



SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2016



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS
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SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

DISTRICT OFFICIALS

June 30, 2016

BOARD OF DIRECTORS

Larry Deibel, Chair
341 NE Sherman Street
Sheridan, Oregon 97378

Michael Griffith, Vice Chair
17640 SW Sunnyridge Lane
Sheridan, Oregon 97378

Jeff Ashlock
PO Box 155
Sheridan, Oregon 97378

Judy Breeden
20405 Rosenbalm Road
Sheridan, Oregon 97378

Terry Chrisman
136 Jefferson Street
Sheridan, Oregon 97378

ADMINISTRATION

Steven Sugg, Superintendent

DeAnn L. O'Neil, Business Manager

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

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FINANCIAL SECTION



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sheridan School District No. 48J
Sheridan, Oregon 97378

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Sheridan Japanese School, a discretely presented component unit, which represent 4%, 5%, and 5%, respectively, of the assets, net position, and revenues of the governmental activities. Those statements were audited by other auditors, whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Sheridan Japanese School, is based solely on the report of the other auditors. We conducted our audit 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 Title 2 U.S. *Code of Federal Regulations (CFR) Part 200; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 District'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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of Sheridan School District No. 48J, Sheridan, Oregon as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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, schedules of the District's proportionate share of the net pension liability and District contributions, and budgetary comparison information on pages 4 through 11 and 47 through 49, 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 management's discussion and analysis and schedules of the District's proportionate share of the net pension liability and District contributions 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 aforementioned information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison 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 budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sheridan School District No. 48J's basic financial statements as a whole. The individual fund schedules, other financial schedules, and supplemental information required by the

Oregon Department of Education are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The individual fund schedules, other financial schedules, and schedule of expenditures of federal awards are the responsibility of management, and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplemental information required by the Oregon Department of Education 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.

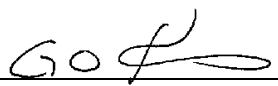
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 8, 2016 on our consideration of the District's internal control over financial reporting and 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 the 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.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 8, 2016 on our tests of the District's compliance with certain provisions of laws and regulations 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.

Accuity, LLC

By: 
Glen O. Kearns, CPA

Albany, Oregon
December 8, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of Sheridan School District No. 48J, Sheridan, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2016, total net position of Sheridan School District No. 48J amounted to \$3,648,871. Of this amount, \$5,146,645 was invested in capital assets, net of related debt. The remaining balance included \$1,047,678 restricted for various purposes and \$(2,545,452) of unrestricted net position.
- At June 30, 2016, the District's governmental funds reported combined ending fund balances of \$3,359,711.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Sheridan School District No. 48J's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the 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 District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all the District'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 District is improving or deteriorating.

The statement of activities presents information showing how the District'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 (e.g., uncollected taxes and earned but unused vacation leave).

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sheridan Japanese School and Sheridan AllPrep Academy are charter schools sponsored by the District and are reported as discretely presented component units. Their complete financial statements may be obtained from the District's administrative offices. The District is not financially responsible for the charter schools, but the nature and significance of their financial relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. These component units are presented in separate columns in the government-wide financial statements to emphasize that they are legally separate organizations from the District. Revenues reported by the component units as state school fund monies equal the amounts passed through the District.

The government-wide financial statements can be found on pages 12 through 13 of this report.

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. All of the funds of Sheridan School District No. 48J can be divided into two categories: governmental funds and proprietary funds.

□ **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 District'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 District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Special Projects, Debt Service, and Capital Projects Funds, all of which are considered to be major governmental funds.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sheridan School District No. 48J adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

□ **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The District maintains one proprietary fund, which is an internal service fund.

Internal service funds serve as an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses the internal service fund to account for its unemployment insurance. Because this predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 18 through 20 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 data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 46 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes the schedules of the District's proportionate share of the net pension liability and District contributions, and the budgetary comparison information for the General and Special Projects Funds. This required supplementary information can be found on pages 47 through 49 of this report.

Individual fund schedules can be found immediately following the required supplementary information on pages 50 through 52 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2016, the District's assets exceeded its liabilities by \$3,648,871.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

A large portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets for classrooms and supporting services for providing kindergarten through twelfth grade education; consequently, these assets are not available for future spending. Although the District's investment in 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, since the capital assets themselves cannot be used to liquidate these liabilities.

District's Net Position

The District's net position decreased by \$4,678,814 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

| | Governmental Activities | |
|---------------------------------------|--------------------------------|---------------------|
| | <u>2016</u> | <u>2015</u> |
| Assets | | |
| Current and other assets | \$ 3,649,528 | \$ 4,832,569 |
| Restricted assets | 1,315,035 | 3,986,543 |
| Net capital assets | <u>11,270,755</u> | <u>10,598,853</u> |
| Total assets | <u>16,235,318</u> | <u>19,417,965</u> |
| Deferred outflows of resources | 1,008,626 | 883,313 |
| Liabilities | | |
| Current liabilities | 1,977,271 | 1,847,877 |
| Noncurrent liabilities | <u>10,442,135</u> | <u>6,183,122</u> |
| Total liabilities | <u>12,419,406</u> | <u>8,030,999</u> |
| Deferred inflows of resources | #REF! | 3,942,594 |
| Net position | | |
| Net investment in capital assets | 5,146,645 | 3,669,295 |
| Restricted for various purposes | 1,047,678 | 3,606,754 |
| Unrestricted | <u>(2,545,452)</u> | <u>1,051,636</u> |
| Total net position | <u>\$ 3,648,871</u> | <u>\$ 8,327,685</u> |

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

District'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 | | |
| Regular programs | \$ 270,938 | \$ 214,376 |
| Special programs | 957,203 | 805,465 |
| Student support services | 125,757 | 141,885 |
| Food services | 492,701 | 495,326 |
| Total program revenues | <u>1,846,599</u> | <u>1,657,052</u> |
| General revenues | | |
| Property taxes - general | 1,343,593 | 1,182,332 |
| Property taxes - debt service | 851,370 | 954,785 |
| State school fund - general support | 8,046,497 | 7,936,305 |
| Common school fund | 129,427 | 103,951 |
| Unrestricted grants and contributions | 58,867 | 6,106 |
| Investment earnings | 35,750 | 33,690 |
| Miscellaneous | 199,205 | 109,863 |
| Pension credit | - | 1,873,708 |
| Total general revenues | <u>10,664,709</u> | <u>12,200,740</u> |
| Total revenues | <u>12,511,308</u> | <u>13,857,792</u> |
| Program expenses | | |
| Instruction | 10,517,344 | 6,020,488 |
| Support services | 4,720,417 | 3,243,614 |
| Enterprise and community services | 505,521 | 573,437 |
| Facilities acquisition and construction | 897,801 | 77,087 |
| Unallocated depreciation expense | 398,542 | 365,248 |
| Interest on long-term debt | 150,497 | 167,615 |
| Total program expenses | <u>17,190,122</u> | <u>10,447,489</u> |
| Change in net position | (4,678,814) | 3,410,303 |
| Net position - beginning, as restated | <u>8,327,685</u> | <u>4,917,382</u> |
| Net position - end of year | <u>\$ 3,648,871</u> | <u>\$ 8,327,685</u> |

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues

Since the District's mission is to provide a free and appropriate public education for kindergarten through twelfth grade students within its boundaries, the District may not charge for its core services. As expected, therefore, general revenues provide 85% of the funding required for governmental programs. Property taxes and state school funding combined for 96% of general revenues and 82% of total revenues.

Charges for services make up 1% of total revenues and are comprised of the following items for which it is appropriate that the District charge tuition or fees:

| | |
|---|-------------------|
| • Food services charges for lunch and breakfast | \$ 9,288 |
| • Various student extracurricular activities | <u>141,706</u> |
| Total charges for services | <u>\$ 150,994</u> |

Operating grants and contributions represent 14% of total revenues. Included in this category are \$941,254 of state reimbursements for special education programs and \$754,351 for grants and contributions to support various educational activities.

Expenses

Expenses related to governmental activities are presented in several broad functional categories. Costs of direct classroom instruction activities account for 61% of the total expenses of \$17,190,122. In addition, approximately 53% of the costs in supporting services relate to students, instructional staff, and school administration.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental Funds

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

At the end of the current fiscal year, the District's governmental funds reported combined fund balances of \$3,359,711. Of this amount, \$933,892 constitutes unassigned fund balance, which is available for spending at the District's discretion.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the General Fund was \$933,892, all of which was unassigned.

Proprietary Fund

The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net position of the proprietary fund at year-end amounted to \$175,330 all of which is considered to be unrestricted.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts and four approved appropriation changes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2016 amounted to \$11,270,755, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The total depreciation related to the District's investment in capital assets for the current fiscal year was \$398,542.

Additional information on the District's capital assets can be found in Note II-D on pages 33 through 34 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total debt outstanding of \$6,124,110. This amount is comprised of general obligation bonds and qualified zone academy bonds. The District's total debt outstanding decreased by \$805,448 during the current fiscal year due to payments made.

Additional information on the District's long-term debt can be found in Note II-F on pages 35 through 38 of this report.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

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

- PERS has been and will continue to be one of the biggest economic factors that has a huge impact on the financial future of the District. Continued rate increases are expected.

All of these factors were considered in preparing the District's budget for fiscal year 2016-2017.

The unassigned ending General Fund balance of \$933,892 will be available for program resources in fiscal year 2016-2017.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Sheridan School District No. 48J's finances for all those with an interest. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the Business Manager, DeAnn L. O'Neil, Sheridan School District No. 48J, 435 S. Bridge Street, Sheridan, Oregon 97378.

