



Sheridan Japanese School

シェリダン日本語学校

Building Excellence Through Global Education

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**SHERIDAN JAPANESE SCHOOL
FOUNDATION**
Sheridan, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2016

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

BOARD OF DIRECTORS

June 30, 2016

OFFICERS

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20461 SW Canyon Road
Sheridan, Oregon 97378

Charles Broadwell, Vice President
7927 SW 31st Avenue #307
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EXECUTIVE DIRECTOR

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McMinnville, Oregon 97128

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sheridan Japanese School Foundation
Sheridan, Oregon 97378

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Sheridan Japanese School Foundation, Sheridan, Oregon, a component unit of Sheridan School District No. 48J, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Sheridan Japanese School Foundation, Sheridan, Oregon, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, and schedule of contributions on pages 3 through 7, 32, and 33, respectively, 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sheridan Japanese School Foundation's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The aforementioned information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 17, 2016 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

Koontz, Perdue, Blasquez & Co., P.C.

By:


Debra L. Blasquez, CPA

Albany, Oregon
November 17, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

As management of Sheridan Japanese School Foundation, Sheridan, Oregon, we offer readers this narrative overview and analysis of the financial activities of the Foundation for the fiscal year ended June 30, 2016. It should be read in conjunction with the Foundation's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2016, total net position of Sheridan Japanese School Foundation amounted to \$175,854. Of this amount, \$141,382 was invested in capital assets, \$18,711 was restricted for various purposes, and the remaining \$15,761 was unrestricted.
- The Foundation's total net position decreased by \$309,677 during the current fiscal year.
- Overall expenditures were \$936,479, which exceeded total revenues of \$626,802 by \$309,677.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Sheridan Japanese School Foundation's basic financial statements. The Foundation's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Foundation's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Foundation's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Foundation is improving or deteriorating.

The statement of activities presents information showing how the Foundation's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 8 through 9 of this report.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The only fund of the Foundation is a governmental fund.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Foundation's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Foundation maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered to be a major governmental fund.

Although not required by law, the Foundation prepares an annual budget. Budgetary comparison data is presented in this report solely for informational purposes.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 14 through 31 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information, which includes the schedule of the proportionate share of the net pension liability, schedule of contributions, and budgetary comparison information for the General Fund. This information can be found on pages 32 through 34 of this report.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Foundation's financial position. At June 30, 2016, the Foundation's assets exceeded liabilities by \$175,854.

A large portion of the Foundation's net position reflects its investment in capital assets (e.g., land, buildings, and equipment). The Foundation uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

Foundation's Net Position

At the end of the current fiscal year, the Foundation was able to report positive balances in all categories of net position. The Foundation's net position decreased by \$309,677 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Assets and deferred outflows of resources		
Current assets	\$ 407,051	\$ 409,205
Restricted assets	22,239	48,281
Net capital assets	141,382	147,306
Other assets	-	116,529
Deferred outflows of resources	<u>87,829</u>	<u>62,803</u>
Total assets and deferred outflows of resources	<u>658,501</u>	<u>784,124</u>
Liabilities and deferred inflows of resources		
Current liabilities	58,427	73,740
Other liabilities	341,480	-
Deferred inflows of resources	<u>82,740</u>	<u>224,853</u>
Total liabilities and deferred inflows of resources	<u>482,647</u>	<u>298,593</u>
Net position		
Investment in capital assets	141,382	147,306
Restricted for various purposes	18,711	27,652
Unrestricted	<u>15,761</u>	<u>310,573</u>
Total net position	<u>\$ 175,854</u>	<u>\$ 485,531</u>

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Foundation's Changes in Net Position

The condensed statement of activities information shown below explains changes in net position.

