligation Bonds		
	Principal	Interest	Total
2016	\$ 1,645,000	\$ 545,200	\$ 2,190,200
2017	1,785,000	464,288	2,249,288
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>\$ 12,130,000</u>	<u>\$ 1,876,994</u>	<u>\$ 14,006,994</u>

Hidden Valley Turf Field Note Payable

On September 4, 2014, the District entered into a new loan 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. This loan (note) is payable from non-restricted General Fund revenues.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 6 - Long-Term Debt (continued)

Year ending June 30th	HVHS Turf Field Note Payable		
	Principal	Interest	Total
2016	\$ 13,390	\$ 3,991	\$ 17,381
2017	13,797	3,584	17,381
2018	14,217	3,164	17,381
2019	14,649	2,732	17,381
2020	15,095	2,286	17,381
2021 - 2025	67,997	4,420	72,417
	<u>\$ 139,144</u>	<u>\$ 20,177</u>	<u>\$ 159,322</u>

Capital Leases

Various lease agreements have been entered into with interest rates varying from 1.223% to 5.65%. The District entered into various lease-purchase arrangements. 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 \$1,369,772 with a net book value of \$758,460.

Year ending June 30th	Capital Leases		
	Principal	Interest	Total
2016	\$ 81,051	\$ 31,361	\$ 112,412
2017	84,644	27,767	112,412
2018	88,397	24,015	112,412
2019	92,316	20,095	112,412
2020	96,409	16,002	112,412
2021 - 2025	315,641	21,594	337,235
	<u>\$ 758,460</u>	<u>\$ 140,834</u>	<u>\$ 899,294</u>

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 6 - Long-Term Debt (continued)

The changes in long-term obligations for year ended June 30, 2015, are as follows:

<u>Issue Date:</u>	<u>Outstanding July 1, 2014</u>	<u>New Debt Issued</u>	<u>Matured & Redeemed</u>	<u>Outstanding June 30, 2015</u>	<u>Due within 1 year</u>	<u>Interest Rate</u>
Accrued Compensation Liability 2013	\$ -	\$ -	\$ -	\$ -	\$ 214,000	
PERS Bonds						
February 5, 2004	-	-	-	-	790,000	4.77-5.53%
GO Bonds						
January 26, 2005	-	-	-	-	1,645,000	3.25-5.25%
QZAB Bonds						
September 24, 2009	-	-	-	-	115,626	1.23%
Turf Field Note Payable						
September 24, 2009	-	150,000	(10,856)	-	13,390	3.00%
Capital Leases						
Various Equipment	839,980	-	(81,520)	758,460	81,051	1.22-4.346%
Total	<u>839,980</u>	<u>150,000</u>	<u>(92,376)</u>	<u>758,460</u>	<u>2,859,067</u>	
Unamortized premium	40,345	-	(8,069)	32,276	8,069	
Total	<u>\$ 880,325</u>	<u>\$ 150,000</u>	<u>\$ (100,445)</u>	<u>\$ 790,736</u>	<u>\$ 2,867,136</u>	

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

	<u>Balance 7/1/2014</u>	<u>Earned</u>	<u>Used</u>	<u>Balance 6/30/2015</u>	<u>Due Within One Year</u>
Compensated absences	\$ 73,649	160,060	(146,749)	\$ 86,960	\$ 86,960

Note 7 - Operating Lease

The District has several operating leases associated with office equipment. Total expense for such leases was \$62,653 for the year ended June 30, 2015. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ending June 30</u>	
2016	\$ 62,653
2017	62,653
	<u>\$ 125,306</u>

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 8 - Interfund Transactions

Interfund transfers during the year ended June 30, 2015, were as follows:

	Transfers	
	In	Out
General fund	\$ -	\$ 599,360
Special revenue fund	-	-
Debt service fund	-	-
Self insurance fund	0	-
	\$ -	\$ 599,360
	\$ -	\$ 599,360

During the 2014-15 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 and prior year deficit. The Debt Service Fund transfer was to transfer funds committed by Hidden Valley High School to repay the new obligation related to their new turf field. The Self Insurance Fund transfer was to fund future obligations and legal settlement fees.

Note 9 - Pension Plan

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

Plan Benefits

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

Tier One/Tier Two Retirement Benefit (Chapter 238)

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

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

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

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 9 - Pension Plan (continued)

Plan Benefits (continued)

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

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

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

Disability Benefits - A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

OPSRP Pension Program (Chapter 238A)

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

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

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

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

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

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 9 - Pension Plan (continued)

Plan Benefits (continued)

OPSRP Pension Program (Chapter 238A) (continued)

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

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

Benefit Changes After Retirement - Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation, which became effective July 1, 2013. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced. Employer contributions for the year ended June 30, 2015 were \$2,695,646 excluding amounts to fund employer specific liabilities.

A 10 year schedule of Defined Benefit Pension Plan Contributions can be found beginning on page 58 of the June 30, 2014 PERS CAFR.

Pension Plan Comprehensive Annual Financial Report (CAFR)

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

Actuarial Valuation

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the entry age normal actuarial cost method. For the Tire One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

**THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015**

Note 9 - Pension Plan (continued)

Actuarial Valuation (continued)

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

Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Valuation Date:	December 31, 2012 rolled forward to June 30, 2014.
Actuarial Cost Method:	Entry age normal .
Experience Study Report:	2012, published September 18, 2013.
Amortization Method:	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method:	Market value of assets.
Asset Valuation Method:	Market value of assets
Inflation Rate:	2.75%
Investment Rate of Return:	7.75%
Projected Salary Increases	3.75%
Mortality:	Health Retirees and Beneficiaries: RP-2000 sex-distinct, generational per scale AA, with collar adjustments and set-backs as described in the valuation. Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled Retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

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 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

Discount Rate

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

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 9 - Pension Plan (continued)

Investment Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. 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.

<u>Asset Class</u>	<u>Target %</u>	<u>Compound Annual Return</u>
Core Fixed Income	7.20	4.50
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.1
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.2
Mid Cap US Equities	3.88	7.3
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.9
Emerging Foreign Equities	5.49	7.4
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	7.71	6.07

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

At June 30, 2015, the District reported an asset of \$6,097,038 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2012. The District's proportion of the net pension asset 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, 2014, the District's proportion was approximately 0.2690 percent.

For the year ended June 30, 2015, the District recognized pension income (offset to expense) of \$8,173,055. Pension income was generated during the measurement period primarily as a result of greater than anticipated investment returns at the OPERS level. The \$8,173,055 was treated as a reduction of payroll related expense in the Statement of Activities and allocated to Instruction, Supporting Services, and Community Services using allocation percentages of 55.2%, 40.7%, and 4.1% respectively. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 9 - Pension Plan (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments:	\$ -	\$ 11,764,814
Change in proportion and differences between employer contributions and proportionate share of contributions:	451,005	-
District's contributions subsequent to the measurement date:	2,695,646	-
Total	\$ 3,146,651	\$ 11,764,814

\$2,695,646, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as an increase to the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Year Ended June 30	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2016	\$ (2,843,158)
2017	(2,843,158)
2018	(2,843,158)
2019	(2,843,158)
2020	58,823
Thereafter	-
Total	\$ (11,313,809)

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

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

District's Net Pension Asset/(Liability)	1% Decrease (6.75)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Defined Benefit Pension Plan	\$ (12,911,325)	\$ 6,097,038	\$ 22,173,655

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 10 - Other Postemployment Benefits (OPEB)

Post Employment Stipends

Plan Description - A single-employer defined benefits supplemental early retirement program is maintained, which covers all licensed employees not receiving explicit medical benefits and who have at least 18 years of service. This program has been established under collective bargaining agreements and provides employees with a stipend of 1/84 of their final annual salary per month. Payments are made for a maximum of seven years, but in no event past age 65 or death.