BASIC FINANCIAL STATEMENTS

SHERIDAN SCHOOL DISTRICT NO. 48J

Sheridan, Oregon

STATEMENT OF NET POSITION

June 30, 2016

| | Governmental Activities | Component Units | |
|---------------------------------------|----------------------------|--------------------------------|--------------------------------|
| | | Sheridan Japanese School | Sheridan AllPrep Academy |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 3,329,923 | \$ 355,849 | \$ 1,012,281 |
| Cash with agent | 24,561 | - | - |
| Accounts and grants receivable | 84,596 | 1,629 | 87,167 |
| Note receivable, current portion | 3,961 | - | - |
| Property taxes receivable | 124,782 | - | - |
| Prepaid expenses | - | 49,573 | 412 |
| Total current assets | <u>3,567,823</u> | <u>407,051</u> | <u>1,099,860</u> |
| Restricted assets | 1,315,035 | 22,239 | |
| Note receivable, less current portion | 81,705 | - | - |
| Capital assets not being depreciated | 648,696 | - | - |
| Capital assets being depreciated, net | <u>10,622,059</u> | <u>141,382</u> | <u>-</u> |
| Total assets | <u>16,235,318</u> | <u>570,672</u> | <u>1,099,860</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>1,008,626</u> | <u>87,829</u> | <u>113,459</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 436,888 | 7,845 | 4,775 |
| Payroll liabilities | 741,748 | 50,582 | 36,694 |
| Accrued interest payable | 10,210 | - | - |
| Bonds payable, current portion | <u>788,425</u> | <u>-</u> | <u>-</u> |
| Total current liabilities | <u>1,977,271</u> | <u>58,427</u> | <u>41,469</u> |
| Noncurrent liabilities | | | |
| Net pension liability | 5,106,450 | 341,480 | 240,834 |
| Bonds payable, less current portion | <u>5,335,685</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>12,419,406</u> | <u>399,907</u> | <u>282,303</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows - pension related | \$ 1,175,667 | \$ 82,740 | \$ 53,765 |
| NET POSITION | | | |
| Net investment in capital assets | 5,146,645 | 141,382 | - |
| Restricted for: | | | |
| Special projects | 618,683 | 18,711 | - |
| Debt service | 287,014 | - | - |
| School nutrition programs | 64,363 | - | - |
| Bond projects | 77,618 | - | - |
| Unrestricted | <u>(2,545,452)</u> | <u>15,761</u> | <u>877,251</u> |
| Total net position | <u>\$ 3,648,871</u> | <u>\$ 175,854</u> | <u>\$ 877,251</u> |

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

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

| <u>Functions/Programs</u> | Net (Expense) Revenue and Changes in Net Position | | | | | |
|--|--|-------------------------|--|----------------------------|--------------------------------|--------------------------------|
| | Expenses | Program Revenues | | Primary Government | Component Units | |
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities | Sheridan Japanese School | Sheridan AllPrep Academy |
| Primary government | | | | | | |
| Governmental activities | | | | | | |
| Instruction | | | | | | |
| Regular programs | \$ 6,554,199 | \$ - | \$ 270,938 | \$ (6,283,261) | \$ - | \$ - |
| Special programs | 3,963,145 | 15,949 | 941,254 | (3,005,942) | - | - |
| Support services | | | | | | |
| Student support services | 649,423 | 125,757 | - | (523,666) | - | - |
| Instructional staff support | 731,547 | - | - | (731,547) | - | - |
| General administrative support | 435,017 | - | - | (435,017) | - | - |
| School administrative support | 1,102,444 | - | - | (1,102,444) | - | - |
| Business support services | 1,251,696 | - | - | (1,251,696) | - | - |
| Central activities support | 550,290 | - | - | (550,290) | - | - |
| Enterprise and community services | 505,521 | 9,288 | 483,413 | (12,820) | - | - |
| Facilities acquisition and construction | 897,801 | - | - | (897,801) | - | - |
| Unallocated depreciation expense | 398,542 | - | - | (398,542) | - | - |
| Interest on long-term debt | 150,497 | - | - | (150,497) | - | - |
| Total governmental activities | <u>\$ 17,190,122</u> | <u>\$ 150,994</u> | <u>\$ 1,695,605</u> | <u>(15,343,523)</u> | <u>-</u> | <u>-</u> |
| Component units - Governmental Activities | | | | | | |
| Sheridan Japanese School | <u>\$ 936,479</u> | <u>\$ 15,069</u> | <u>\$ -</u> | <u>-</u> | <u>(921,410)</u> | <u>-</u> |
| Sheridan AllPrep Academy | <u>\$ 830,489</u> | <u>\$ -</u> | <u>\$ 2,197</u> | <u>-</u> | <u>-</u> | <u>(828,292)</u> |
| General revenues | | | | | | |
| Property taxes - general | | | | 1,343,593 | - | - |
| Property taxes - debt service | | | | 851,370 | - | - |
| State school fund - general support | | | | 8,046,497 | 575,346 | 975,049 |
| Common school fund | | | | 129,427 | - | - |
| Unrestricted grants and contributions | | | | 58,867 | 31,022 | - |
| Investment earnings | | | | 35,750 | 1,418 | - |
| Miscellaneous | | | | 199,205 | 3,947 | 3,438 |
| Total general revenues | | | | <u>10,664,709</u> | <u>611,733</u> | <u>978,487</u> |
| Change in net position | | | | (4,678,814) | (309,677) | 150,195 |
| Net position - beginning, as restated | | | | <u>8,327,685</u> | <u>485,531</u> | <u>727,056</u> |
| Net position - ending | | | | <u>\$ 3,648,871</u> | <u>\$ 175,854</u> | <u>\$ 877,251</u> |

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

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2016

| | General Fund | Special Projects Fund | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|--|---------------------|-----------------------------|-------------------------|-----------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 1,665,041 | \$ 1,376,410 | \$ 266,004 | \$ 872,702 | \$ 4,180,157 |
| Cash with agent | 24,561 | - | 526 | - | 25,087 |
| Grants receivable | 83,383 | 204,109 | 1,213 | - | 288,705 |
| Property taxes receivable | 124,782 | - | 83,732 | - | 208,514 |
| Total assets | <u>\$ 1,897,767</u> | <u>\$ 1,580,519</u> | <u>\$ 351,475</u> | <u>\$ 872,702</u> | <u>\$ 4,702,463</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 121,368 | \$ 16,481 | \$ - | \$ 297,935 | \$ 435,784 |
| Payroll liabilities | 741,748 | - | - | - | 741,748 |
| Total liabilities | 863,116 | 16,481 | - | 297,935 | 1,177,532 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | 100,759 | - | 64,461 | - | 165,220 |
| FUND BALANCES | | | | | |
| Restricted | - | 683,046 | 287,014 | 77,618 | 1,047,678 |
| Committed | - | 880,992 | - | - | 880,992 |
| Assigned | - | - | - | 497,149 | 497,149 |
| Unassigned | 933,892 | - | - | - | 933,892 |
| Total fund balances | 933,892 | 1,564,038 | 287,014 | 574,767 | 3,359,711 |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 1,897,767</u> | <u>\$ 1,580,519</u> | <u>\$ 351,475</u> | <u>\$ 872,702</u> | <u>\$ 4,702,463</u> |

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

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

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

June 30, 2016

| | | |
|---|--------------------|---------------------|
| Total fund balances | | \$ 3,359,711 |
| Capital assets are not financial resources and are therefore not reported in the governmental funds: | | |
| Cost | 17,841,644 | |
| Accumulated depreciation | <u>(6,570,889)</u> | 11,270,755 |
| Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 60 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds. | | 165,220 |
| 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 governmental activities in the statement of net position. | | 175,330 |
| The note receivable is not available to pay for current period expenditures and is therefore not reported as a governmental fund asset. | | 85,666 |
| Amounts relating to the District's proportionate share of PERS actuarial valuation balances are not reported in governmental fund statements. | | |
| Deferred outflows of resources related to pension expense | 1,008,626 | |
| Deferred inflows of resources related to the return on pension assets | #REF! | |
| Net pension liability | <u>(5,106,450)</u> | #REF! |
| Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of: | | |
| Accrued interest payable | (10,210) | |
| Bond premiums | (418,390) | |
| Bonds payable | <u>(5,705,720)</u> | <u>(6,134,320)</u> |
| Net position of governmental activities | | <u><u>#REF!</u></u> |

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

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

| | General Fund | Special Projects Fund | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|--|-----------------|-----------------------------|-------------------------|-----------------------------|--------------------------------|
| REVENUES | | | | | |
| Local revenue | \$ 1,421,688 | \$ 277,733 | \$ 870,886 | \$ 5,337 | \$ 2,575,644 |
| Intermediate revenue | 4,689 | 277,210 | 17,434 | 53,368 | 352,701 |
| State revenue | 7,875,924 | 428,437 | - | 200,000 | 8,504,361 |
| Federal revenue | - | 1,087,561 | - | - | 1,087,561 |
| | 9,302,301 | 2,070,941 | 888,320 | 258,705 | 12,520,267 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | 6,339,312 | 1,231,776 | - | - | 7,571,088 |
| Support services | 3,006,614 | 336,097 | - | 66,441 | 3,409,152 |
| Community services | - | 506,933 | - | - | 506,933 |
| Facilities acquisition and construction | - | - | - | 1,968,245 | 1,968,245 |
| Debt service | - | - | 955,945 | - | 955,945 |
| | 9,345,926 | 2,074,806 | 955,945 | 2,034,686 | 14,411,363 |
| Excess (deficiency) of revenues over (under) expenditures | (43,625) | (3,865) | (67,625) | (1,775,981) | (1,891,096) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Sale of capital assets | - | - | - | 7,497 | 7,497 |
| Transfers in | - | 3,998 | - | - | 3,998 |
| Transfers out | (3,998) | - | - | - | (3,998) |
| | (3,998) | 3,998 | - | 7,497 | 7,497 |
| Net change in fund balances | (47,623) | 133 | (67,625) | (1,768,484) | (1,883,599) |
| Fund balances - beginning, as restated | 981,515 | 1,563,905 | 354,639 | 2,343,251 | 5,243,310 |
| Fund balances - ending | \$ 933,892 | \$ 1,564,038 | \$ 287,014 | \$ 574,767 | \$ 3,359,711 |