Changes in Net Position

	Governmental Activities	
	2016	2015
Program revenues		
Charges for services	\$ 15,069	\$ 85,269
Operating grants and contributions	<u> -</u>	<u> 11,500</u>
Total program revenues	<u> 15,069</u>	<u> 96,769</u>
General revenues		
State school fund - general support	575,346	584,293
Unrestricted grants and contributions	31,022	47,764
Investment earnings	1,418	1,100
Miscellaneous	<u> 3,947</u>	<u> 1,161</u>
Total general revenues	<u> 611,733</u>	<u> 634,318</u>
Total revenues	<u> 626,802</u>	<u> 731,087</u>
Program expenses		
Instruction	796,051	304,111
Support services	133,472	214,684
Unallocated depreciation expense	<u> 6,956</u>	<u> 5,424</u>
Total program expenses	<u> 936,479</u>	<u> 524,219</u>
Change in net position	(309,677)	206,868
Net position - beginning of year	<u> 485,531</u>	<u> 278,663</u>
Net position - end of year	<u> \$ 175,854</u>	<u> \$ 485,531</u>

FINANCIAL ANALYSIS OF THE FOUNDATION'S FUND

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

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Governmental Fund

The focus of the Foundation's governmental fund is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Foundation's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the Foundation's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Foundation's governmental fund reported a fund balance of \$370,863, a decrease of \$12,883 from the prior year. Of this amount, \$302,579 constitutes unassigned fund balance, which is available for spending at the Foundation's discretion.

CAPITAL ASSETS

The Foundation's investment in capital assets for its governmental activities as of June 30, 2016 amounted to \$141,382, net of accumulated depreciation. This investment in capital assets is comprised of leasehold improvements and machinery and equipment. The total depreciation expense related to the Foundation's investment in capital assets during the current fiscal year was \$6,956.

Additional information on the Foundation's capital assets can be found in Note III-C on page 20 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the Foundation was aware of the following circumstance that could affect its future financial health:

- The Foundation expects enrollment to remain the same in the next fiscal year.

This was considered in preparing the Foundation's budget for the 2016-2017 fiscal year.

The ending unassigned General Fund balance of \$302,579 will be available for program resources in the 2016-2017 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Foundation's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be directed to the following address: Sheridan Japanese School Foundation, P.O. Box 446, Sheridan, Oregon 97378.

BASIC FINANCIAL STATEMENTS

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets	
Cash and cash equivalents	\$ 355,849
Accounts receivable	1,629
Prepaid expenses	<u>49,573</u>
Total current assets	<u>407,051</u>
Restricted assets	
Cash restricted for student activities and grant purposes	16,480
Unemployment self-insurance deposits	<u>5,759</u>
Total restricted assets	<u>22,239</u>
Capital assets, net of accumulated depreciation	<u>141,382</u>
Total assets	570,672
Deferred outflows of resources	
Net deferred outflow of pension related resources	<u>87,829</u>
Total assets and deferred outflows of resources	<u>658,501</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current liabilities	
Accounts payable	7,845
Accrued payroll liabilities	<u>50,582</u>
Total current liabilities	58,427
Net pension liability	341,480
Deferred inflows of resources	
Net deferred inflow of pension related resources	<u>82,740</u>
Total liabilities and deferred inflows of resources	<u>482,647</u>
NET POSITION	
Investment in capital assets	141,382
Restricted for various purposes	18,711
Unrestricted	<u>15,761</u>
Total net position	<u>\$ 175,854</u>

The accompanying notes are an integral part of these financial statements.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities				
Instruction	\$ 796,051	\$ 1,500	\$ -	\$ (794,551)
Support services	133,472	13,569	-	(119,903)
Unallocated depreciation expense	<u>6,956</u>	<u>-</u>	<u>-</u>	<u>(6,956)</u>
Total governmental activities	<u>\$ 936,479</u>	<u>\$ 15,069</u>	<u>\$ -</u>	<u>(921,410)</u>
General revenues				
State school fund - general support				575,346
Unrestricted grants and contributions				31,022
Investment earnings				1,418
Miscellaneous				<u>3,947</u>
Total general revenues				<u>611,733</u>
Change in net position				(309,677)
Net position - beginning				<u>485,531</u>
Net position - ending				<u>\$ 175,854</u>

The accompanying notes are an integral part of these financial statements.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