Funding Policy - The benefits from this program are fully paid and, consequently, no contributions by employees are required. There is no obligation to fund these benefits in advance. The only obligation is to make current benefit payments due each fiscal year. Consequently, it has not been found necessary to establish a pension trust fund, and makes benefit payments on a pay-as-you-go basis each year out of the General Funds. An estimate of this liability for current retirees is done annually. There is no separately issued financial report for the plan.

Annual Pension Cost and Net Pension Obligation - The annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 27. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities or funding excess) over a period not to exceed thirty years.

The following table shows the components of the annual (OPEB cost for the year ending June 30, 2015), the amount actually contributed to the plan, and changes in the net OPEB obligation:

Annual required contribution (ARC) and annual OPEB cost (expense)	\$	223,642
Interest		43,412
Adjustment to ARC		(41,472)
Less: Contribution made		(128,105)
Increase in net OPEB obligation		97,477
Net OPEB obligation - beginning of the year		1,067,190
Net OPEB obligation - end of year	\$	1,164,667

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015 are:

Fiscal year	Annual OPEB Cost	Contributions	Percentage of Annual OPEB cost contributed	Net OPEB obligation
2015	\$ 223,642	\$ 128,105	57.28%	\$ 1,164,667
2014	203,145	86,657	42.66%	1,067,190
2013	210,044	55,871	26.60%	950,702

Actuarial methods and assumptions - The annual required contribution (ARC) for the current year was determined as part of the July 1, 2013 actuarial valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, claim cost and the healthcare cost trend.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

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

Post Employment Stipends (continued)

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

For the initial valuation, the Projected Unit Credit Actuarial Cost Method was the valuation method used to determine the Actuarial Accrued Liability and the Normal Cost.

Under this method, the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries and medical premiums) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year.

The present value of benefits accrued in as of the valuation date is called the accrued liability. The difference between the accrued liability and the actuarial value of plan assets is called the unfunded accrued liability. The unfunded accrued liability is being amortized over the initial period of 30 years as a level percent of payroll for stipend benefits.

Post Employment Health and Life Insurance Subsidy

Plan Description - A single-employer defined benefit plan is maintained that provides District paid postemployment health, dental, vision and life insurance benefits to eligible employees and their spouses. There are active and retired members in the plan. Benefits and eligibility for members are established through the collective bargaining agreements.

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 no 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.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

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

Post Employment Health and Life Insurance Subsidy (continued)

Retirees pay the whole active (composite) premium unless they have District-paid coverage, in which case they pay according to the cost sharing shown under Current Premiums. There is an implicit subsidy with respect to retired employees because the medical premium rates charges for coverage typically are less than actual expected retiree claims costs. This is due to medical premium rates being determined by blending both active employees and retiree experience.

The post-retirement healthcare plan is established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. The difference between retiree claims cost, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District's implicit employer contribution.

An irrevocable trust (or equivalent arrangement) has not been established to account for the plan.

Funding Policy - The benefits from this program are paid as described above and the required contribution is based on projected pay-as-you-go financing requirements. There is no obligation to fund these benefits in advance.

Annual Pension Cost and Net Pension Obligation - the annual other postemployment benefits cost is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance within the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the OPEB obligation at the end of the year:

Annual required contribution (ARC) and annual OPEB cost (expense)	\$ 1,118,042
Interest	2,516
Adjustment to ARC	(1,436)
Less: Contribution made	<u>(851,491)</u>
Increase in net OPEB obligation	267,631
Net OPEB obligation - beginning of the year	<u>94,481</u>
Net OPEB obligation - end of year	<u><u>\$ 362,112</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015 are:

<u>Fiscal year</u>	<u>Annual OPEB Cost</u>	<u>Contributions</u>	<u>Percentage of Annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
2015	\$ 1,118,042	\$ 851,491	76.16%	\$ 362,112
2014	1,276,061	1,151,645	90.25%	94,481
2013	1,226,925	1,169,873	95.35%	232,339

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

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

Post Employment Health and Life Insurance Subsidy (continued)

Actuarial Methods and Assumptions - The annual required contribution (ARC) for the current year was determined as part of the July 1, 2013 actuarial valuation using the projected unit credit method. The objective of this method is to fund each participant's benefits under the plans as they accrue. The unfunded accrued liability is amortized over various periods, which is dependent on the employee class of life insurance. The amortized period range from 10, 20 and 30 years as a percentage of payroll. The actual assumptions included (a) an interest rate for discounting future liabilities of 4% compounded annually, a payroll growth rate of 3.0% and a payroll growth plus merit and longevity increases of 4.0% annually (b) 100% of future retirees electing to participate. The demographic assumptions, such as mortality rates, disability incidence rates, retirement rates and withdrawal rates, are the same as those used by Oregon PERS for School Districts.

Funding Status and Funding Progress - As of July 1, 2013, the plan was 0% funded. The actuarial accrued liability for benefits was \$9,047,450, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,047,450. The covered payroll (annual payroll of active employees covered by the plan) was to be determined, and the ratio of the UAAL to the covered payroll has yet to be determined. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 11 - Contingencies

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

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

Note 12 - Current Vulnerability Due to Certain Concentrations

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

Note 13 - Risk Management

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

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 14 - Economic Dependency

Statement of Financial Accounting Standards (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenue. The Basic School Support funding provided by the state to all public school systems in Oregon is primarily based on student enrollment. The State provided \$27,672,114 to the District, which represents approximately 59.9% of the District's total general revenues for the year.

Note 15 - New Pronouncement

For the year ending June 30, 2015, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Both GASB 68 and GASB 71 were effective for financial statement periods beginning after June 15, 2014. GASB 68 replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. GASB 71 amends GASB 68 to provide clarification of pension contributions made subsequent to the measurement date. The primary objective of both statements is to improve accounting and financial reporting by state and local governments for pensions.

The implementation of GASB 68 resulted in a restatement of beginning net position in order to recognize the District's proportionate share of the net pension asset and corresponding deferred outflows and inflows. The result of the restatement was a \$24,871,414 reduction in the beginning net position, a \$13,726,509 addition of a net pension liability (new account created by GASB 68), and a \$3,032,329 addition to deferred outflows of resources. In addition, with the implementation of GASB 68, the "Prepaid PERS Unfunded Actuarial Liability" of \$14,177,234 was written off as the GASB 68 valuation of the District's proportionate share of the net pension asset/liability replaces the historic methodology in which the "Prepaid PERS Unfunded Actuarial Liability" was calculated.

Note 16 - Restricted Net Position

As noted on the Statement of Net Position, there are various restrictions. The amount restricted for special projects, \$63,533, consists of monies to be used for building upgrades (\$45,429), an energy project (\$4,407), the music program (\$12,122), and a studio grant (\$1,575). All of these funds are restricted for these various projects. Other amounts are restricted to debt service and capital projects as stated.