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

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

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

For the Year Ended June 30, 2016

Net change in fund balances \$ (1,883,599)

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 reported as depreciation expense. These amounts consist of:

| | | |
|-----------------------------------|------------------|---------|
| Expenditures for capital assets | 1,070,444 | |
| Current year depreciation expense | <u>(398,542)</u> | 671,902 |

Governmental funds report note receivable payments as revenue. No income is recorded in the statement of activities. Payments are treated as reductions of the asset. (3,731)

Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

| | | |
|---------------------|--|---------|
| Debt principal paid | | 746,436 |
|---------------------|--|---------|

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 funds in the statement of activities. (1,145)

Pension expense that does not meet the measureable and available criteria is not recognized as expense in the current year in governmental funds. In the statement of activities, pension expense is recognized when determined to have been accrued. (4,253,589)

Some expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds.

| | | |
|---------------------------|--|--------|
| Bond premium amortization | | 59,012 |
|---------------------------|--|--------|

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. (14,100)

Change in net position \$ (4,678,814)

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

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2016

| | Internal Service Fund <u>Unemployment Insurance</u> |
|---------------------------|---|
| ASSETS | |
| Cash and cash equivalents | \$ <u>176,434</u> |
| LIABILITIES | |
| Accounts payable | <u>1,104</u> |
| NET POSITION | |
| Unrestricted | <u>\$ <u>175,330</u></u> |

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

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

For the Year Ended June 30, 2016

| | <u>Internal Service Fund</u> <u>Unemployment Insurance</u> |
|----------------------------------|---|
| Operating revenues | \$ - |
| Operating expenses | |
| Support services | <u>2,520</u> |
| Operating income (loss) | <u>(2,520)</u> |
| Nonoperating revenues (expenses) | |
| Investment earnings | <u>1,375</u> |
| Change in net position | (1,145) |
| Net position - beginning | <u>176,475</u> |
| Net position - ending | <u><u>\$ 175,330</u></u> |

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

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended June 30, 2016

| | Internal Service Fund <u>Unemployment Insurance</u> |
|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Payments to employees | \$ (1,416) |
| Net cash provided (used) by operating activities | <u>(1,416)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received | <u>1,375</u> |
| Net cash provided (used) by investing activities | <u>1,375</u> |
| Net increase (decrease) in cash and cash equivalents | (41) |
| Cash and cash equivalents - beginning | <u>176,475</u> |
| Cash and cash equivalents - ending | <u><u>\$ 176,434</u></u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | |
| Operating income (loss) | \$ (2,520) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Increase (decrease) in accounts payable | <u>1,104</u> |
| Net cash provided (used) by operating activities | <u><u>\$ (1,416)</u></u> |

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

NOTES TO BASIC FINANCIAL STATEMENTS

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

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

B. Reporting Entity

Sheridan School District No. 48J functions as a local education agency, serving students in grades kindergarten through twelve, and consists of two schools. The District is governed by a five-member board of directors.

Sheridan Japanese School and Sheridan AllPrep Academy are charter schools sponsored by the District and are reported as discretely presented component units. Their complete financial statements may be obtained from the District's administrative offices. The District is not financially responsible for the charter schools, but the nature and significance of their financial relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. These component units are presented in separate columns in the government-wide financial statements to emphasize that they are legally separate organizations from the District. Revenues reported by the component units as state school fund monies equal the amounts passed through the District.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds.

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

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category - governmental, and proprietary - 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 nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

The government reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund. The primary sources of revenue are property taxes and state revenues.

Special Revenue Fund

Special Projects Fund - The Special Projects Fund accounts for the proceeds of specific revenue sources that are restricted for specific purposes. The primary source of revenue is from federal grants. The primary uses of revenue are for salaries and employment benefits, education program enhancement, and equipment purchases.

Debt Service Fund - The Debt Service Fund accounts for the repayment of the District's long-term debt. The primary source of revenue is property taxes. The primary use of revenue is payment of principal and interest due on long-term debt.

Capital Projects Fund - The Capital Projects Fund accounts for major capital improvements within the District. The primary source of revenue is transfers from the General Fund. The primary use of revenue is capital outlay.

The District reports the following proprietary fund:

Internal Service Fund

Unemployment Insurance Fund - The Unemployment Insurance Fund is used to account for funds allocated for unemployment benefits. The primary sources of revenue are investment earnings and monies from other local sources. The primary use of revenue is for unemployment benefits.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between funds included in governmental activities are eliminated.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. Budgetary Information

Annual budgets are adopted on the modified accrual basis of accounting. The District budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, debt service, capital projects, and internal service funds. All funds are budgeted on the modified accrual basis of accounting.

The District begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year. The board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Total instruction, support services, community services, debt service, capital outlay, operating contingencies, and interfund transfers for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the board of directors at a regular board 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 of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there were no supplemental budgets. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and four approved appropriation changes.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District'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. Restricted Assets

Assets whose use is restricted for debt service, facilities improvement and construction, grant projects, or by other agreement are segregated on the Statement of Net Position

3. Investments

State statutes authorize the District to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

4. Accounts and Grants Receivable

Receivables for federal and state grants, and state, county, and local shared revenues are recorded as revenue when earned.

5. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 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. Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

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

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Machinery and Equipment | 5-30 |
| Buildings and Improvements | 15-40 |

6. Deferred Outflows/Inflows of Resources (Non-Pension Related)

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 and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial 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 will therefore not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a 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 revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

7. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

8. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The school board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for the specific purposes but do not meet the criteria to be classified as committed. The school board has by resolution authorized the Business Manager to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The District reports fund equity 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 District 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 District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts that District 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 authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

District policy requires a carryover fund balance of 5% of budgeted revenues.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15. Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 30 days of fiscal year-end are recognized as revenue, while the remaining are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

3. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

4. Proprietary Fund Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the Insurance Fund is charges to other agencies for services provided. Operating expenses for the Insurance Fund includes the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

I. Use of Estimates

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

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Sheridan School District No. 48J maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP 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. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council.

The fair value of the District's position in the LGIP is the same as the value of the pool shares. Because the pool operates as a demand deposit account, each fund's portion of this pool is classified on the combined balance sheet as cash and cash equivalents; however, Oregon Short-Term Fund investments are disclosed below and classified by custodial credit risk for investments. The Treasurer makes short-term and long-term investments, which are held separately by several of the State's funds. Other investments are made directly by state agencies rather than by the Treasurer, although only a few agencies are authorized to make such investments and then only for specific programs. The State Treasury's direct investments in short-term securities are limited by portfolio rules established by the Oregon Short-Term Fund Board and the Oregon Investment Council.

A separate financial report for the Oregon Short-Term Fund Board is prepared by the Treasurer in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896. Participants' account balances in the Oregon Short-Term Fund are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest.

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Interest is calculated and accrued daily on each participant’s account based on the ending account balance and a variable interest rate determined periodically by the Oregon State Treasury. The interest rate approximates the actual yield of the Oregon Short-Term Fund, exclusive of unrealized gains and losses.

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers’ acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor’s Corporation or P-1 by Moody’s Commercial Paper Record, and the Local Government Investment Pool. The District has not adopted an investment policy regarding credit risk; however, investments comply with state statutes.

Investments

As of June 30, 2016, the District had the following investments:

| | Credit Quality Rating | Maturities | Fair Value |
|---|--------------------------|------------|--------------|
| Oregon Local Government Investment Pool | Unrated | - | \$ 4,202,489 |

Interest Rate Risk

The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The District does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the District’s investments are in the Oregon Local Government Investment Pool.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the District’s deposits may not be returned.

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All District 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.

The District holds checking accounts at US Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2016, the District's had deposits of \$250,000 covered by FDIC insurance and \$547,845 collateralized under the PFCP.

Deposits

The District's deposits and investments at June 30, 2016 are as follows:

| | |
|--------------------------------|---------------------|
| Checking accounts | \$ 154,102 |
| Total investments | <u>4,202,489</u> |
| Total deposits and investments | <u>\$ 4,356,591</u> |

Cash and investments by fund:

| | |
|--|---------------------|
| Governmental activities - unrestricted | |
| General Fund | \$ 1,665,041 |
| Special Projects Fund | 693,364 |
| Capital Projects Fund | 795,084 |
| Unemployment Insurance Fund | <u>176,434</u> |
| Total governmental activities - unrestricted | <u>3,329,923</u> |
| Governmental activities - restricted | |
| Special Projects Fund | 683,046 |
| Capital Projects Fund | 77,618 |
| Debt Service Fund | <u>266,004</u> |
| Total governmental activities - restricted | <u>1,026,668</u> |
| Total cash and investments | <u>\$ 4,356,591</u> |

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

B. Restricted Assets

Restricted assets are for special programs, future payments of principal and interest on long-term debt, future facilities acquisition and construction, and future expenditures of grant monies.