BALANCE SHEET

GOVERNMENTAL FUND

June 30, 2016

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 372,329
Accounts receivable	1,629
Prepaid expenses	49,573
Unemployment self-insurance deposits	<u>5,759</u>
Total assets	<u>\$ 429,290</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 7,845
Accrued expenses	<u>50,582</u>
Total liabilities	<u>58,427</u>
Fund balance	
Nonspendable	49,573
Restricted for:	
Unemployment self-insurance	5,759
Student body activities	12,952
Unassigned	<u>302,579</u>
Total fund balance	<u>370,863</u>
Total liabilities and fund balance	<u>\$ 429,290</u>

The accompanying notes are an integral part of these financial statements.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2016

Total fund balance		\$ 370,863
Capital assets are not financial resources and are therefore not reported in the governmental fund:		
Cost	211,946	
Accumulated depreciation	<u>(70,564)</u>	141,382
Net pension assets and liabilities are not financial resources and are therefore not reported in the governmental fund.		(341,480)
Current year PERS contributions are deferred outflows of resources that will be recognized as expenditures in the subsequent year.		87,829
The proportionate share of net differences between projected and actual earnings on investments will be amortized over the next five years.		<u>(82,740)</u>
Net position of governmental activities		<u>\$ 175,854</u>

The accompanying notes are an integral part of these financial statements.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

For the Year Ended June 30, 2016

	<u>General Fund</u>
REVENUES	
Local revenue	\$ 51,456
State revenue	<u>575,346</u>
Total revenues	<u>626,802</u>
EXPENDITURES	
Current	
Instruction	597,933
Support services	<u>41,752</u>
Total expenditures	<u>639,685</u>
Excess (deficiency) of revenues over (under) expenditures	(12,883)
Fund balance - beginning	<u>383,746</u>
Fund balance - ending	<u>\$ 370,863</u>

The accompanying notes are an integral part of these financial statements.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

Net change in fund balance \$ (12,883)

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

Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Expenditures for capital assets	1,032	
Current year depreciation	<u>(6,956)</u>	(5,924)

Changes in the net pension assets and liabilities, as well as the related changes in deferred outflows and deferred inflows of resources, are not recognized as expenditures in the governmental fund. (290,870)

Change in net position \$ (309,677)

The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Sheridan Japanese School Foundation have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Foundation's accounting policies are described below.

A. Reporting Entity

Sheridan Japanese School Foundation operates under the authority of Sheridan School District No. 48J, which grants a charter to the school and exercises oversight, as required by Oregon law. The Foundation is reported as a component unit of Sheridan School District No. 48J. The Foundation began operations as a charter school in 2003. The charter school is subject to ORS 338 in connection with the operation of public charter schools. In accordance with ORS 338, the Foundation is organized as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code.

B. Income Taxes

Sheridan Japanese School Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The tax-exempt status can be revoked by the Internal Revenue Service as a result of direct violations of laws and regulations governing 501(c)(3) organizations. The Foundation's operating policy requires strict adherence to these laws and regulations in order to maintain its tax-exempt status. Management's policy is to engage in activities related to their exempt purpose.

Management evaluates tax positions annually based on the guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740. FASB ASC 740 prescribes a comprehensive model for recognizing, measuring, presenting, and disclosing, in the financial statements, tax positions taken or expected to be taken on a tax return, including positions that the Foundation is exempt from income taxes or not subject to income taxes on unrelated business income. The Foundation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits.

C. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the Foundation.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. State school funding and other items not properly included among program revenues are reported instead as general revenues.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The 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 when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Foundation considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

State school funding, investment earnings, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Foundation.

The Foundation reports the following major governmental fund:

General Fund – The General Fund is the Foundation’s only operating fund. It accounts for all financial resources of the Foundation.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the Foundation’s policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Equity

1. Deposits and Investments

The Foundation's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both the government-wide and fund financial statements.

3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Foundation as assets with an initial, individual cost of more than \$600 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized.