THREE RIVERS SCHOOL DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 17 - Subsequent Events

Management of the District has evaluated events and transactions occurring after June 30, 2015 through the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements. Based on management's knowledge, there were no additional events and/or transactions that required recognition and disclosure in the financial statements, except as follows:

- On April 30, 2015, the Oregon Supreme Court ruled in the Moro decision, that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law were unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed with continue to receive a COLA tied to the consumer Price Index that normally results in a 2% increase annually. PERS will make restoration payments to those benefit recipients.

PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, which will be reflected in the next year's actuarial valuations. The impact of the Moro decision on the total pension liability and employer's net pension liability (asset) has not been fully determined. However, PERS' third-party actuaries have estimated the impact of the Moro decision under one possible methodology to result in a shift from a net pension asset to a net pension liability.

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, 2015**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
REVENUES				
Local sources:				
Property taxes	\$ 13,534,086	\$ 13,534,086	\$ 14,201,457	\$ 667,371
Charges for services	101,200	101,200	120,046	18,846
Donations	4,500	4,500	6,863	2,363
Interest on investments	45,000	45,000	54,778	9,778
Miscellaneous	214,001	214,000	272,690	58,690
Intermediate sources				
Intergovernmental	790,000	790,000	925,555	135,555
State sources				
Basic school support	28,067,278	28,067,278	27,672,114	(395,164)
Intergovernmental	406,508	406,508	453,844	47,336
Federal sources				
Intergovernmental	-	-	156,266	156,266
TOTAL REVENUES	43,162,573	43,162,572	43,863,613	701,041
EXPENDITURES				
Current				
Instruction	24,034,989	24,252,323	23,483,758	768,565
Support services	19,397,584	19,449,563	18,980,015	469,548
Contingency	1,370,000	738,366	-	738,366
TOTAL EXPENDITURES	44,802,573	44,440,252	42,463,773	1,976,479
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,640,000)	(1,277,680)	1,399,840	2,677,520
OTHER FINANCING SOURCES (USES):				
Transfers out	(60,000)	(422,320)	(292,391)	129,929
TOTAL OTHER FINANCING SOURCES (USES)	(60,000)	(422,320)	(292,391)	129,929
NET CHANGE IN FUND BALANCE	(1,700,000)	(1,700,000)	1,107,449	2,807,449
FUND BALANCE, July 1, 2014	1,700,000	1,700,000	2,802,514	1,102,514
FUND BALANCE, June 30, 2015	\$ -	\$ -	\$ 3,909,963	\$ 3,909,963

**THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL PROGRAMS FUND
YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
REVENUES				
Local sources:				
Charges for services	\$ 1,681,502	\$ 1,681,502	\$ 1,694,964	\$ 13,462
Donations	-	-	78,553	78,553
Interest on investments	5,000	5,000	1,000	(4,000)
Miscellaneous	175,000	175,000	160,525	(14,475)
Intermediate sources				
Intergovernmental	-	-	8,203	8,203
State sources				
Intergovernmental	1,286,000	1,286,000	1,683,790	397,790
Federal sources				
Intergovernmental	7,337,094	7,337,094	6,265,518	(1,071,576)
TOTAL REVENUES	10,484,596	10,484,596	9,892,553	(592,043)
EXPENDITURES				
Current				
Instruction	7,121,027	7,121,027	6,226,551	894,476
Support services	2,277,562	2,277,562	1,693,673	583,889
Enterprise and community services	2,253,526	2,253,526	2,058,783	194,743
Facilities acquisition and construction	66,000	66,000	15,000	51,000
TOTAL EXPENDITURES	11,718,115	11,718,115	9,994,007	1,724,108
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,233,519)	(1,233,519)	(101,454)	1,132,065
OTHER FINANCING SOURCES (USES):				
Transfers in	30,000	30,000	257,391	227,391
NET CHANGE IN FUND BALANCE	(1,203,519)	(1,203,519)	155,937	1,359,456
FUND BALANCE, July 1, 2014	1,203,519	1,203,519	1,166,017	(37,502)
FUND BALANCE, June 30, 2015	\$ -	\$ -	\$ 1,321,954	\$ 1,321,954

**THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2015**

Actuarial Valuation	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) unit credit (b)	Unfunded (funded) AAL (b - a)	Funded ratio (a / b)	Covered Payroll (c)	UAAL as a percentage of covered payroll [(b - a) / c]
7/1/2007	\$ -	\$ 19,321,572	\$ 19,321,572	0%	\$ 20,860,770	93%
7/1/2009	-	21,750,242	21,750,242	0%	23,019,318	94%
7/1/2011	-	12,699,158	12,699,158	0%	22,723,269	56%
7/1/2013	-	11,409,196	11,409,196	0%	TBD	TBD

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

	<u>7/1/2007</u>
Stipend Benefit	\$ 1,322,774
Medical and Life Insurance Benefit	<u>17,998,798</u>
	<u>\$ 19,321,572</u>

	<u>7/1/2009</u>
Stipend Benefit	\$ 2,202,235
Medical and Life Insurance Benefit	<u>19,548,007</u>
	<u>\$ 21,750,242</u>

	<u>7/1/2011</u>
Stipend Benefit	\$ 2,070,014
Medical and Life Insurance Benefit	<u>10,629,144</u>
	<u>\$ 12,699,158</u>

	<u>7/1/2013</u>
Stipend Benefit	\$ 2,361,746
Medical and Life Insurance Benefit	<u>9,047,450</u>
	<u>\$ 11,409,196</u>

**THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY/(ASSET) AND SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
LAST 10 FISCAL YEARS ENDING JUNE 30 (For Years Information is Available)**

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

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension (liability)/asset	0.2689813%	0.2689813%
District's proportion of the net pension (liability)/asset	\$ 6,097,038	\$(13,726,509)
District's covered-employee payroll	\$ 23,985,316	\$ 23,058,311
District's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	-25.42%	-59.53%
Plan fiduciary net position as a percentage of the total pension liability	103.59%	91.97%

Three Rivers School District 9 Pension Contributions

	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 2,695,646	\$ 3,032,329
Contribution in relation to the contractually required	\$ (2,695,646)	\$ (3,032,329)
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	\$ 23,985,316	\$ 23,058,311
Contributions as a percentage of covered-employee payroll	11.24%	13.15%

Note 1 - Changes of Benefit Terms and Assumptions

No such changes have occurred since the actuarial valuation date of December 31, 2012.

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, 2015**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget
				Positive (Negative)
REVENUES				
Local sources:				
Property taxes	\$ 2,129,238	\$ 2,129,238	\$ 2,156,717	\$ 27,479
Interest on investments	6,000	6,000	8,735	2,735
Miscellaneous	2,010,834	2,020,834	2,158,830	137,996
TOTAL REVENUES	4,146,072	4,156,072	4,324,282	168,210
EXPENDITURES				
Debt service				
Principal	2,160,000	2,177,500	2,170,856	6,644
Interest	1,982,072	1,982,072	1,983,677	(1,605)
TOTAL EXPENDITURES	4,142,072	4,159,572	4,154,533	5,039
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,000	(3,500)	169,749	173,249
OTHER FINANCING SOURCES (USES):				
Transfers in	-	7,500	5,000	(2,500)
NET CHANGE IN FUND BALANCE	4,000	4,000	174,749	170,749
FUND BALANCE, July 1, 2014	673,187	673,187	859,759	186,572
FUND BALANCE, June 30, 2015	\$ 677,187	\$ 677,187	\$ 1,034,508	\$ 357,321

**THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget
				Positive (Negative)
REVENUES				
Local sources:				
Property taxes	\$ 140,000	\$ 140,000	\$ 241,025	\$ 101,025
Donations	-	-	367,490	367,490
Interest on investments	3,060	3,060	23,224	20,164
Miscellaneous	135,000	135,000	244,600	109,600
State sources				
Intergovernmental	-	-	1,304	1,304
TOTAL REVENUES	278,060	278,060	877,643	599,583
EXPENDITURES				
Current				
Instruction	40,000	40,000	40,000	-
Support services	601,289	726,289	671,265	55,024
Facilities acquisition and construction	847,500	722,500	543,772	178,728
Contingency	1,033,453	1,033,453	-	1,033,453
TOTAL EXPENDITURES	2,522,242	2,522,242	1,255,037	1,267,205
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,244,182)	(2,244,182)	(377,394)	1,866,788
OTHER FINANCING SOURCES (USES):				
Debt financing sources (uses)	-	-	150,000	150,000
NET CHANGE IN FUND BALANCE	(2,244,182)	(2,244,182)	(227,394)	2,016,788
FUND BALANCE, July 1, 2014	2,244,182	2,244,182	2,475,847	231,665
FUND BALANCE, June 30, 2015	\$ -	\$ -	\$ 2,248,453	\$ 2,248,453

**THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
SELF-INSURANCE FUND
YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Local sources:				
Interest on investments	\$ 1,200	\$ 1,200	\$ 1,638	\$ 438
Self insurance revenues	229,116	229,116	352,313	123,197
TOTAL REVENUES	<u>230,316</u>	<u>230,316</u>	<u>353,951</u>	<u>123,635</u>
EXPENDITURES				
Current				
Support services	828,145	828,145	572,148	255,997
Contingency	795,964	795,964	-	795,964
TOTAL EXPENDITURES	<u>1,624,109</u>	<u>1,624,109</u>	<u>572,148</u>	<u>1,051,961</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,393,793)</u>	<u>(1,393,793)</u>	<u>(218,197)</u>	<u>1,175,596</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	30,000	30,000	30,000	-
NET CHANGE IN NET POSITION	(1,363,793)	(1,363,793)	(188,197)	1,175,596
NET POSITION, July 1, 2014	<u>1,363,793</u>	<u>1,363,793</u>	<u>1,385,662</u>	<u>21,869</u>
NET POSITION, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,197,465</u>	<u>\$ 1,197,465</u>

**THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
PRIVATE PURPOSE TRUST SCHOLARSHIP FUND
YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Local sources:				
Donations	\$ 800	\$ 800	\$ -	\$ (800)
Interest on investments	20	20	77	57
TOTAL REVENUES	<u>820</u>	<u>820</u>	<u>77</u>	<u>(743)</u>
EXPENDITURES				
Current				
Instruction	3,633	3,633	1,000	2,633
Support services	6,345	6,345	-	6,345
TOTAL EXPENDITURES	<u>9,978</u>	<u>9,978</u>	<u>1,000</u>	<u>8,978</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,158)	(9,158)	(923)	8,235
NET POSITION, July 1, 2014	<u>9,158</u>	<u>9,158</u>	<u>8,664</u>	<u>(494)</u>
NET POSITION, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,741</u>	<u>\$ 7,741</u>

OTHER FINANCIAL SCHEDULES

SCHOOL DISTRICT FINANCIAL
ACCOUNTING SUMMARIES

**2014 - 15 DISTRICT AUDIT REVENUE 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	\$ 14,201,457		\$ 2,156,717				
1120 Local Option Ad Valorem Taxes Levied by District							
1130 Construction Excise Tax				\$ 241,025			
1200 Rev from Local Gov't Units Other Than Districts							
1310 Regular Day School Tuition	\$ 74,355						
1320 Adult/Continuing Education Tuition							
1330 Summer School Tuition		\$ 1,583					
1400 Local & Federal Sources							
1500 Earnings on Investments	\$ 54,778	\$ 1,000	\$ 8,735	\$ 23,224		\$ 1,638	\$ 77
1600 Food Service		\$ 186,346					
1700 Extracurricular Activities	\$ 43,700	\$ 1,507,035					
1800 Community Services Activities							
1910 Rentals	\$ 1,691			\$ 28,869			
1920 Contributions and Donations From Private Sources		\$ 78,552	\$ 5,000	\$ 367,490			
1930 Rental or Lease Payments From Private Contractors	\$ 300						
1940 Services Provided Other Local Education Agencies							
1950 Textbook Sales and Rentals							
1960 Recovery of Prior Years' Expenditure	\$ 13,987						
1970 Services Provided Other Funds			\$ 2,146,330				
1980 Fees Charged to Grants						\$ 269,024	
1990 Miscellaneous	\$ 265,566	\$ 160,526	\$ 7,500	\$ 215,731		\$ 83,289	
Total Revenue from Local Sources	\$ 14,655,834	\$ 1,935,042	\$ 4,324,282	\$ 876,339	\$	\$ 353,951	\$ 77
Revenue from Intermediate Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
2101 County School Funds	\$ 9,368						
2102 Education Service District Apportionment	\$ 916,187						
2105 Natural Gas, Oil, and Mineral Receipts							
2199 Other Intermediate Sources							
2200 Restricted Revenue		\$ 8,203					
2800 Revenue in Lieu of Taxes							
2900 Revenue for/on Behalf of the District							
Total Revenue from Intermediate Sources	\$ 925,555	\$ 8,203	\$	\$	\$	\$	\$
Revenue from State Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
3101 State School Fund - General Support	\$ 27,672,114						
3102 State School Fund - School Lunch Match							
3103 Common School Fund	\$ 453,844						
3104 State Managed County Timber							
3199 Other Unrestricted Grants-in-Aid							
3204 Driver Education							
3222 State School Fund (SSF) Transportation Equipment							
3299 Other Restricted Grants-in-Aid		\$ 1,683,790		\$ 1,304			
3800 Revenue in Lieu of Taxes							
3900 Revenue for/on Behalf of the District							
Total Revenue from State Sources	\$ 28,125,958	\$ 1,683,790	\$	\$ 1,304	\$	\$	\$
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		\$ 6,144,034					
4700 Grants-In-Aid From the Federal Government Through Other Intermediate Agencies							
4801 Federal Forest Fees	\$ 156,266						
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		\$ 121,484					
Total Revenue from Federal Sources	\$ 156,266	\$ 6,265,518	\$	\$	\$	\$	\$
Revenue from Other Sources	Fund 100	Fund 200	Fund 300	Fund 400	Fund 500	Fund 600	Fund 700
5100 Long Term Debt Financing Sources				\$ 150,000			
5200 Interfund Transfers	\$ 80,607	\$ 257,391	\$ 5,000			\$ 30,000	
5300 Sale of or Compensation for Loss of Fixed Assets							
5400 Resources - Beginning Fund Balance	\$ 2,802,514	\$ 1,166,016	\$ 859,759	\$ 2,475,847		\$ 1,385,662	\$ 8,664
Total Revenue from Other Sources	\$ 2,883,121	\$ 1,423,407	\$ 864,759	\$ 2,625,847	\$	\$ 1,415,662	\$ 8,664
Grand Totals	\$ 46,746,734	\$ 11,315,961	\$ 5,189,041	\$ 3,503,490	\$	\$ 1,769,613	\$ 8,741