Restricted assets

Governmental activities

| | |
|---------------------------|----------------------------|
| Cash and cash equivalents | \$ 1,026,668 |
| Cash with agent | 526 |
| Grants receivable | 204,109 |
| Property taxes receivable | <u>83,732</u> |
| Total restricted assets | <u><u>\$ 1,315,035</u></u> |

C. Note Receivable

Note receivables as of June 30, 2016 are as follows:

Note receivable dated April 2005 in the amount of \$125,000;
interest at 6% with monthly payments through the year 2030.
Financed sale of property.

| | |
|------------|-------------------------|
| | <u>\$ 85,666</u> |
| Current | \$ 3,961 |
| Noncurrent | <u>81,705</u> |
| Total | <u><u>\$ 85,666</u></u> |

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D. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|---------------------|----------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 648,696 | \$ - | \$ - | \$ 648,696 |
| Construction in progress | <u>487,776</u> | <u>-</u> | <u>(487,776)</u> | <u>-</u> |
| Total capital assets not being depreciated | <u>1,136,472</u> | <u>-</u> | <u>(487,776)</u> | <u>648,696</u> |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 15,125,144 | 1,324,519 | - | 16,449,663 |
| Machinery and equipment | <u>509,584</u> | <u>233,701</u> | <u>-</u> | <u>743,285</u> |
| Total capital assets being depreciated | <u>15,634,728</u> | <u>1,558,220</u> | <u>-</u> | <u>17,192,948</u> |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | (5,730,699) | (382,841) | - | (6,113,540) |
| Machinery and equipment | <u>(441,648)</u> | <u>(15,701)</u> | <u>-</u> | <u>(457,349)</u> |
| Total accumulated depreciation | <u>(6,172,347)</u> | <u>(398,542)</u> | <u>-</u> | <u>(6,570,889)</u> |
| Total capital assets being depreciated, net | <u>9,462,381</u> | <u>1,159,678</u> | <u>-</u> | <u>10,622,059</u> |
| Governmental activities capital assets, net | <u>\$ 10,598,853</u> | <u>\$ 1,159,678</u> | <u>\$ (487,776)</u> | <u>\$ 11,270,755</u> |

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

| | |
|----------------------------------|--------------------------|
| Governmental activities | |
| Unallocated depreciation expense | <u><u>\$ 398,542</u></u> |

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

| | Capital Assets | Accumulated Depreciation | Net Capital Assets |
|-----------------------------------|----------------------|-----------------------------|-----------------------|
| Governmental activities | | | |
| Land | \$ 648,696 | \$ - | \$ 648,696 |
| Buildings | 16,449,663 | (6,113,540) | 10,336,123 |
| Machinery and equipment | 743,285 | (457,349) | 285,936 |
| Total governmental capital assets | <u>\$ 17,841,644</u> | <u>\$ (6,570,889)</u> | <u>\$ 11,270,755</u> |

E. Interfund Transfers

Interfund transfers during the year ended June 30, 2016 consisted of:

| | |
|----------------|------------------------|
| | Transfers in: |
| | Special |
| | Projects |
| | Fund |
| Transfers out: | |
| General Fund | <u><u>\$ 3,998</u></u> |

The primary purpose of transfers in was to fund future special programs.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

F. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

| | <u>Interest Rates</u> | <u>Original Amount</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|---------------------------|----------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Governmental activities | | | | | | | |
| General Obligation Bonds, Refunding, Series 2012 | 2 - 4% | \$ 5,570,000 | \$ 4,040,000 | \$ - | \$ 490,000 | \$ 3,550,000 | \$ 515,000 |
| General Obligation Bonds, Series 2014 | 2 - 4% | <u>2,105,000</u> | <u>1,890,000</u> | <u>-</u> | <u>215,000</u> | <u>1,675,000</u> | <u>230,000</u> |
| Subtotal GO bonds | | 7,675,000 | 5,930,000 | - | 705,000 | 5,225,000 | 745,000 |
| General Obligation Bonds, Refunding, 2012 Premium | - | 404,191 | 262,808 | - | 49,023 | 213,785 | - |
| General Obligation Bonds, 2014 Premium | - | <u>217,643</u> | <u>214,594</u> | <u>-</u> | <u>9,989</u> | <u>204,605</u> | <u>-</u> |
| Total GO bonds | | 8,296,834 | 6,407,402 | - | 764,012 | 5,643,390 | 745,000 |
| Qualified Zone Academy Bond | 0% | <u>1,000,000</u> | <u>522,156</u> | <u>-</u> | <u>41,436</u> | <u>480,720</u> | <u>43,425</u> |
| Total governmental activities | | <u>\$ 9,296,834</u> | <u>\$ 6,929,558</u> | <u>\$ -</u> | <u>\$ 805,448</u> | <u>\$ 6,124,110</u> | <u>\$ 788,425</u> |

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

2. General Obligation Refunding Bonds, Series 2012

General obligation bonds are direct obligations that pledge the full faith and credit of the District and are payable from ad valorem debt service levy proceeds. The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The District's outstanding general obligation bonds represent funding primarily for building improvement projects. Interest is due semiannually in June and December. Interest rates increase at fixed rates over the life of the bonds in accordance with the original bond agreements. The Debt Service Fund has traditionally been used to liquidate long-term debt.

On March 27, 2012, the District issued general obligation bonds of \$5,570,000 (par value) with interest rates of 2-4% to advance refund the portion of the Series 2003 general obligation bonds maturing June 15, 2016 through June 15, 2022 with interest rates of 2% to 4% and a par value of \$5,530,000. The Series 2003 bonds mature on June 15, 2022 and were callable on June 15, 2013. The Series 2012 bonds were issued at a premium of \$404,191, and, after paying issuance costs of \$111,955, the net proceeds were \$5,862,235. The net proceeds from the issuance of the Series 2012 bonds were used to purchase state and local government securities, which were deposited in an irrevocable trust with an escrow agent to provide debt service payment until the Series 2003 bonds were called on June 15, 2013. All defeased bonds have been paid in full.

3. General Obligation Bonds, Series 2014

General obligation bonds are direct obligations that pledge the full faith and credit of the District and are payable from ad valorem debt service levy proceeds. The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The District's outstanding general obligation bonds represent funding primarily for building improvement projects. Interest is due semiannually in June and December. Interest rates increase at fixed rates over the life of the bonds in accordance with the original bond agreements. The Debt Service Fund has traditionally been used to liquidate long-term debt.

4. Qualified Zone Academy Bonds

The District entered into an agreement dated July 29, 2009 under the Qualified Zone Academy Bonds (QZAB) Program. The QZAB Program provides no interest financing to purchase certain goods and services for schools located in eligible District areas (zones). The District received financing of \$1,000,000 from a local bank on July 29, 2009 for upgrades and improvements to Sheridan High School and Faulconer-Chapman School. Interest on the debt is paid by the United States government through the issuance of federal income tax credits to the holder of the QZAB debt (the bank). The rate of return to the bank was established by the United States government at the time of the sale. To reflect the time value of money, the liability recorded in the financial statements reflects future payments discounted at an imputed interest rate of 4.8%, which was the District's long-term borrowing rate at July 2009. The agreement requires annual payments of \$66,500 on July 29 of each year, and a final payment of \$69,000 on July 29, 2024.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

5. Future Maturities of Long-Term Liabilities

| Fiscal Year | GENERAL OBLIGATION BONDS Refunding Series 2012 | | | GENERAL OBLIGATION BONDS Series 2014 | | |
|----------------|---|---------------------|-------------------|---|---------------------|-------------------|
| | Total | Principal | Interest | Total | Principal | Interest |
| 2017 | \$ 618,088 | \$ 515,000 | \$ 103,088 | \$ 294,700 | \$ 230,000 | \$ 64,700 |
| 2018 | 637,788 | 545,000 | 92,788 | 302,800 | 245,000 | 57,800 |
| 2019 | 651,888 | 570,000 | 81,888 | 318,000 | 270,000 | 48,000 |
| 2020 | 669,788 | 605,000 | 64,788 | 327,200 | 290,000 | 37,200 |
| 2021 | 684,663 | 635,000 | 49,663 | 335,600 | 310,000 | 25,600 |
| 2022 | 704,262 | 680,000 | 24,262 | 343,200 | 330,000 | 13,200 |
| TOTALS | <u>\$ 3,966,477</u> | <u>\$ 3,550,000</u> | <u>\$ 416,477</u> | <u>\$ 1,921,500</u> | <u>\$ 1,675,000</u> | <u>\$ 246,500</u> |

| Fiscal Year | QZAB Bond 2010 Issue | | | TOTAL ALL REQUIREMENTS | | |
|----------------|-------------------------|-------------------|-------------------|------------------------|---------------------|-------------------|
| | Total | Principal | Interest | Total | Principal | Interest |
| 2017 | \$ 66,500 | \$ 43,425 | \$ 23,075 | \$ 979,288 | \$ 788,425 | \$ 190,863 |
| 2018 | 66,500 | 45,510 | 20,990 | 1,007,088 | 835,510 | 171,578 |
| 2019 | 66,500 | 47,694 | 18,806 | 1,036,388 | 887,694 | 148,694 |
| 2020 | 66,500 | 49,984 | 16,516 | 1,063,488 | 944,984 | 118,504 |
| 2021 | 66,500 | 52,383 | 14,117 | 1,086,763 | 997,383 | 89,380 |
| 2022 | 66,500 | 54,897 | 11,603 | 1,113,962 | 1,064,897 | 49,065 |
| 2023 | 66,500 | 57,532 | 8,968 | 66,500 | 57,532 | 8,968 |
| 2024 | 66,500 | 60,295 | 6,205 | 66,500 | 60,295 | 6,205 |
| 2025 | 69,000 | 69,000 | - | 69,000 | 69,000 | - |
| | <u>\$ 601,000</u> | <u>\$ 480,720</u> | <u>\$ 120,280</u> | <u>\$ 6,488,977</u> | <u>\$ 5,705,720</u> | <u>\$ 783,257</u> |

6. Interest Expense

In relation to governmental activities, interest expense was not charged to specific functions of programs of the District. Interest expense is recorded on the statement of activities as follows:

| | |
|----------------------------|-------------------|
| Governmental activities | |
| Interest on long-term debt | <u>\$ 150,497</u> |

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7. General Obligation Debt Capacity

ORS 328.245 establishes a parameter of bonded indebtedness for school districts. Kindergarten through twelfth grade school districts may issue an aggregate principal amount up to 7.95% of the Real Market Value of all taxable properties within the district.