Property, plant, and equipment of the Foundation are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5
Leasehold improvements	15-40

4. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet 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 or fund balance that applies to a future period and so will not be recognized as an outflow of resources until then. The Foundation has one item that qualifies for reporting in this category, which is deferred amounts related to pensions. These amounts are deferred and recognized as outflows of resources when the Foundation recognizes pension expenses/expenditures. Deferred outflows are included in the government-wide statement of net position.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Equity (Continued)

4. Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and/or balance sheet 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 or fund balance that applies to a future period and therefore, will not be recognized as an inflow of resources until that time. The Foundation has one item that qualifies for reporting in this category, which is deferred amounts related to pensions. These amounts are deferred and recognized as inflows of resources in the period when the Foundation recognizes pension income. Deferred inflows are included in the government-wide statement of net position.

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

5. Retirement Plan

Most of the Foundation's employees participate in Oregon's Public Employees Retirement System (PERS). Contributions are made on a current basis as required by the plan and are recorded as expenses or expenditures.

6. Fund Equity

In the fund financial statements, the governmental fund reports classifications of fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Foundation itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the Foundation takes the same highest-level action to remove or change the constraint.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Equity (Continued)

6. Fund Equity (Continued)

- Assigned fund balance – amounts the Foundation intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose.

The Foundation has not formally adopted a policy for commitment or assignment of unrestricted fund balance.

The Foundation has not formally adopted a minimum fund balance policy.

F. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Foundation, organized under ORS 338, is exempt from the provisions of Oregon Local Budget Law, requiring the preparation and legal adoption of a budget under ORS 294.316. The Foundation does, however, prepare an annual budget for internal management purposes and for submission to its sponsor district, as required under the terms of its charter.

III. DETAILED NOTES ON THE FUND AND ALL ACCOUNT GROUPS

A. Deposits

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned. All Foundation deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON THE FUND AND ALL ACCOUNT GROUPS (Continued)

A. Deposits (Continued)

The Foundation holds accounts at Columbia Bank and First Federal Bank, for which the FDIC provides insurance coverage of \$250,000 per institution. At June 30, 2016, the Foundation had deposits of \$268,007 insured by the FDIC and \$34,744 collateralized under the PFCP.

Deposits

The Foundation's deposits at June 30, 2016 were as follows:

Governmental activities - unrestricted	
Undeposited funds	\$ 77,234
Checking account	139,946
Money market	<u>138,669</u>
Total governmental activities - unrestricted	<u>355,849</u>
Governmental activities - restricted	
Cash on hand	25
Checking account	<u>16,455</u>
Total governmental activities - restricted	<u>16,480</u>
Total deposits	<u>\$ 372,329</u>

B. Prepaid Expenses

The Foundation's prepaid expenses at June 30, 2016 were as follows:

Prepaid insurance	\$ 10,388
Prepaid rent, related party	36,760
Other prepaids	<u>2,425</u>
	<u>\$ 49,573</u>

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON THE FUND AND ALL ACCOUNT GROUPS (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets being depreciated				
Leasehold improvements	\$ 207,914	\$ -	\$ -	\$ 207,914
Machinery and equipment	<u>3,000</u>	<u>1,032</u>	<u>-</u>	<u>4,032</u>
Total capital assets being depreciated	<u>210,914</u>	<u>1,032</u>	<u>-</u>	<u>211,946</u>
Less accumulated depreciation for				
Leasehold improvements	(63,458)	(5,274)	-	(68,732)
Machinery and equipment	<u>(150)</u>	<u>(1,682)</u>	<u>-</u>	<u>(1,832)</u>
Total accumulated depreciation	<u>(63,608)</u>	<u>(6,956)</u>	<u>-</u>	<u>(70,564)</u>
Governmental activities capital assets, net	<u>\$ 147,306</u>	<u>\$ (5,924)</u>	<u>\$ -</u>	<u>\$ 141,382</u>

Capital assets are reported on the statement of net position as follows:

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Governmental activities			
Leasehold improvements	\$ 207,914	\$ (68,732)	\$ 139,182
Machinery and equipment	<u>4,032</u>	<u>(1,832)</u>	<u>2,200</u>
Total capital assets	<u>\$ 211,946</u>	<u>\$ (70,564)</u>	<u>\$ 141,382</u>