**2014 - 15 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

Fund: 100 - General Fund

	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Primary, K-3	\$ 7,335,332	\$ 4,555,655	\$ 2,363,113	\$ 203,726	\$ 212,838			
1113 Elementary Extracurricular	\$							
1121 Middle/Junior High Programs	\$ 3,701,155	\$ 2,316,731	\$ 1,234,305	\$ 105,550	\$ 44,394		\$ 175	
1122 Middle/Junior High School Extracurricular	\$ 2,738	\$ 1,988	\$ 488		\$ 262			
1131 Local & Federal Sources	\$ 5,450,463	\$ 3,422,062	\$ 1,755,942	\$ 185,464	\$ 84,359		\$ 2,636	
1132 High School Extracurricular	\$ 710,395	\$ 423,370	\$ 159,363	\$ 35,433	\$ 25,685		\$ 66,544	
1140 Pre-Kindergarten Programs	\$							
1210 Programs for the Talented and Gifted	\$							
1220 Restrictive Programs for Students with Disabilities	\$ 2,009,160	\$ 1,222,545	\$ 759,578	\$ 11,618	\$ 15,419			
1250 Less Restrictive Programs for Students with Disabilities	\$ 2,216,338	\$ 1,354,766	\$ 737,440	\$ 79,832	\$ 44,300			
1260 Early Intervention	\$							
1271 Remediation	\$							
1272 Title I	\$							
1280 Alternative Education	\$ 1,936,020	\$ 269,217	\$ 144,141	\$ 1,504,070	\$ 18,592			
1291 English Second Language Programs	\$ 122,157	\$ 78,896	\$ 38,684	\$ 1,506	\$ 3,071			
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	\$ 23,483,758	\$ 13,645,230	\$ 7,193,054	\$ 2,127,199	\$ 448,920	\$	\$ 69,355	\$
Support Services Expenditures								
2110 Attendance and Social Work Services	\$ 1,519			\$ 934	\$ 585			
2120 Guidance Services	\$ 706,274	\$ 455,932	\$ 242,323	\$ 5,156	\$ 2,863			
2130 Health Services	\$ 31,379			\$ 30,000	\$ 1,379			
2140 Psychological Services	\$							
2150 Speech Pathology and Audiology Services	\$							
2160 Other Student Treatment Services	\$							
2190 Service Direction, Student Support Services	\$ 378,124	\$ 243,987	\$ 127,543	\$ 3,390	\$ 2,609		\$ 595	
2210 Improvement of Instruction Services	\$ 175,010	\$ 102,279	\$ 51,932	\$ 10,663	\$ 8,896		\$ 1,240	
2220 Educational Media Services	\$ 701,489	\$ 313,253	\$ 216,369	\$ 100,697	\$ 71,170			
2230 Assessment & Testing	\$							
2240 Instructional Staff Development	\$ 9,226	\$ 95	\$ 11	\$ 9,120				
2310 Board of Education Services	\$ 82,057	\$ 16,053	\$ 12,079	\$ 46,106	\$ 434		\$ 7,385	
2320 Executive Administration Services	\$ 240,510	\$ 165,558	\$ 64,704	\$ 2,941	\$ 3,777		\$ 3,530	
2410 Office of the Principal Services	\$ 4,220,765	\$ 2,562,743	\$ 1,458,027	\$ 73,287	\$ 111,831		\$ 14,877	
2490 Other Support Services - School Administration	\$							
2510 Direction of Business Support Services	\$							
2520 Fiscal Services	\$ 692,450	\$ 168,407	\$ 119,910	\$ 71,487	\$ 12,939		\$ 319,707	
2540 Operation and Maintenance of Plant Services	\$ 4,834,100	\$ 1,668,980	\$ 1,075,979	\$ 1,788,542	\$ 278,999	\$ 19,803	\$ 1,797	
2550 Student Transportation Services	\$ 4,438,367	\$ 12,683	\$ 6,327	\$ 4,419,357				
2570 Internal Services	\$ 117,254	\$ 57,434	\$ 39,583	\$ 5,780	\$ 14,457			
2610 Direction of Central Support Services	\$							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$							
2640 Staff Services	\$ 584,114	\$ 324,793	\$ 155,941	\$ 87,341	\$ 5,565		\$ 10,474	
2660 Technology Services	\$ 787,781	\$ 338,791	\$ 166,748	\$ 139,989	\$ 75,698	\$ 66,555		
2670 Records Management Services	\$							
2690 Other Support Services - Central	\$							
2700 Supplemental Retirement Program	\$ 979,596	\$ 128,105	\$ 851,491					
Total Support Services Expenditures	\$ 18,980,015	\$ 6,559,093	\$ 4,588,967	\$ 6,794,790	\$ 591,202	\$ 86,358	\$ 359,605	\$
Enterprise and Community Services Expenditures								
3100 Food Services	\$							
3200 Other Enterprise Services	\$							
3300 Community Services	\$							
3500 Custody and Care of Children Services	\$							
Total Enterprise and Community Services Expenditures	\$	\$	\$	\$	\$	\$	\$	\$
Facilities Acquisition and Construction Expenditures								
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								
5100 Debt Service	\$							
5200 Transfers of Funds	\$ 372,998			\$ 372,998				
5300 Apportionment of Funds by ESD	\$							
5400 PERS UAL Bond Lump Sum	\$							
Total Other Uses Expenditures	\$ 372,998	\$	\$	\$ 372,998	\$	\$	\$	\$
Grand Total	\$ 42,836,771	\$ 20,204,323	\$ 11,782,021	\$ 9,294,987	\$ 1,040,122	\$ 86,358	\$ 428,960	\$