Information on the District's general obligation debt capacity is presented below.

| | | |
|---|----|----------------------------|
| Real Market Value (Fiscal Year 2016) ⁽¹⁾ | \$ | 412,354,599 |
| General Obligation Debt Capacity (7.95% of Real Market Value) | \$ | 32,782,191 |
| Less: Outstanding Debt Subject to Limit | | (5,225,000) ⁽²⁾ |
| Remaining General Obligation Debt Capacity | \$ | 27,557,191 |
| Percent of Capacity Issued | | 15.94% |

⁽¹⁾ The District's fiscal year commences July 1 and ends on June 30 of the following year (the "Fiscal Year"). *Source: Yamhill County Department of Assessment and Taxation.*

⁽²⁾ Represents voter-approved, unlimited-tax general obligations of the District.

G. Constraints on Fund Balances

Constraints on fund balances reported on the balance sheet are as follows:

| | General Fund | Special Projects Fund | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|---------------------------|-----------------|-----------------------------|-------------------------|-----------------------------|--------------------------------|
| Fund balances: | | | | | |
| Restricted for: | | | | | |
| Special projects | \$ - | \$ 618,683 | \$ - | \$ - | \$ 618,683 |
| Debt service | - | - | 287,014 | - | 287,014 |
| Student body activities | - | 64,363 | - | - | 64,363 |
| Bond projects | - | - | - | 77,618 | 77,618 |
| Committed to: | | | | | |
| PERS reserve | - | 752,222 | - | - | 752,222 |
| Funding shortfall reserve | - | 128,770 | - | - | 128,770 |
| Assigned to: | | | | | |
| Capital projects | - | - | - | 497,149 | 497,149 |
| Unassigned | 933,892 | - | - | - | 933,892 |
| Total fund balances | \$ 933,892 | \$ 1,564,038 | \$ 287,014 | \$ 574,767 | \$ 3,359,711 |

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. OTHER INFORMATION

A. 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. In addition, the District maintains an Unemployment Insurance Fund for the payment of future unemployment claims. No liability for unpaid unemployment claims has been recorded, as management is unable to reasonably estimate the amount or timing of future claims.

B. Retirement Plans

1. Oregon Public Employees Retirement System

General Information about the Pension Plan

Name of Pension Plan

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

Description of Benefit Terms

Plan Benefits – PERS Pension (Chapter 238)

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A

PERS Pension

The ORS Chapter 238 Defined Benefit Pension 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 either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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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 a either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining 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. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

OPSRP Pension Program (OPSRP DB)

Pension Benefits

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

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: police and fire - 1.8 percent is multiplied by the number of years of service and the final average salary.

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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 the termination becomes effective.

Death Benefits

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

Disability Benefits

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

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

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, which became effective July 1, 2015. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

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June 30, 2016

Employer contributions for the year ended June 30, 2016 were \$972,622.

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 Valuations

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier 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 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 20 years.

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 actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

| | |
|---------------------------------------|---|
| Valuation Date | December 31, 2013 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Amortized as a level percentage of payroll: Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year) amortization periods are closed |
| Equivalent Single Amortization Period | 20 years |
| Asset Valuation Method | Market Value of Assets |
| <i>Actuarial Assumptions:</i> | |
| Inflation Rate | 2.75 percent |
| Investment Rate of Return | 7.75 percent |

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

| | |
|----------------------------|--|
| Projected Salary Increases | 3.75 percent |
| 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 of the RP-2000 statistic combined disabled mortality sex-distinct table.</p> |

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

Discount Rate

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

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

At June 30, 2016, the District reported a liability of \$5,106,450 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015 the District's proportion was 0.08893990%.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

For the year ended June 30, 2016, the District recognized pension expense of \$5,002,248. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 275,366 | \$ - |
| Net differences between projected and actual earnings on investments | - | 1,070,428 |
| Changes in proportionate share | - | 17,698 |
| Differences between employer contributions and employer's proportionate share of system contributions | - | 87,541 |
| Total (prior to post-MD contributions) | 275,366 | 1,175,667 |
| Contributions subsequent to the MD | 733,260 | - |
| Total (subsequent to post-MD contributions) | \$ 1,008,626 | \$ 1,175,667 |
| Net Deferred Outflow/(Inflow) of Resources | | \$ (167,041) |

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported by the District as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in subsequent years as follows:

| Year ended June 30: | Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions) |
|---------------------|--|
| 2017 | \$ (472,365) |
| 2018 | (472,365) |
| 2019 | (472,365) |
| 2020 | 500,804 |
| 2021 | 15,991 |
| Total | \$ (900,300) |

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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

The following presents the District's proportionate share of the net pension 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 higher 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 proportionate share of the net pension liability (asset):

| 1% Decrease (6.75%) | Discount Rate (7.75%) | 1% Increase (8.75%) |
|------------------------|--------------------------|------------------------|
| \$ 12,324,227 | \$ 5,106,450 | \$ (976,240) |

Plan Changes Reflected

The Oregon Supreme Court decision in *Moro v. State of Oregon* (issued on April 30, 2015) occurred after the December 31, 2013 valuation date but affected the plan provisions reflected for financial reporting purposes. The *Moro* decision modified the COLA-related changes of Senate Bills 822 and 861, creating a blended COLA for members who earned service both before and after the effective dates of the legislation.

For GASB 67 and GASB 68, the benefits valued in the Total Pension Liability must be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the PERS system. Due to the timing of the Supreme Court decision, this means the COLA change due to *Moro* is reflected in the June 30, 2015 Total Pension Liability, but was not reflected in the June 30, 2014 Total Pension Liability. The increase in the Total Pension Liability resulting from the *Moro* decision was measured at June 30, 2015. To reflect the *Moro* decision, the blended COLA based on creditable service before and after the effective dates of the legislation was estimated. This approach is consistent with OAR 459-005-0510, adopted by the PERS Board in September 2015.

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occur after that date are reflected in amounts reported for the subsequent Measurement Date. However, paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

We are not aware of any changes subsequent to the June 30, 2015 Measurement Date that meet this requirement.

C. Tax Deferred Annuities

The District provides tax deferred annuity contracts established under Section 403(b) of the Internal Revenue Code. Participation in the program is voluntary. Contributions are made from salary deductions from participating employees within the limits specified in the Code.

D. Restatement of Previously Issued Financial Statements

Beginning net position/fund balance was restated as follows:

| Government-Wide Statements | |
|--|-----------------------------|
| | Governmental Activities |
| Net position - beginning as originally reported | \$ 8,127,685 |
| Correction of understated State School Fund monies | 200,000 |
| Net position - beginning, as restated | \$ 8,327,685 |
| GAAP/Budget Basis Statements | |
| | Capital Projects Fund |
| Fund balance - beginning, as originally reported | \$ 2,143,251 |
| Correction of understated State School Fund monies | 200,000 |
| Fund balance - beginning, as restated | \$ 2,343,251 |

E. Subsequent Events

Management has evaluated subsequent events through December 8, 2016, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND DISTRICT CONTRIBUTIONS

OREGON PERS SYSTEM

Schedule of the District's Proportionate Share of the Net Pension Liability

| | 2016 | 2015 |
|---|--------------|----------------|
| District's proportion of the net pension liability (asset) | 0.08893990% | 0.08997071% |
| District's proportionate share of the net pension liability (asset) | \$ 5,106,450 | \$ (2,039,379) |
| District's covered-employee payroll | \$ 4,352,195 | \$ 4,253,756 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 117% | -48% |
| Plan fiduciary net position as a percentage of the total pension liability | 92% | 104% |

Schedule of District Contributions

| | 2016 | 2015 |
|--|--------------|--------------|
| Contractually required contribution | \$ 972,622 | \$ 883,313 |
| Contributions in relation to the contractually required contribution | (972,622) | (883,313) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 4,408,282 | \$ 4,235,756 |
| Contributions as a percentage of covered-employee payroll | 22% | 21% |

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

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

GENERAL FUND

For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|--|---------------------|---------------------|---|-------------------|------------------|-------------------|
| | | | | Budget Basis | Adjustments | |
| REVENUES | | | | | | |
| Local revenue | \$ 1,353,000 | \$ 1,353,000 | \$ 39,060 | \$ 1,392,060 | \$ 29,628 | \$ 1,421,688 |
| Intermediate revenue | 272,500 | 272,500 | (267,811) | 4,689 | - | 4,689 |
| State revenue | 8,246,875 | 8,566,875 | (690,951) | 7,875,924 | - | 7,875,924 |
| Total revenues | <u>9,872,375</u> | <u>10,192,375</u> | <u>(919,702)</u> | <u>9,272,673</u> | <u>29,628</u> | <u>9,302,301</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Instruction | 6,307,645 | 6,627,645 | (288,333) | 6,339,312 | - | 6,339,312 |
| Support services | 3,764,730 | 3,764,730 | (758,116) | 3,006,614 | - | 3,006,614 |
| Contingency | 200,000 | 200,000 | (200,000) | - | - | - |
| Total expenditures | <u>10,272,375</u> | <u>10,592,375</u> | <u>(1,246,449)</u> | <u>9,345,926</u> | <u>-</u> | <u>9,345,926</u> |
| Excess (deficiency) of revenues over (under) expenditures | (400,000) | (400,000) | 326,747 | (73,253) | 29,628 | (43,625) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers out | 400,000 | 400,000 | 403,998 | (3,998) | - | (3,998) |
| Net change in fund balance | - | - | 730,745 | (77,251) | 29,628 | (47,623) |
| Fund balance - beginning | <u>1,200,000</u> | <u>1,200,000</u> | <u>(211,305)</u> | <u>988,695</u> | <u>(7,180)</u> | <u>981,515</u> |
| Fund balance - ending | <u>\$ 1,200,000</u> | <u>\$ 1,200,000</u> | <u>\$ (288,556)</u> | <u>\$ 911,444</u> | <u>\$ 22,448</u> | <u>\$ 933,892</u> |

