

DOUGLAS EDUCATION SERVICE DISTRICT

Audit Report

June 30, 2016

Douglas Education Service District

June 30, 2016

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Douglas Education Service District

June 30, 2016

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Douglas Education Service District

June 30, 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Douglas Education Service District
1871 NE Stephens St
Roseburg, OR 97470

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of DOUGLAS EDUCATION SERVICE DISTRICT 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.

Member:
American Institute of Certified Public Accountants
Oregon Society of Certified Public Accountants
Private Companies Practice Section

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the DOUGLAS EDUCATION SERVICE DISTRICT as of June 30, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-13 and 55-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DOUGLAS EDUCATION SERVICE DISTRICT basic financial statements. The introductory section, combining and individual nonmajor fund financial statements 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section 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.

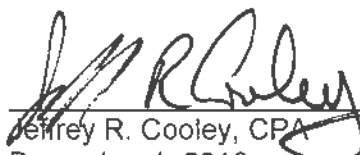
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016, on our consideration of the DOUGLAS EDUCATION SERVICE DISTRICT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DOUGLAS EDUCATION SERVICE DISTRICT's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Revised Statutes

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 1, 2016, on our consideration of the District's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-111 to 162-10-320. 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.

Neuner, Davidson, Cooley & Rapp, LLC
Certified Public Accountants

By: 
Jeffrey R. Cooley, CPA
December 1, 2016

Management's Discussion and Analysis

**DOUGLAS EDUCATION SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2016

As management of Douglas Education Service District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the assets of the District were less than its liabilities at June 30, 2016 by (\$2,488,002) as a result of the change in the Net Pension Liability for this year. Of this amount, \$726,176 represents the District's investment in capital assets, \$1,485,225 is restricted for debt service. Please refer to Note 6 starting on page 32 and Schedule C-9 on page 59 for further details on the GASB 68 impact. The District implemented GASB 68 in fiscal year ending June 30, 2015.
- The District's total Net position decreased by (\$3,328,498). The (\$3,155,878) of this decrease is due to the GASB 68 calculation for fiscal year ending June 30, 2016. All other assets decreased by (\$172,620).
- The District's governmental funds report combined ending fund balance of \$5,879,005 at June 30, 2016, a decrease of (\$123,961) in comparison with the prior year.
- At the end of the fiscal year ended June 30, 2016, unassigned fund balance for the General Fund was \$1,548,441.
- General revenues amounted to \$6,396,833 or 27% of total resources. Program specific resources in the form of charges for services and operating grants accounted for \$16,803,355 or 70%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**DOUGLAS EDUCATION SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2016

Features of ESD-wide and Fund Financial Statements

	ESD-wide Statements	<u>Fund Statements</u>	
		Governmental Funds	Proprietary Funds
Scope	Entire ESD (except fiduciary funds)	The activities of the ESD that are not proprietary or fiduciary	Activities the ESD operates similar to private businesses
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Balance Sheet Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due at year end, or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Statement of Net Position – ESD-wide and Proprietary Funds

The Statement of Net Position is used to assess the District's financial status. When compared to the previous year, you can determine if the District's financial position improved or deteriorated. The net position can also be averaged to compare with other districts. The financial position of the District reflects on its ability to meet its obligations as they come due and to finance the services of its constituency.

Statement of Activities – ESD-wide

The Statement of Activities is used to examine cost of services, net costs of services to taxpayers, types of expenses and revenues, balance between revenues and expenses, change in financial position and its causes and unusual transactions. The change in determines if 'there is more or less left over' and if the District will be able to finance services in the future.

**DOUGLAS EDUCATION SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2016

Governmental Fund Financial Statements

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances track the financial activity of the District's basic services, such as instruction and support services.

Proprietary Fund Financial Statements

The Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Position track the financial activity of the District's internal services, which are similar to businesses.

Balance Sheet – Governmental Funds

The Balance Sheet is used to examine the District's short-term assets and liabilities and to determine the District's short-term need for cash. The Balance Sheet is essential to determine the District's liquidity with its focus on current assets and liabilities.

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds

The Statement of Revenues, Expenditures, and Changes in Fund Balance is used to examine the flows of short-term resources in the District, it determines if revenues and expenditures balance, and to find out if resources are available for future services.

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds

The Statement of Revenues, Expenses, and Changes in Net Position is used to examine proportions of changes in a proprietary fund's revenues and expenses and to assess the ability of proprietary activities to finance their costs in both the short and long-term.

Budgetary Comparison Schedule

The Budgetary Comparison Schedule is used to determine if the District followed its legally adopted budget. Also demonstrates the District's ability to budget accurately and its ability to enforce and control finances. Variances may indicate faulty estimates, policy changes, or unforeseen economic shifts.

Statement of Cash Flows – Proprietary Funds

The Statement of Cash Flows is used to identify where cash comes from and how it is used. Tracking revenue and expenditures shows that the District has sufficient resources to cover expenses, but cash flows determine if the District has enough cash on hand to actually pay its bills. With this information you can see if the operations of business type activities generated enough cash on their own to support its needs. You can also get a sense of future cash needs and the ability of the District's business type activities to pay bills as they come due.

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. These statements include:

The *Statement of Net Position*. The *statement of net position* presents information on all of the assets and liabilities of the District as of the date on the statement. Net position is what remains after the liabilities have been paid off or otherwise satisfied.