**2014 - 15 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	\$ 35,383	\$ 32,098	\$ 2,990		\$ 295			
1112 Intermediate Programs	\$							
1113 Elementary Extracurricular	\$ 248,813			\$ 100,167	\$ 147,020		\$ 1,626	
1121 Middle/Junior High Programs	\$ 67,403	\$ 1,884	\$ 705	\$ 64,800	\$ 14			
1122 Middle/Junior High School Extracurricular	\$ 157,890			\$ 24,278	\$ 118,139		\$ 15,473	
1131 Local & Federal Sources	\$ 8,457				\$ 3,457		\$ 5,000	
1132 High School Extracurricular	\$ 1,163,248			\$ 227,625	\$ 587,871		\$ 347,752	
1140 Pre-Kindergarten Programs	\$							
1210 Programs for the Talented and Gifted	\$							
1220 Restrictive Programs for Students with Disabilities	\$ 409,072	\$ 151,749	\$ 88,908	\$ 120,565	\$ 31,854		\$ 15,996	
1250 Less Restrictive Programs for Students with Disabilities	\$ 970,638	\$ 601,195	\$ 327,521		\$ 130		\$ 41,792	
1260 Early Intervention	\$							
1271 Remediation	\$ 304,780	\$ 159,245	\$ 52,639	\$ 16,747	\$ 75,484		\$ 665	
1272 Title I	\$ 1,862,862	\$ 1,072,163	\$ 616,316	\$ 62,249	\$ 112,134			
1280 Alternative Education	\$							
1291 English Second Language Programs	\$ 3,595			\$ 2,705	\$ 890			
1292 Teen Parent Program	\$							
1293 Migrant Education	\$							
1294 Youth Corrections Education	\$ 922,454	\$ 478,645	\$ 243,221	\$ 34,188	\$ 165,612		\$ 788	
1299 Other Programs	\$ 823			\$ 108	\$ 715			
1300 Adult/Continuing Education Programs	\$							
1400 Summer School Programs	\$ 71,133	\$ 51,453	\$ 17,179	\$ 1,266	\$ 1,235			
Total Instruction Expenditures	\$ 6,226,551	\$ 2,548,432	\$ 1,349,479	\$ 654,698	\$ 1,244,850	\$	\$ 429,092	\$
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$ 63,061	\$ 29,521	\$ 23,418	\$ 2,873	\$ 6,277		\$ 972	
2120 Guidance Services	\$ 165,704	\$ 28,048	\$ 2,873	\$ 95,092	\$ 39,691			
2130 Health Services	\$ 75,238			\$ 75,238				
2140 Psychological Services	\$							
2150 Speech Pathology and Audiology Services	\$							
2160 Other Student Treatment Services	\$							
2190 Service Direction, Student Support Services	\$ 75,116	\$ 47,720	\$ 27,169	\$ 227				
2210 Improvement of Instruction Services	\$ 438,426	\$ 171,951	\$ 74,269	\$ 17,737	\$ 52,997		\$ 121,472	
2220 Educational Media Services	\$							
2230 Assessment & Testing	\$							
2240 Instructional Staff Development	\$ 570,914	\$ 259,565	\$ 136,814	\$ 109,796	\$ 18,503		\$ 46,236	
2310 Board of Education Services	\$							
2320 Executive Administration Services	\$							
2410 Office of the Principal Services	\$ 218,881	\$ 106,754	\$ 57,154	\$ 3,533	\$ 6,767		\$ 44,673	
2490 Other Support Services - School Administration	\$ 25			\$ 25				
2510 Direction of Business Support Services	\$							
2520 Fiscal Services	\$							
2540 Operation and Maintenance of Plant Services	\$							
2550 Student Transportation Services	\$ 77,803			\$ 77,803				
2570 Internal Services	\$							
2610 Direction of Central Support Services	\$							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$							
2640 Staff Services	\$ 5,144			\$ 5,144				
2660 Technology Services	\$ 3,361			\$ 3,952	\$ (591)			
2670 Records Management Services	\$							
2690 Other Support Services - Central	\$							
2700 Supplemental Retirement Program	\$							
Total Support Services Expenditures	\$ 1,693,673	\$ 643,559	\$ 321,697	\$ 391,420	\$ 123,644	\$	\$ 213,353	\$
Enterprise and Community Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
3100 Food Services	\$ 2,002,613	\$ 611,150	\$ 381,407	\$ 966,999	\$ 12,611	\$ 14,999	\$ 15,447	
3200 Other Enterprise Services	\$							
3300 Community Services	\$ 56,170	\$ 3,474	\$ 285	\$ 52,214			\$ 197	
3500 Custody and Care of Children Services	\$							
Total Enterprise and Community Services Expenditures	\$ 2,058,783	\$ 614,624	\$ 381,692	\$ 1,019,213	\$ 12,611	\$ 14,999	\$ 15,644	\$
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	\$ 15,000			\$ 15,000				
4190 Other Facilities Construction Services	\$							
Total Facilities Acquisition and Construction Expenditures	\$ 15,000	\$	\$	\$ 15,000	\$	\$	\$	\$
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	\$ 9,994,007	\$ 3,806,615	\$ 2,052,868	\$ 2,080,331	\$ 1,381,105	\$ 14,999	\$ 658,089	\$

**2014 - 15 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

Fund: 300 - Debt Service

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	\$							
1112 Intermediate Programs	\$							
1113 Elementary Extracurricular	\$							
1121 Middle/Junior High Programs	\$							
1122 Middle/Junior High School Extracurricular	\$							
1131 Local & Federal Sources	\$							
1132 High School Extracurricular	\$							
1140 Pre-Kindergarten Programs	\$							
1210 Programs for the Talented and Gifted	\$							
1220 Restrictive Programs for Students with Disabilities	\$							
1250 Less Restrictive Programs for Students with Disabilities	\$							
1260 Early Intervention	\$							
1271 Remediation	\$							
1272 Title I	\$							
1280 Alternative Education	\$							
1291 English Second Language Programs	\$							
1292 Teen Parent Program	\$							
1293 Migrant Education	\$							
1294 Youth Corrections Education	\$							
1299 Other Programs	\$							
1300 Adult/Continuing Education Programs	\$							
1400 Summer School Programs	\$							
Total Instruction Expenditures	\$	\$	\$	\$	\$	\$	\$	\$
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$							
2120 Guidance Services	\$							
2130 Health Services	\$							
2140 Psychological Services	\$							
2150 Speech Pathology and Audiology Services	\$							
2160 Other Student Treatment Services	\$							
2190 Service Direction, Student Support Services	\$							
2210 Improvement of Instruction Services	\$							
2220 Educational Media Services	\$							
2230 Assessment & Testing	\$							
2240 Instructional Staff Development	\$							
2310 Board of Education Services	\$							
2320 Executive Administration Services	\$							
2410 Office of the Principal Services	\$							
2490 Other Support Services - School Administration	\$							
2510 Direction of Business Support Services	\$							
2520 Fiscal Services	\$							
2540 Operation and Maintenance of Plant Services	\$							
2550 Student Transportation Services	\$							
2570 Internal Services	\$							
2610 Direction of Central Support Services	\$							
2630 Information Services	\$							
2640 Staff Services	\$							
2660 Technology Services	\$							
2670 Records Management Services	\$							
2690 Other Support Services - Central	\$							
2700 Supplemental Retirement Program	\$							
Total Support Services Expenditures	\$	\$	\$	\$	\$	\$	\$	\$
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	\$ 4,154,533						\$ 4,154,533	
5200 Transfers of Funds	\$							
5300 Apportionment of Funds by ESD	\$							
5400 Bond Lump Sum	\$							
Total Other Uses Expenditures	\$ 4,154,533	\$	\$	\$	\$	\$	\$ 4,154,533	\$
Grand Total	\$ 4,154,533	\$	\$	\$	\$	\$	\$ 4,154,533	\$