Depreciation was not charged to specific functions or programs of the Foundation. Capital assets of the Foundation are for the use of the entire Foundation and are therefore unallocated. Depreciation expense is recorded on the statement of activities as follows:

Unallocated depreciation expense	<u>\$ 6,956</u>
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SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON THE FUND AND ALL ACCOUNT GROUPS (Continued)

D. Operating Leases

1. Building Lease

The Foundation has a long-term lease agreement for the building with Dick Paay (doing business as Theodorus W. Paay, LLC, an Oregon Limited Liability Company), a related party, beginning February 1, 2014 for a period of 10 years, ending on January 31, 2024. The lease calls for payments of \$6,127 per month. Lease expense for the year ended June 30, 2016 was \$73,520.

Future estimated lease liabilities are as follows:

<u>Year Ending June 30</u>	
2017	\$ 73,520
2018	73,520
2019	73,520
2020	73,520
2021	73,520
Thereafter	<u>183,800</u>
	<u>\$ 551,400</u>

2. Copier Lease

On December 16, 2014, the Foundation entered into a contract to lease a copier for a period of 60 months, ending on December 31, 2019. The lease calls for payments of \$233 per month. Lease expense for the year ended June 30, 2016 was \$2,796.

Future lease liabilities are as follows:

<u>Year Ending June 30</u>	
2017	\$ 2,796
2018	2,796
2019	2,796
2020	<u>1,398</u>
	<u>\$ 9,786</u>

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION

A. Risk Management

The Foundation 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 Foundation carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Pension Plan

1. Plan Description

Employees of the Foundation are provided with pensions through the Oregon Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer, defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement System Board to administer and manage the system. All benefits of the system are established by the legislature, pursuant to Oregon Revised Statutes (ORS) Chapters 238 and 238A. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available comprehensive annual financial report and actuarial valuation, both of which can be obtained at:
http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

2. Benefits Provided

a. OPSRP Pension Program (Defined Benefit)

Pension Benefits

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

General service: 1.5% 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 OPSRP 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.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

a. OPSRP Pension Program (Defined Benefit) (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% 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 credit before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45% of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes after Retirement

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

b. OPSRP Individual Account Program (IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

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

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

b. OPSRP Individual Account Program (IAP) (Continued)

Death Benefits

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

Recordkeeping

OPERS contracts with Voya Financial to maintain IAP participant records.

3. 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, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates, based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were \$47,267, excluding amounts to fund employer-specific liabilities. The rates in effect for the fiscal year ended June 30, 2016 were 17.64% for OPSRP Pension Program general service members and 6% for OPSRP IAP.

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

At June 30, 2016, the Foundation reported a liability of \$341,480 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The Foundation's proportion of the net pension liability was based on a projection of the Foundation's long-term share of contributions to the pension plan, relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the Foundation's proportion was 0.0059%, which increased from its proportion of 0.0051% measured as of June 30, 2014.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

C. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2016, the Foundation recognized pension expense (income) of \$290,870. At June 30, 2016, the Foundation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 18,414	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	-	71,582
Changes in proportion	13,852	-
Differences between employer contributions and proportionate share of contributions	<u>8,296</u>	<u>11,158</u>
Total (prior to post measurement date contributions)	40,562	82,740
Contributions subsequent to the measurement date	<u>47,267</u>	<u>-</u>
Total	<u>\$ 87,829</u>	<u>\$ 82,740</u>

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

<u>Amortization Period Ending June 30</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
2017	\$ 56,904	\$ 36,690
2018	9,637	36,690
2019	9,637	36,690
2020	8,717	(28,344)
2021	<u>2,934</u>	<u>1,014</u>
	<u>\$ 87,829</u>	<u>\$ 82,740</u>

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

D. Actuarial Assumptions

The employer contribution rates effective July 1, 2013 through June 30, 2015, and effective July 1, 2015 through June 30, 2017, were set using the projected unit credit actuarial cost method. For the OPSRP Pension Program 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 the 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 16 years.