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

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

SPECIAL PROJECTS FUND

For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|--|--------------------|------------------|---|---------------------|---------------|---------------------|
| | | | | Budget Basis | Adjustments | |
| REVENUES | | | | | | |
| Local revenue | \$ 400,910 | \$ 400,910 | \$ (123,177) | \$ 277,733 | \$ - | \$ 277,733 |
| Intermediate revenue | 201,000 | 206,950 | 70,260 | 277,210 | - | 277,210 |
| State revenue | 5,000 | 255,000 | 173,437 | 428,437 | - | 428,437 |
| Federal revenue | 2,040,575 | 2,060,575 | (994,632) | 1,065,943 | 21,618 | 1,087,561 |
| Total revenues | <u>2,647,485</u> | <u>2,923,435</u> | <u>(874,112)</u> | <u>2,049,323</u> | <u>21,618</u> | <u>2,070,941</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Instruction | 1,793,570 | 2,069,520 | (837,744) | 1,231,776 | - | 1,231,776 |
| Support services | 1,496,365 | 1,496,365 | (1,160,268) | 336,097 | - | 336,097 |
| Community services | 715,230 | 715,230 | (229,915) | 485,315 | 21,618 | 506,933 |
| Total expenditures | <u>4,005,165</u> | <u>4,281,115</u> | <u>(2,227,927)</u> | <u>2,053,188</u> | <u>21,618</u> | <u>2,074,806</u> |
| Excess (deficiency) of revenues over (under) expenditures | (1,357,680) | (1,357,680) | 1,353,815 | (3,865) | - | (3,865) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | 3,998 | 3,998 | - | 3,998 |
| Net change in fund balance | (1,357,680) | (1,357,680) | 1,357,813 | 133 | - | 133 |
| Fund balance - beginning | <u>1,357,680</u> | <u>1,357,680</u> | <u>206,225</u> | <u>1,563,905</u> | <u>-</u> | <u>1,563,905</u> |
| Fund balance - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,564,038</u> | <u>\$ 1,564,038</u> | <u>\$ -</u> | <u>\$ 1,564,038</u> |

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND SCHEDULES

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

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

DEBT SERVICE FUND

For the Year Ended June 30, 2016

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|--|---------------------------------|---|-------------------|--------------------|-------------------|
| | | | Budget Basis | Adjustments | |
| REVENUES | | | | | |
| Local revenue | \$ 752,500 | \$ 148,014 | \$ 900,514 | \$ (29,628) | \$ 870,886 |
| Intermediate revenue | <u>55,500</u> | <u>(38,066)</u> | <u>17,434</u> | <u>-</u> | <u>17,434</u> |
| Total revenues | <u>808,000</u> | <u>109,948</u> | <u>917,948</u> | <u>(29,628)</u> | <u>888,320</u> |
| EXPENDITURES | | | | | |
| Debt service | <u>1,668,500</u> | <u>(712,555)</u> | <u>955,945</u> | <u>-</u> | <u>955,945</u> |
| Excess (deficiency) of revenues over (under) expenditures | (860,500) | 822,503 | (37,997) | (29,628) | (67,625) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | <u>65,000</u> | <u>(65,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | (795,500) | 757,503 | (37,997) | (29,628) | (67,625) |
| Fund balance - beginning | <u>860,500</u> | <u>(513,041)</u> | <u>347,459</u> | <u>7,180</u> | <u>354,639</u> |
| Fund balance - ending | <u>\$ 65,000</u> | <u>\$ 244,462</u> | <u>\$ 309,462</u> | <u>\$ (22,448)</u> | <u>\$ 287,014</u> |

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

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

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2016

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|--|---------------------------------|---|--------------------|-------------|--------------------|
| | | | Budget Basis | Adjustments | |
| REVENUES | | | | | |
| Local revenue | \$ 4,500 | \$ 837 | \$ 5,337 | \$ - | \$ 5,337 |
| Intermediate revenue | - | 53,368 | 53,368 | - | 53,368 |
| State revenue | - | 200,000 | 200,000 | - | 200,000 |
| Total revenues | <u>4,500</u> | <u>254,205</u> | <u>258,705</u> | <u>-</u> | <u>258,705</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Support services | 377,000 | (310,559) | 66,441 | - | 66,441 |
| Facilities acquisition and construction | <u>2,002,500</u> | <u>(34,255)</u> | <u>1,968,245</u> | <u>-</u> | <u>1,968,245</u> |
| Total expenditures | <u>2,379,500</u> | <u>(344,814)</u> | <u>2,034,686</u> | <u>-</u> | <u>2,034,686</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,375,000)</u> | <u>599,019</u> | <u>(1,775,981)</u> | <u>-</u> | <u>(1,775,981)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Sale of capital assets | 10,000 | (2,503) | 7,497 | - | 7,497 |
| Transfers in | 50,000 | (50,000) | - | - | - |
| Transfers out | <u>(50,000)</u> | <u>50,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>10,000</u> | <u>(2,503)</u> | <u>7,497</u> | <u>-</u> | <u>7,497</u> |
| Net change in fund balance | (2,365,000) | 596,516 | (1,768,484) | - | (1,768,484) |
| Fund balance - beginning, as restated | <u>2,365,000</u> | <u>(21,749)</u> | <u>2,343,251</u> | <u>-</u> | <u>2,343,251</u> |
| Fund balance - ending | <u>\$ -</u> | <u>\$ 574,767</u> | <u>\$ 574,767</u> | <u>\$ -</u> | <u>\$ 574,767</u> |

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

UNEMPLOYMENT INSURANCE FUND

For the Year Ended June 30, 2016

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | |
|--|---------------------------------|---|-------------------|-------------|-------------------|
| | | | Budget Basis | Adjustments | GAAP Basis |
| REVENUES | | | | | |
| Local revenue | \$ 500 | \$ 875 | \$ 1,375 | \$ - | \$ 1,375 |
| EXPENSES | | | | | |
| Current | | | | | |
| Support services | <u>175,500</u> | <u>(172,980)</u> | <u>2,520</u> | <u>-</u> | <u>2,520</u> |
| Excess (deficiency) of revenues over (under) expenses | (175,000) | 173,855 | (1,145) | - | (1,145) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 50,000 | 50,000 | - | - | - |
| Transfers out | <u>(50,000)</u> | <u>(50,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in net position | (175,000) | 173,855 | (1,145) | - | (1,145) |
| Net position - beginning | <u>175,000</u> | <u>1,475</u> | <u>176,475</u> | <u>-</u> | <u>176,475</u> |
| Net position - ending | <u>\$ -</u> | <u>\$ 175,330</u> | <u>\$ 175,330</u> | <u>\$ -</u> | <u>\$ 175,330</u> |

OTHER FINANCIAL SCHEDULES

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

REVENUE SUMMARY - ALL FUNDS

June 30, 2016

| Revenue from Local Sources | Fund 100 | Fund 200 | Fund 300 | Fund 400 | Fund 600 |
|---|-------------------------|------------------------|------------------------|------------------------|----------------------|
| 1110 Ad Valorem Taxes Levied by District | \$ 1,315,562.92 | \$ - | \$ 893,500.87 | \$ - | \$ - |
| 1500 Earnings on Investments | 20,756.15 | 1,270.40 | 7,012.77 | 5,336.93 | 1,374.89 |
| 1600 Food Service | - | 9,288.35 | - | - | - |
| 1700 Extracurricular Activities | - | 120,793.76 | - | - | - |
| 1910 Rentals | - | 4,963.75 | - | - | - |
| 1920 Contributions and Donations From Private Sources | - | 809.94 | - | - | - |
| 1960 Recovery of Prior Years' Expenditures | - | 1,521.17 | - | - | - |
| 1990 Miscellaneous | 55,741.39 | 139,087.07 | - | - | - |
| Total Revenue from Local Sources | \$ 1,392,060.46 | \$ 277,734.44 | \$ 900,513.64 | \$ 5,336.93 | \$ 1,374.89 |
| Revenue from Intermediate Sources | Fund 100 | Fund 200 | Fund 300 | Fund 400 | Fund 600 |
| 2101 County School Funds | \$ 4,689.11 | \$ 30,000.00 | \$ - | \$ - | \$ - |
| 2199 Other Intermediate Sources | - | 26,539.17 | - | - | - |
| 2200 Restricted Revenue | - | 8,776.00 | 17,434.38 | - | - |
| 2900 Revenue for/on behalf of the District | - | 211,895.03 | - | 53,368.00 | - |
| Total Revenue from Intermediate Sources | \$ 4,689.11 | \$ 277,210.20 | \$ 17,434.38 | \$ 53,368.00 | \$ - |
| Revenue from State Sources | Fund 100 | Fund 200 | Fund 300 | Fund 400 | Fund 600 |
| 3101 State School Fund - General Support | \$ 7,746,497.35 | \$ 100,000.00 | \$ - | \$ 200,000.00 | \$ - |
| 3103 Common School Fund | 129,427.14 | - | - | - | - |
| 3199 Other Unrestricted Grants-in-Aid | - | 1,500.00 | - | - | - |
| 3299 Other Restricted Grants-in-Aid | - | 326,931.55 | - | - | - |
| Total Revenue from State Sources | \$ 7,875,924.49 | \$ 428,431.55 | \$ - | \$ 200,000.00 | \$ - |
| Revenue from Federal Sources | Fund 100 | Fund 200 | Fund 300 | Fund 400 | Fund 600 |
| 4500 Restricted Revenue From the Federal Government Through the State | \$ - | \$ 1,065,946.71 | \$ - | \$ - | \$ - |
| Total Revenue from Federal Sources | \$ - | \$ 1,065,946.71 | \$ - | \$ - | \$ - |
| Revenue from Other Sources | Fund 100 | Fund 200 | Fund 300 | Fund 400 | Fund 600 |
| 5200 Interfund Transfers | \$ - | \$ 3,998.17 | \$ - | \$ - | \$ - |
| 5300 Sale of or Compensation for Loss of Fixed Assets | - | - | - | 7,497.43 | - |
| 5400 Resources - Beginning Fund Balance | 988,695.35 | 1,563,902.93 | 347,458.72 | 2,343,250.89 | 176,474.89 |
| Total Revenue from Other Sources | \$ 988,695.35 | \$ 1,567,901.10 | \$ 347,458.72 | \$ 2,350,748.32 | \$ 176,474.89 |
| Grand Totals | \$ 10,261,369.41 | \$ 3,617,224.00 | \$ 1,265,406.74 | \$ 2,609,453.25 | \$ 177,849.78 |