**2014 - 15 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	\$ 40,000				\$ 40,000			
1112 Intermediate Programs	\$							
1113 Elementary Extracurricular	\$							
1121 Middle/Junior High Programs	\$							
1122 Middle/Junior High School Extracurricular	\$							
1131 Local & Federal Sources	\$							
1132 High School Extracurricular	\$							
1140 Pre-Kindergarten Programs	\$							
1210 Programs for the Talented and Gifted	\$							
1220 Restrictive Programs for Students with Disabilities	\$							
1250 Less Restrictive Programs for Students with Disabilities	\$							
1260 Early Intervention	\$							
1271 Remediation	\$							
1272 Title I	\$							
1280 Alternative Education	\$							
1291 English Second Language Programs	\$							
1292 Teen Parent Program	\$							
1293 Migrant Education	\$							
1294 Youth Corrections Education	\$							
1299 Other Programs	\$							
1300 Adult/Continuing Education Programs	\$							
1400 Summer School Programs	\$							
Total Instruction Expenditures	\$ 40,000	\$	\$	\$	\$ 40,000	\$	\$	\$
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$							
2120 Guidance Services	\$							
2130 Health Services	\$							
2140 Psychological Services	\$							
2150 Speech Pathology and Audiology Services	\$							
2160 Other Student Treatment Services	\$							
2190 Service Direction, Student Support Services	\$							
2210 Improvement of Instruction Services	\$							
2220 Educational Media Services	\$							
2230 Assessment & Testing	\$							
2240 Instructional Staff Development	\$							
2310 Board of Education Services	\$							
2320 Executive Administration Services	\$							
2410 Office of the Principal Services	\$							
2490 Other Support Services - School Administration	\$							
2510 Direction of Business Support Services	\$							
2520 Fiscal Services	\$							
2540 Operation and Maintenance of Plant Services	\$ 671,265			\$ 97,358	\$ 32,917	\$ 407,094	\$ 133,896	
2550 Student Transportation Services	\$							
2570 Internal Services	\$							
2610 Direction of Central Support Services	\$							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$							
2640 Staff Services	\$							
2660 Technology Services	\$							
2670 Records Management Services	\$							
2690 Other Support Services - Central	\$							
2700 Supplemental Retirement Program	\$							
Total Support Services Expenditures	\$ 671,265	\$	\$	\$ 97,358	\$ 32,917	\$ 407,094	\$ 133,896	\$
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	\$ 26,282			\$ 3,631		\$ 22,651		
4190 Other Facilities Construction Services	\$ 517,490					\$ 517,490		
Total Facilities Acquisition and Construction Expenditures	\$ 543,772	\$	\$	\$ 3,631	\$	\$ 540,141	\$	\$
Other Uses Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
5100 Debt Service	\$							
5200 Transfers of Funds	\$							
5300 Apportionment of Funds by ESD	\$							
5400 Bond Lump Sum	\$							
Total Other Uses Expenditures	\$	\$	\$	\$	\$	\$	\$	\$
Grand Total	\$ 1,255,037	\$	\$	\$ 100,989	\$ 72,917	\$ 947,235	\$ 133,896	\$

**2014 - 15 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

Fund: 600 - Self Insurance

Instruction Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	\$							
1112 Intermediate Programs	\$							
1113 Elementary Extracurricular	\$							
1121 Middle/Junior High Programs	\$							
1122 Middle/Junior High School Extracurricular	\$							
1131 Local & Federal Sources	\$							
1132 High School Extracurricular	\$							
1140 Pre-Kindergarten Programs	\$							
1210 Programs for the Talented and Gifted	\$							
1220 Restrictive Programs for Students with Disabilities	\$							
1250 Less Restrictive Programs for Students with Disabilities	\$							
1260 Early Intervention	\$							
1271 Remediation	\$							
1272 Title I	\$							
1280 Alternative Education	\$							
1291 English Second Language Programs	\$							
1292 Teen Parent Program	\$							
1293 Migrant Education	\$							
1294 Youth Corrections Education	\$							
1299 Other Programs	\$							
1300 Adult/Continuing Education Programs	\$							
1400 Summer School Programs	\$							
Total Instruction Expenditures	\$	\$	\$	\$	\$	\$	\$	\$
Support Services Expenditures	Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$							
2120 Guidance Services	\$							
2130 Health Services	\$							
2140 Psychological Services	\$							
2150 Speech Pathology and Audiology Services	\$							
2160 Other Student Treatment Services	\$							
2190 Service Direction, Student Support Services	\$							
2210 Improvement of Instruction Services	\$							
2220 Educational Media Services	\$							
2230 Assessment & Testing	\$							
2240 Instructional Staff Development	\$							
2310 Board of Education Services	\$							
2320 Executive Administration Services	\$							
2410 Office of the Principal Services	\$							
2490 Other Support Services - School Administration	\$							
2510 Direction of Business Support Services	\$							
2520 Fiscal Services	\$ 138,439	\$ 83,401	\$ 50,789	\$ 1,902	\$ 2,347			
2540 Operation and Maintenance of Plant Services	\$ 14,925	\$ 144	\$ 53	\$ 10,084	\$ 4,644			
2550 Student Transportation Services	\$							
2570 Internal Services	\$							
2610 Direction of Central Support Services	\$							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$							
2640 Staff Services	\$ 406,911	\$ 186,423	\$ 108,238	\$ 12,250			\$ 100,000	
2660 Technology Services	\$ 11,873	\$ 6,500	\$ 2,379		\$ 2,994			
2670 Records Management Services	\$							
2690 Other Support Services - Central	\$							
2700 Supplemental Retirement Program	\$							
Total Support Services Expenditures	\$ 572,148	\$ 276,468	\$ 161,459	\$ 24,236	\$ 9,985	\$	\$ 100,000	\$
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	\$							
5300 Apportionment of Funds by ESD	\$							
5400 Bond Lump Sum	\$							
Total Other Uses Expenditures	\$	\$	\$	\$	\$	\$	\$	\$
Grand Total	\$ 572,148	\$ 276,468	\$ 161,459	\$ 24,236	\$ 9,985	\$	\$ 100,000	\$

**2014 - 15 DISTRICT AUDIT EXPENDITURE SUMMARY
THREE RIVERS SCHOOL DISTRICT**

Fund: 700 - Trust & Agency

Instruction Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
1111 Primary, K-3	\$								
1112 Intermediate Programs	\$								
1113 Elementary Extracurricular	\$								
1121 Middle/Junior High Programs	\$								
1122 Middle/Junior High School Extracurricular	\$								
1131 Local & Federal Sources	\$								
1132 High School Extracurricular	\$								
1140 Pre-Kindergarten Programs	\$								
1210 Programs for the Talented and Gifted	\$								
1220 Restrictive Programs for Students with Disabilities	\$								
1250 Less Restrictive Programs for Students with Disabilities	\$								
1260 Early Intervention	\$								
1271 Remediation	\$								
1272 Title I	\$								
1280 Alternative Education	\$								
1291 English Second Language Programs	\$								
1292 Teen Parent Program	\$								
1293 Migrant Education	\$								
1294 Youth Corrections Education	\$								
1299 Other Programs	\$	1,000			1,000				
1300 Adult/Continuing Education Programs	\$								
1400 Summer School Programs	\$								
Total Instruction Expenditures	\$	1,000	\$	\$	1,000	\$	\$	\$	\$
Support Services Expenditures		Totals	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
2110 Attendance and Social Work Services	\$								
2120 Guidance Services	\$								
2130 Health Services	\$								
2140 Psychological Services	\$								
2150 Speech Pathology and Audiology Services	\$								
2160 Other Student Treatment Services	\$								
2190 Service Direction, Student Support Services	\$								
2210 Improvement of Instruction Services	\$								
2220 Educational Media Services	\$								
2230 Assessment & Testing	\$								
2240 Instructional Staff Development	\$								
2310 Board of Education Services	\$								
2320 Executive Administration Services	\$								
2410 Office of the Principal Services	\$								
2490 Other Support Services - School Administration	\$								
2510 Direction of Business Support Services	\$								
2520 Fiscal Services	\$								
2540 Operation and Maintenance of Plant Services	\$								
2550 Student Transportation Services	\$								
2570 Internal Services	\$								
2610 Direction of Central Support Services	\$								
2630 Information Services	\$								
2640 Staff Services	\$								
2660 Technology Services	\$								
2670 Records Management Services	\$								
2690 Other Support Services - Central	\$								
2700 Supplemental Retirement Program	\$								
Total Support Services Expenditures	\$	\$	\$	\$	\$	\$	\$	\$	\$
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	\$								
5300 Apportionment of Funds by ESD	\$								
5400 Bond Lump Sum	\$								
Total Other Uses Expenditures	\$	\$	\$	\$	\$	\$	\$	\$	\$
Grand Total	\$	1,000	\$	\$	1,000	\$	\$	\$	\$

