



Certified Public Accountants, LLP

640 Superior Court
Medford, OR 97504

P: 541.773.6633
F: 541.773.1965
KDPLLP.COM

December 18, 2017

To the Board of Directors
Three Rivers School District
Murphy, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Three Rivers School District (the District) for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 20, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Management's estimate of the property taxes receivable is based on information obtained from the Jackson and Josephine County Tax Departments. We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.
- There are two estimates of post employment benefits payable included in the Statement of Net Position. The first is management's estimate of the early retirement incentives it will pay to certain employees under their employment contracts. This estimate was based on the retirees currently covered, the length of continued payments and the current amount of the monthly payment. We reviewed the information provided by the actuary and applied it to the financial statements. The second estimate is the calculation of explicit and implicit rate subsidies retirees receive from medical insurance they purchase through the District. Management contracted with an outside party to perform an actuarial analysis to estimate these benefits. The actuary performed the analysis based on information provided by management. We reviewed the information provided by the actuary and applied it to the financial statements.
- Management's estimate of the accumulated depreciation and related expense for the current year was based on management's estimate of the life expectancy of the fixed assets. We reviewed the capital asset listing, selected a sample, and recalculated the accumulated and current year depreciation expense. We were satisfied that the calculations used were reasonable.
- Management's estimate of its net pension liability and associated deferred outflows and inflows based on information provided by the Oregon Public Employees Retirement System (OPERS). This information is subject to significant assumptions. In addition to testing certain contributions

made by the District we have relied on the audit of OPERS plan. Based on the audit of OPERS and the procedures performed the pension related entries appear reasonably stated.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- The disclosure of Postemployment Benefits Other Than Pensions in Note 10 to the financial statements.
- The disclosure of Pension and Retirement Plans in Note 11 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 18, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

- In connection with our audit of federal programs, we identified one instance of non-compliance that we consider to be a Material Weakness within the federal program Title IA - CFDA #84.010.

Other Matters

We applied certain limited procedures to Management Discussion, Analysis, Schedule of Funding Progress and pension schedules, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit this RSI and do not express an opinion or provide any assurance on this information.

We were engaged to report on certain other RSI, the General Fund and Special Revenue Fund budgetary schedules, other supplementary information, and other financial schedules accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled this information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the District's Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

General Comment

During our audit we found the management and staff to be very receptive to our comments and suggestions. They were hard-working, diligent, and conscientious about their assigned responsibilities and duties. They were a pleasure to work with.

Very truly yours,

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

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