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

EXPENDITURE SUMMARY - GENERAL FUND

June 30, 2016

Instruction Expenditures

| | Totals | Object 100 | Object 200 |
|---|------------------------|------------------------|------------------------|
| 1111 Primary, K-3 | \$ 1,809,783.76 | \$ 1,062,459.63 | \$ 692,188.34 |
| 1121 Middle/Junior High Programs | 769,800.00 | 456,535.78 | 313,264.22 |
| 1122 Middle/Junior High School Extracurricular | 28,149.82 | 17,384.66 | 7,487.93 |
| 1131 High School Programs | 1,237,000.53 | 759,264.40 | 430,423.40 |
| 1132 High School Extracurricular | 92,500.00 | 60,638.90 | 15,068.68 |
| 1210 Programs for the Talented and Gifted | 3,848.96 | - | - |
| 1250 Less Restrictive Programs for Students with Disabilities | 599,268.91 | 184,157.28 | 146,368.90 |
| 1288 Charter Schools | 1,558,207.03 | - | - |
| 1291 English Second Language Programs | 44,740.00 | 4,300.39 | 39,981.71 |
| 1292 Teen Parent Program | 61,614.94 | 60,560.64 | 208.20 |
| 1299 Other Programs | 134,395.00 | 76,534.50 | 58,982.60 |
| Total Instruction Expenditures | \$ 6,339,308.95 | \$ 2,681,836.18 | \$ 1,703,973.98 |

Support Services Expenditures

| | Totals | Object 100 | Object 200 |
|--|------------------------|------------------------|----------------------|
| 2120 Guidance Services | \$ 195,027.20 | \$ 109,408.11 | \$ 73,968.56 |
| 2130 Health Services | 30,148.82 | - | - |
| 2150 Speech Pathology and Audiology Services | 70,000.00 | - | - |
| 2190 Service Direction, Student Support Services | 171,158.44 | 100,690.92 | 67,568.31 |
| 2220 Educational Media Services | 126,238.92 | 59,310.83 | 61,128.04 |
| 2230 Assessment & Testing | 39,641.23 | 18,887.40 | 20,753.83 |
| 2240 Instructional Staff Development | 13,898.49 | - | - |
| 2310 Board of Education Services | 76,600.62 | 21,038.53 | 19,536.86 |
| 2320 Executive Administration Services | 212,040.46 | 130,653.47 | 74,997.87 |
| 2410 Office of the Principal Services | 712,138.68 | 404,483.53 | 255,796.57 |
| 2520 Fiscal Services | 184,811.98 | 95,901.00 | 92,045.63 |
| 2540 Operation and Maintenance of Plant Services | 626,238.41 | 206,220.61 | 159,090.72 |
| 2550 Student Transportation Services | 390,588.03 | 20,732.85 | 13,555.63 |
| 2660 Technology Services | 158,085.51 | 25,400.98 | 12,603.83 |
| Total Support Services Expenditures | \$ 3,006,616.79 | \$ 1,192,728.23 | \$ 851,045.85 |

Other Uses Expenditures

| | Totals | Object 100 | Object 200 |
|--------------------------------------|--------------------|-------------|-------------|
| 5200 Transfers of Funds | \$ 3,998.17 | \$ - | \$ - |
| Total Other Uses Expenditures | \$ 3,998.17 | \$ - | \$ - |

Grand Total

\$ 9,349,923.91 \$ 3,874,564.41 \$ 2,555,019.83

| Object 300 | Object 400 | Object 600 | Object 700 |
|------------------------|---------------------|--------------------|-------------|
| \$ 29,171.06 | \$ 25,964.73 | \$ - | \$ - |
| - | - | - | - |
| 1,811.80 | 1,465.43 | - | - |
| 5,063.54 | 37,269.11 | 4,980.08 | - |
| 16,954.30 | (461.88) | 300.00 | - |
| - | 3,848.96 | - | - |
| 268,624.49 | 118.24 | - | - |
| 1,558,207.03 | - | - | - |
| - | 457.90 | - | - |
| - | 846.10 | - | - |
| - | (1,972.10) | 850.00 | - |
| \$ 1,879,832.22 | \$ 67,536.49 | \$ 6,130.08 | \$ - |

| Object 300 | Object 400 | Object 600 | Object 700 |
|----------------------|---------------------|---------------------|-------------|
| \$ 9,624.87 | \$ 2,025.66 | \$ - | \$ - |
| 30,000.00 | 148.82 | - | - |
| 70,000.00 | - | - | - |
| 1,458.85 | - | 1,440.36 | - |
| - | 5,279.63 | 520.42 | - |
| - | - | - | - |
| 11,644.41 | 2,254.08 | - | - |
| 31,344.68 | 2,396.55 | 2,284.00 | - |
| 3,207.19 | 1,554.29 | 1,627.64 | - |
| 45,803.62 | 3,599.96 | 2,455.00 | - |
| (5,053.53) | 900.00 | 1,018.88 | - |
| 214,915.63 | 39,760.40 | 6,251.05 | - |
| 359,310.04 | (3,010.49) | - | - |
| 87,934.90 | 12,593.52 | 19,552.28 | - |
| \$ 860,190.66 | \$ 67,502.42 | \$ 35,149.63 | \$ - |

| Object 300 | Object 400 | Object 600 | Object 700 |
|------------------------|----------------------|---------------------|--------------------|
| \$ - | \$ - | \$ - | \$ 3,998.17 |
| \$ - | \$ - | \$ - | \$ 3,998.17 |
| \$ 2,740,022.88 | \$ 135,038.91 | \$ 41,279.71 | \$ 3,998.17 |

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

EXPENDITURE SUMMARY - SPECIAL REVENUE FUNDS

June 30, 2016

Instruction Expenditures

| | Totals | Object 100 | Object 200 |
|---|------------------------|----------------------|----------------------|
| 1111 Elementary, K-5 or K-6 | \$ 57,371.63 | \$ 30,321.16 | \$ 16,492.19 |
| 1122 Middle/Junior High School Extracurricular | 151,698.74 | - | - |
| 1131 High School Programs | 11,253.30 | 937.50 | 338.80 |
| 1132 High School Extracurricular | 99,602.93 | - | - |
| 1250 Less Restrictive Programs for Students with Disabilities | 275,734.15 | 80,002.59 | 44,166.43 |
| 1272 Title I | 222,208.31 | 120,063.30 | 92,743.41 |
| 1299 Other Programs | 413,899.43 | 103,642.39 | 42,243.89 |
| Total Instruction Expenditures | \$ 1,231,768.49 | \$ 334,966.94 | \$ 195,984.72 |

Support Services Expenditures

| | Totals | Object 100 | Object 200 |
|--|----------------------|---------------------|---------------------|
| 2130 Health Services | \$ 9,270.00 | \$ - | \$ - |
| 2190 Service Direction, Student Support Services | 10,169.09 | 8,459.26 | 1,432.96 |
| 2240 Instructional Staff Development | 232,922.49 | 65,015.41 | 42,596.99 |
| 2520 Fiscal Services | 4,049.97 | - | - |
| 2540 Operation and Maintenance of Plant Services | 6,282.41 | - | - |
| 2660 Technology Services | 73,404.91 | - | - |
| Total Support Services Expenditures | \$ 336,098.87 | \$ 73,474.67 | \$ 44,029.95 |

Enterprise and Community Services Expenditures

| | Totals | Object 100 | Object 200 |
|---|----------------------|----------------------|----------------------|
| 3100 Food Services | \$ 469,177.74 | \$ 111,896.13 | \$ 105,472.35 |
| 3300 Community Services | 16,142.68 | - | - |
| Total Enterprise and Community Services Expenditures | \$ 485,320.42 | \$ 111,896.13 | \$ 105,472.35 |

Grand Total

| | | | |
|--------------------|------------------------|----------------------|----------------------|
| Grand Total | \$ 2,053,187.78 | \$ 520,337.74 | \$ 345,487.02 |
|--------------------|------------------------|----------------------|----------------------|

| Object 300 | Object 400 | Object 600 |
|----------------------|----------------------|----------------------|
| \$ 171.98 | \$ 7,444.81 | \$ 2,941.49 |
| 100.00 | 33,694.13 | 117,904.61 |
| - | 9,977.00 | - |
| 11,547.06 | 55,746.42 | 32,309.45 |
| 141,298.57 | 10,266.56 | - |
| - | 9,401.60 | - |
| 73,021.28 | 194,991.87 | - |
| \$ 226,138.89 | \$ 321,522.39 | \$ 153,155.55 |

| Object 300 | Object 400 | Object 600 |
|----------------------|---------------------|--------------------|
| \$ 9,270.00 | \$ - | \$ - |
| 276.87 | - | - |
| 116,402.02 | 8,783.07 | 125.00 |
| - | 2,834.54 | 1,215.43 |
| 5,998.99 | 283.42 | - |
| - | 73,404.91 | - |
| \$ 131,947.88 | \$ 85,305.94 | \$ 1,340.43 |

| Object 300 | Object 400 | Object 600 |
|----------------------|----------------------|----------------------|
| \$ 8,410.04 | \$ 242,220.37 | \$ 1,178.85 |
| - | 16,142.68 | - |
| \$ 8,410.04 | \$ 258,363.05 | \$ 1,178.85 |
| \$ 366,496.81 | \$ 665,191.38 | \$ 155,674.83 |