SUPPLEMENTAL INFORMATION, 2014-2015

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	\$ 1,173,210
Function 2550	\$ 0

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

\$ 0

Exclude these functions:

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

Exclude these functions:

4150 Construction
 2550 Pupil Transportation
 3100 Food Service
 3300 Community Services

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS
FOR THE YEAR ENDED JUNE 30, 2015**

	Tax Year	Uncollected July 1, 2014	Levy as Extended by Assessor	Discounts and Adjustments	Interest	Collections Per Treasurer	Uncollected June 30, 2015
<u>GENERAL FUND:</u>							
Current	2014-2015		\$ 14,486,246	\$ (381,270)	\$ 8,057	\$ (13,498,360)	\$ 614,673
Prior	2013-2014	\$ 610,845		24	18,676	(307,143)	322,403
	2012-2013	320,985		(185)	21,840	(126,154)	216,485
	2011-2012	230,364		1,230	30,504	(122,019)	140,081
	2010-2011	137,277		(487)	19,886	(86,975)	69,702
	2009-2010	66,889		(480)	3,048	(7,999)	61,458
	Prior	18,897		(1,048)	2,187	(3,955)	16,080
Total prior		1,385,257	-	(945)	96,140	(654,244)	826,209
TOTAL GENERAL FUND		\$ 1,385,257	\$ 14,486,246	\$ (382,215)	\$ 104,197	\$ (14,152,604)	\$ 1,440,882
<u>DEBT SERVICE:</u>							
Current	2014-2015		\$ 2,202,916	\$ (57,989)	\$ 1,225	\$ (2,052,674)	\$ 93,480
Prior	2013-2014	\$ 93,212		20	2,850	(46,877)	49,205
	2012-2013	50,406		(26)	3,430	(19,811)	33,999
	2011-2012	28,215		143	3,735	(14,930)	17,164
	2010-2011	21,449		(69)	3,108	(13,592)	10,895
	2009-2010	10,138		(72)	462	(1,212)	9,316
	Prior	3,059		(99)	362	(656)	2,667
Total prior		206,479	-	(103)	13,947	(97,079)	123,245
TOTAL DEBT SERVICE FUND		\$ 206,479	\$ 2,202,916	\$ (58,091)	\$ 15,172	\$ (2,149,752)	\$ 216,725

**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, 2015, and have issued our report thereon dated December 23, 2015. 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*.

OAR 162-10-0230 Internal Control

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

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

Stewart C. Parmele, CPA, Partner

Stewart C. Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 23, 2015

**Items required by the Single Audit Act
Amendments of 1996 for Federal award programs**

**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, 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report dated December 23, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Stewart C. Parmele, CPA, Partner

Stewart C. Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 23, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

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 Circular A-133 Compliance Supplement* that could have direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Stewart C. Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 23, 2015

**THREE RIVERS SCHOOL DISTRICT
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2015**

	<u>GRANT PERIOD</u>	<u>FEDERAL CFDA NUMBER</u>	<u>SUB GRANT NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>2014-2015 EXPENDITURES</u>
<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>					
U.S. DEPARTMENT OF EDUCATION					
Local & Federal Sources					
Passed Through State Department of Education:					
TITLE I - Grants to Local Education Agencies					
Title IA	7/2013-9/2014	84.010	28237	\$ 2,642,896	\$ 471,117
Title IA	7/2014-9/2015	84.010	32700	2,511,472	1,970,504
	Total			<u>5,154,368</u>	<u>2,441,621</u>
Title IA- YCEP	7/2014-6/2015	84.013	33878	89,066	89,066
Title I - N&D Kairos	7/2014-6/2015	84.013	34229	18,926	18,926
	Total			<u>107,992</u>	<u>107,992</u>
McKinney Homeless	7/2013-9/2014	84.196	28803	50,000	40,165
McKinney Homeless	7/2014-9/2015	84.196	34336	50,000	10,356
	Total			<u>100,000</u>	<u>50,521</u>
TITLE IIA - Improving Teacher Quality State Grants					
Title IIA	7/2013-9/2014	84.367	28760	406,632	124,044
Title IIA	7/2014-9/2015	84.367	33024	407,292	310,942
	Total			<u>813,924</u>	<u>434,986</u>
Special Education Cluster (IDEA)					
IDEA Part B	7/2014-9/2015	84.027	33395	859,444	712,848
IDEA Part B	7/2013-9/2015	84.027	28568	827,917	127,165
IDEA Enhancement	7/2014-9/2015	84.027	33823	7,957	3,352
IDEA Enhancement	10/2013-9/2014	84.027	29898	7,957	4,062
IDEA YCEP	7/2014-6/2015	84.027	33627	26,578	28,578
IDEA Part B Kairos	7/2014-6/2015	84.027	34255	13,332	13,332
SPR&I	8/2014-6/2015	84.027	32241	3,244	227
Extended Assessment	7/2014-6/2015	84.027	31894	900	900
SPDG EBISS YCEP	8/2014-7/2015	84.323	31808	13,700	13,700
Special Education Cluster (IDEA)	Total			<u>1,761,029</u>	<u>904,164</u>
OTHER FEDERAL PROGRAMS					
21st Century Community Learning	7/2014-9/2015	84.287	32283	563,765	324,077
21st Century Community Learning	7/2013-9/2014	84.287	28314	475,855	157,493
				<u>1,039,620</u>	<u>481,570</u>
Gear Up IV Year 1	9/2014-6/2015	84.334	-	44,000	24,529
Gear Up NV Year 5	9/2014-6/2015	84.334	-	40,000	6,800
Gear Up - Sustainability	7/2014-8/2015	84.334	-	27,479	11,998
	Total			<u>111,479</u>	<u>43,327</u>
				9,088,412	4,464,181
U.S. DEPARTMENT OF AGRICULTURE					
Passed Through State Department of Education:					
Child Nutrition Cluster					
National School Breakfast Program		10.553		411,506	411,506
National School Lunch Program		10.555		1,189,808	1,189,808
Commodities Program		10.555		121,484	121,484
Summer Food Service Program		10.559		36,062	36,062
Child Nutrition Cluster Total				<u>1,758,860</u>	<u>1,758,860</u>
CACFP		10.558		4,038	4,038
CNP Fresh Fruit & Vegetable Program		10.582		38,439	38,439
Passed Through Josephine County:					
Federal Forest Fees		10.665		156,266	156,266
				1,957,603	1,957,603
TOTAL FEDERAL ASSISTANCE				\$ 11,046,015	\$ 6,421,784

THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Year Ended June 30, 2015

Note A - Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the Three Rivers School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial

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, 2015, the District received food commodities totaling \$121,484.

**THREE RIVERS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2015**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

1. The auditor’s report expresses an unmodified opinion on the basic financial statements of Three Rivers School District.
2. No significant deficiencies or material weakness in internal controls were disclosed by the audit of the basic Financial Statements of Three Rivers School District.
3. No instances of noncompliance material to the financial statements of Three Rivers School District were disclosed during the audit.

Federal Awards

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 for the major federal award programs for Three Rivers School District expresses an unmodified opinion.
6. There were no audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major program include:
US Department of Education

Title IIA	CFDA # 84.367
Child Nutrition Cluster	CFDA # 10.553, 10.555 & 10.559
8. The threshold for distinguishing Types A and B Programs was \$300,000.
9. Three Rivers School District qualified as a low-risk auditee under the criteria specified in OMB Circular A-133.

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None