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2013
Measurement Date	June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.75%
Long-Term Expected Rate of Return	7.75%
Discount Rate	7.75%
Projected Salary Increases	3.75% overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA
Mortality	<p>Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 statistic combined disabled mortality sex-distinct table.</p>

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

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

E. Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013, the Public Employees Retirement System 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 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 of 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/Strategy</u>	<u>Assumed Asset Allocation</u>		
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
Cash	0.00 %	3.00 %	0.00 %
Debt Securities	15.00 %	25.00 %	20.00 %
Public Equity	32.50 %	42.50 %	37.50 %
Private Equity	16.00 %	24.00 %	20.00 %
Real Estate	9.50 %	15.50 %	12.50 %
Alternative Equity	0.00 %	10.00 %	10.00 %
Opportunity Portfolio	0.00 %	3.00 %	<u>0.00 %</u>
Total			<u>100.00 %</u>

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

E. Long-Term Expected Rate of Return (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	7.20 %	4.50 %
Short-Term Bonds	8.00 %	3.70 %
Intermediate-Term Bonds	3.00 %	4.10 %
High Yield Bonds	1.80 %	6.66 %
Large Cap US Equities	11.65 %	7.20 %
Mid Cap US Equities	3.88 %	7.30 %
Small Cap US Equities	2.27 %	7.45 %
Developed Foreign Equities	14.21 %	6.90 %
Emerging Foreign Equities	5.49 %	7.40 %
Private Equities	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	<u>1.25 %</u>	6.07 %
Total	<u>100.00 %</u>	
Assumed Inflation - Mean		2.75 %

F. Depletion Date Projection

GASB Statement No. 68 generally requires that a blended discount rate be used to measure the total pension liability (the actuarial accrued liability calculated using the individual entry age normal cost method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's net position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB Statement No. 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB Statement No. 68 (paragraph 67) does allow for alternative evaluations of projected solvency if such evaluation can reliably be made. The Governmental Accounting Standards Board does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

F. Depletion Date Projection (Continued)

The following circumstances justify an alternative evaluation for sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB Statement No. 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience that might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB Statement No. 68 would clearly indicate that the net position is always projected to be sufficient to cover benefit payments and administrative expenses.

G. Discount Rate

The discount rate used to measure the total pension liability was 7.75% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's 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.

H. Sensitivity of the Foundation's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Foundation's proportionate share of the net pension liability (asset)	\$ 824,149	\$ 341,480	\$ (65,283)

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

I. Pension Plan Net Position

Detailed information about the pension plan's net position is available in the separately issued OPERS financial report.

J. Changes in Plan Provisions During the Measurement Period

On April 30, 2015, the Oregon Supreme Court ruled 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 was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

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

This change in benefit terms was reflected in the current valuation.

K. Changes in Plan Provision Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2015 measurement date.

L. Related Party

As described in Note III-D.1, the Foundation has a lease agreement with Dick Paay (doing business as Theodorous W. Paay, LLC, an Oregon Limited Liability Company) who is currently the president of the Foundation's board of directors. During the year ended June 30, 2016, the related party was paid \$73,520.

M. Concentrations of Funding Sources

Sheridan Japanese School Foundation receives a significant portion of its revenue from the state school fund. For the year ended June 30, 2016, Sheridan Japanese School Foundation received approximately 92% of its total revenue from the state school fund.

N. Commitments and Contingencies

A substantial portion of operating funding is received from the State of Oregon through Sheridan School District No. 48J. State funding is determined through statewide revenue projections that are paid to individual school districts based on pupil counts and other factors in the state school fund revenue formula. Since these projections and pupil counts fluctuate, they can cause either increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on operations cannot be determined.

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

N. Commitments and Contingencies (Continued)

Sheridan Japanese School Foundation operates under the authority of Sheridan School District No. 48J, who grants a charter to the school and exercises oversight, as required by Oregon law. The effect of nonrenewal of the charter has not been determined.

O. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements that have future effective dates that will impact future financial presentations. Management has not currently determined what impact implementation of the following statements will have on future financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for the Foundation beginning with its fiscal year ending June 30, 2017. This statement replaces the requirements for GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as well as the requirements of GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement improves the usefulness of information about postemployment benefits other than pensions (OPEB) reported in state and local governments' financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the Foundation beginning with its fiscal year ending June 30, 2017. This statement replaces the requirements for GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as well as the requirements of GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, will be effective for the Foundation beginning with its fiscal year ending June 30, 2017. This statement amends the scope and applicability of GASB Statement No. 68 and establishes requirements for recognition and measurement of pension expenses, expenditures, liabilities, note disclosures, and required supplementary information.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statement Nos. 67, 68, and 73*, will be effective for the Foundation beginning with its fiscal year ending June 30, 2017. The requirements of this statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues.

P. Subsequent Events

Management has evaluated subsequent events through November 17, 2016, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30	(a) Foundation's proportion of the net pension liability (asset)	(b) Foundation's proportionate share of the net pension liability (asset)	(c) Foundation's covered payroll	(b/c) Foundation's proportionate share of the net position liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.00594761%	\$ 341,480	\$ 254,125	134.37%	91.90%
2015	0.00514087%	(116,529)	300,560	-38.77%	103.60%
2014	0.00514087%	262,346	255,240	102.78%	91.97%

Changes in Benefit Terms

On April 30, 2015, the Oregon Supreme Court ruled 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 was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

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

This change in benefit terms was reflected in the current valuation, but not included in the net pension liability (asset) proportionate shares provided by OPERS for the years ended June 30, 2015 and 2014.

Changes of Assumptions

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012 and 2014 Experience Study for the System, which were published on September 18, 2013 and September 23, 2015. These reports can be found at:
http://www.oregon.gov/pers/Pages/section/financial_reports/mercerc_reports.aspx

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

SCHEDULE OF CONTRIBUTIONS

Year Ended June 30	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) Foundation's covered payroll	(b/c) Contributions as a percent of covered payroll
2016	\$ 47,267	\$ 47,267	-	\$ 284,071	16.64%
2015	52,203	52,203	-	254,125	20.54%
2014	60,365	60,365	-	300,560	20.08%

Changes in Benefit Terms

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OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND SCHEDULES

SHERIDAN JAPANESE SCHOOL FOUNDATION
Sheridan, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2016

	<u>Original and Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>	<u>Actual GAAP Basis</u>
REVENUES			
Local revenue	\$ 107,680	\$ (56,224)	\$ 51,456
State revenue	<u>515,071</u>	<u>60,275</u>	<u>575,346</u>
Total revenues	<u>622,751</u>	<u>4,051</u>	<u>626,802</u>
EXPENDITURES			
Current			
Instruction	586,951	10,982	597,933
Support services	<u>56,443</u>	<u>(14,691)</u>	<u>41,752</u>
Total expenditures	<u>643,394</u>	<u>(3,709)</u>	<u>639,685</u>
Excess (deficiency) of revenues over (under) expenditures	(20,643)	7,760	(12,883)
Fund balance - beginning	<u>329,430</u>	<u>54,316</u>	<u>383,746</u>
Fund balance - ending	<u>\$ 308,787</u>	<u>\$ 62,076</u>	<u>\$ 370,863</u>

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY
STATE REGULATIONS**

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Sheridan Japanese School Foundation
Sheridan, Oregon 97378

We have audited the basic financial statements of Sheridan Japanese School Foundation as of and for the year ended June 30, 2016, and have issued our report thereon dated November 17, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Sheridan Japanese School Foundation'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 162-010-0000 through 162-010-0320 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 an 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, which included, but were not limited to, the following:

Accounting records

Deposit of public funds with financial institutions (ORS Chapter 295)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

Public charter school requirements

In connection with our testing, nothing came to our attention that caused us to believe the Foundation was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the Foundation'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 Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting. However, we noted certain matters that we have reported to management of the Foundation in a separate letter dated November 17, 2016.

This report is intended solely for the information and use of the board of directors and management of Sheridan Japanese School Foundation and the Oregon Secretary of State, and is not intended to be and should not be used by anyone other than these parties.

Koontz, Perdue, Blasquez & Co., P.C.

Koontz, Perdue, Blasquez & Co., P.C.

November 17, 2016