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

EXPENDITURE SUMMARY - DEBT SERVICE FUND

June 30, 2016

Other Uses Expenditures

5100 Debt Service

| | Totals | Object 600 |
|--------------------------------------|----------------------|----------------------|
| | \$ 955,945.40 | \$ 955,945.40 |
| Total Other Uses Expenditures | \$ 955,945.40 | \$ 955,945.40 |
| Grand Total | \$ 955,945.40 | \$ 955,945.40 |

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

EXPENDITURE SUMMARY - CAPITAL PROJECTS FUND

June 30, 2016

| Support Services Expenditures | Totals | Object 100 | Object 200 | Object 300 | Object 400 |
|---|------------------------|---------------------|--------------------|------------------------|--------------------|
| 2540 Operation and Maintenance of Plant Services | \$ 66,441.27 | \$ 13,206.57 | \$ 2,652.04 | \$ 41,956.22 | \$ 8,626.44 |
| Total Support Services Expenditures | \$ 66,441.27 | \$ 13,206.57 | \$ 2,652.04 | \$ 41,956.22 | \$ 8,626.44 |
| Facilities Acquisition and Construction Expenditures | Totals | Object 100 | Object 200 | Object 300 | Object 400 |
| 4150 Building Acquisition and Construction | \$ 33.21 | \$ - | \$ - | \$ - | \$ 33.21 |
| 4190 Other Facilities Construction Services | 1,968,211.59 | - | - | 1,968,211.59 | - |
| Total Facilities Acquisition and Construction Expenditures | \$ 1,968,244.80 | \$ - | \$ - | \$ 1,968,211.59 | \$ 33.21 |
| Grand Total | \$ 2,034,686.07 | \$ 13,206.57 | \$ 2,652.04 | \$ 2,010,167.81 | \$ 8,659.65 |

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

EXPENDITURE SUMMARY - INTERNAL SERVICE FUND

June 30, 2016

Support Services Expenditures

2520 Fiscal Services

| | Totals | Object 600 |
|--|--------------------|--------------------|
| | \$ 2,520.06 | \$ 2,520.06 |
| Total Support Services Expenditures | \$ 2,520.06 | \$ 2,520.06 |
| Grand Total | \$ 2,520.06 | \$ 2,520.06 |

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



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

Board of Directors
Sheridan School District No. 48J
Sheridan, Oregon 97378

We have audited the basic financial statements of Sheridan School District No. 48J as of and for the year ended June 30, 2016, and have issued our report thereon dated December 8, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether Sheridan School District No. 48J'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:

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

Indebtedness limitations, restrictions, and repayment

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Authorized investment of surplus funds (ORS Chapter 294)

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

State school fund factors and calculation

In connection with our testing, nothing came to our attention that caused us to believe the District 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 District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting. However, we noted certain matters that we have reported to management of the District in a separate letter dated December 8, 2016.

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.

Our consideration of 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 over financial reporting that might be significant deficiencies or material weaknesses, as defined above. 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.

This report is intended solely for the information and use of the board of directors and management of Sheridan School District No. 48J and the Oregon Secretary of State, and is not intended to be, and should not be used by anyone other than these parties.



Accuity, LLC

December 8, 2016

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

SUPPLEMENTAL INFORMATION REQUIRED BY OREGON DEPARTMENT OF EDUCATION

For the Year Ended June 30, 2016

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

- A. Energy Bill for Heating - **All Funds:**
 Please enter your expenditures for electricity and heating fuel for these Functions and Objects.

| | |
|---------------|---------------------|
| | Objects 325 and 326 |
| Function 2540 | \$ 144,021 |
| Function 2550 | \$ - |

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

| |
|------|
| \$ - |
|------|

Exclude these functions:

| | | | |
|----------------------|--------------------------|------|----------------------|
| 1113, 1122, and 1132 | Co-curricular Activities | 4150 | Construction |
| 1140 | Pre-Kindergarten | 2550 | Pupil Transportation |
| 1300 | Continuing Education | 3100 | Food Service |
| 1400 | Summer School | 3300 | Community Services |

SINGLE AUDIT SECTION

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

| Federal Grantor, Pass through Grantor, Program Title | CFDA | Expenditures |
|---|--------|--------------|
| <u>U.S. Department of Education</u> | | |
| Passed through Oregon State Department of Education | | |
| Title I Grants to Local Educational Agencies (Title IA of the ESEA) | 84.010 | \$ 319,143 |
| Special Education Cluster | | |
| IDEA Special Education Grants To States | 84.027 | 237,280 |
| Preschool Grant | 84.173 | 2,158 |
| Total Special Education Cluster | | 239,438 |
| Special Education - State Personnel Development | 84.323 | 4,626 |
| Title IIA Improving Teaching Quality State Grants | 84.367 | 41,744 |
| Total U.S. Department of Education | | 604,951 |
| <u>U.S. Department of Agriculture</u> | | |
| Passed through Oregon State Department of Education | | |
| Child Nutrition Cluster* | | |
| School Breakfast Program | 10.553 | 135,266 |
| National School Lunch Program | 10.555 | 276,829 |
| NSLP Commodities | 10.555 | 21,614 |
| Summer Food | 10.559 | 14,393 |
| Total Child Nutrition Cluster | | 448,102 |
| Fresh Fruit and Vegetable Program | 10.582 | 34,508 |
| Total U.S. Department of Agriculture | | 482,610 |
| Total federal expenditures | | \$ 1,087,561 |

*Major program

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

I. PURPOSE OF SCHEDULE

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Sheridan School District No. 48J under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the activities of the District, it is not intended to and does not present the financial position, changes in net position, nor the operating funds' revenues and expenses.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AWARD EXPENDITURES

A. Basis of Presentation

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

B. Federal Financial Assistance

Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, non-monetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the schedule of expenditures of federal awards, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

C. Major Programs

The Uniform Guidance establishes criteria to be used in defining major federal financial assistance programs. Major programs of the District are those programs selected for testing by the auditor using a risk assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance.

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

D. Reporting Entity

The reporting entity is fully described in the notes to the District's basic financial statements. Additionally, the Schedule of Expenditures of Federal Awards includes all federal programs administered by the District for the year ended June 30, 2016.

E. Revenue and Expenditure Recognition

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting. Revenues are recorded as received in cash or on the accrual basis where measurable and available. Expenditures are recorded when the liability is incurred.



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**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
Sheridan School District No. 48J
Sheridan, Oregon 97378

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 aggregate discretely presented component units, each major fund, and the remaining fund information of Sheridan School District No. 48J and Sheridan AllPrep Academy as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2016.

Our report includes a reference to other auditors who audited Sheridan Japanese School's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Sheridan AllPrep Academy and Sheridan Japanese School were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Sheridan AllPrep Academy and Sheridan Japanese School.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 over financial reporting that might be significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency in internal control over financial reporting (item 16-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sheridan School District No. 48J's financial statements are free of 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*.

Sheridan School District's Response to Findings

Sheridan School District's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Sheridan School District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is stylized and cursive.

Accuity, LLC

Albany, Oregon
December 8, 2016



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Sheridan School District No. 48J
Sheridan, Oregon 97378

Report on Compliance for Each Major Federal Program

We have audited Sheridan School District No. 48J's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Sheridan School District No. 48J 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, 2016.

Other Matters

The results of our auditing procedures disclosed one deficiency, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

Sheridan School District No. 48J's response to the deficiency identified in our audit is described in the accompanying schedule of findings and questioned costs. Sheridan School District No. 48's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Sheridan School District No. 48J 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 and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified one deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a significant deficiency.

The District's response to the *internal control over compliance* finding identified in our audit is described in the accompanying schedule of findings and questioned costs as item 2016-001. The District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is written in a cursive style with a large, stylized "A" and "C".

Accuity, LLC

Albany, Oregon
December 8, 2016

SHERIDAN SCHOOL DISTRICT NO. 48J
Sheridan, Oregon

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

| | |
|---|------------|
| Type of auditor's opinion issued: | Unmodified |
| Internal control over financial reporting: | |
| • Material weaknesses identified? | No |
| • Significant deficiencies identified not considered to be material weaknesses? | Yes |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|------------|
| Internal control over major programs: | |
| • Material weaknesses identified? | No |
| • Significant deficiencies identified not considered to be material weaknesses? | No |
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a) | No |

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 10.55X | Child Nutrition Cluster |

| | |
|--|-----------|
| Dollar threshold used to distinguish between Type A and type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | Yes |

SECTION II - FINANCIAL STATEMENT FINDINGS

| <u>Finding Number</u> | <u>Finding</u> |
|-------------------------------|--|
| 2016-001 | Inability to draft supporting notes to financial statements in accordance with accounting principles generally accepted in the United States of America. |
| Condition: | District staff and management have not demonstrated the ability to draft the supporting notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. |
| Prevalence: | Entity-wide |
| Criteria: | In an ideal situation, District staff would possess the ability to draft complete financial statements, including note disclosures, in accordance with accounting principles generally accepted in the United States of America. |
| Questioned costs: | None |
| Effect: | The possibility exists that note disclosures may not be complete and accurate. |
| Recommendations: | We recommend that management continue to be diligent in reviewing the financial statements in conjunction with the current disclosure checklists to ensure that disclosures are in accordance with accounting principles generally accepted in the United States of America. |
| Management's response: | Management is aware of the deficiency and has implemented mitigating controls where it is practical to do so. |

SECTION III - CORRECTIVE ACTION PLAN

| <u>Finding Number</u> | <u>Corrective Action</u> |
|-----------------------|---|
| 2016-001 | While it is improbable that staff will be added due to budget constraints, management and the board of directors will remain diligent in their monitoring duties. |

SECTION IV - PRIOR YEAR FINDINGS

| <u>Finding Number</u> | <u>Finding Status</u> |
|-----------------------|------------------------------|
| 2015-001 | Repeat finding. See details. |