**DOUGLAS EDUCATION SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2016

Over time, increases or decreases in net positions may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

The government-wide financial statements are found on pages 14 and 15 of this report.

Fund Financial Statements

The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Douglas Education Service District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds (general and special revenue) The *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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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* (government-wide statements).

The District maintains nine individual 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 Fund, Grants Fund, Early Intervention Fund, Early Learning Fund, and the Reimbursement Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining statements elsewhere in this report.

The basic governmental fund financial statement can be found on pages 14 through 19 of this report.

**DOUGLAS EDUCATION SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2016

Proprietary funds (enterprise and internal service) The District maintains one proprietary fund type. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for risk management insurance and employee benefit activities, printing, and copying services.

Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements can be found on pages 16 through 19 of this report.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 45 of this report.

Other information In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* related to Schedules of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual for the General Fund and Major Special Revenue Funds. Required supplementary information can be found on pages 46 and 59 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 60, 61, 66 and 67 of this report.

Modified Accrual Accounting vs. Full Accrual Accounting

The following table shows the difference in modified accrual accounting, as done on past financial statements and full accrual accounting, as required by GASB34.

	<u><i>Modified Accrual</i></u>	<u><i>Full Accrual</i></u>
Revenue	Available and measurable. Record revenue if payment is received during year or soon after (within 60 days) and is available to pay current year's liabilities.	Earned and measurable. Earned and is "reasonably certain to be collected."
Expense	Recognize in the accounting period in which the fund liability is incurred, and measurable. Records expenditures. Outflow cash, or promise to pay for goods and services that have been received.	Recognize in the accounting period in which the liability is incurred and measurable. Records expenses. Decreases in net assets resulting from the using up or Outflows of assets in the course of operating and providing goods and services.

**DOUGLAS EDUCATION SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2016

FINANCIAL ANALYSIS OF THE ESD's FUNDS

In future years, when prior year information is available, a comparative analysis of ESD-wide data will be presented.

Below are graphs showing the composition of the sources of funds (revenue) and expenditures in our fund groups:

General Fund – resolution programs and overhead

Special Revenue Funds – regional programs, early intervention program, grants and contracts

Proprietary Funds – enterprise and internal services

Revenues as of June 30			
Revenue Source	2016	2015	
Local Sources	\$ 10,443,930	\$ 10,550,091	
Intermediate Sources	450,356	273,298	
State Sources	10,901,852	10,482,500	
Federal Sources	2,180,854	2,836,747	
Total	\$ 23,966,993	\$ 24,142,636	

Revenue decreased overall as Local and Federal sources realized decreased funding commitments for the 2015-17 biennium.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (THE ESD AS A WHOLE)

Statement of Net Position As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$2,488,001 as of June 30, 2016. Net position is divided into amounts representing (1) capital assets, net of related debt, (2) restricted by external restriction, and (3) unrestricted.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment represent about six percent of total assets. The District uses these capital assets to provide services to students and other District residents; consequently these assets are not available for future spending. These assets are free of any debt. The remaining assets consist mainly of investments, cash, pension assets and grants and property taxes receivable.

The District's largest liability of \$10,702,222 is for the repayment of long-term debt. Net Pension Liability for GASB 68 is \$7,500,608 of the long-term liabilities. In addition, implementation of GASB 68 has added Deferred Inflow of Resources for future PERS Obligations of \$1,812,713. Please refer to Note 6 on page 32 in this report for further information. Current liabilities, representing about 11% of the District's total liabilities, consist almost entirely of payables on accounts, salaries and benefits, and the current portion of long-term debt interest. Current Liabilities total \$1,478,908.

**DOUGLAS EDUCATION SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2016

During the current fiscal year, the District's net position decreased by \$6,473,710. This includes the implementation of GASB 68 as Deferred Outflow of Resources of \$1,602,248. Please refer to Note 6 on pages 32 in this report.

NET POSITION AT JUNE 30		
	2016	2015
CURRENT ASSETS	\$ 8,964,379	\$ 9,324,878
NON CURRENT ASSETS	939,215	4,192,755
DEFERRED OUTFLOW OF RESOURCES	1,602,248	1,316,707
TOTAL ASSETS	<u>\$ 11,505,842</u>	<u>\$ 14,834,340</u>
CURRENT LIABILITIES	\$ 1,478,908	\$ 1,608,918
LONG TERM DEBT OUTSTANDING	10,702,222	3,327,695
DEFERRED INFLOW OF RESOURCES	1,812,713	5,934,406
TOTAL LIABILITIES	<u>\$ 13,993,843</u>	<u>\$ 10,871,019</u>
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	\$ 726,176	\$ 823,838
RESTRICTED	1,485,225	1,453,405
UNRESTRICTED	(4,699,403)	1,686,078
NET POSITION	<u>\$ (2,488,002)</u>	<u>\$ 3,963,321</u>
Please note that 2015 reflects GASB 68 implementation		

**DOUGLAS EDUCATION SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2016

Statement of Activities

Changes in Net Position For Year Ended June 30 With GASB 68 Adjustment		
Revenues:	2016	2015
Program Revenues:		
Charges for service	\$ 653,690	\$ 471,697
Operating grants and contributions	16,632,943	17,090,538
Total Program Revenues	\$ 17,286,633	\$ 17,562,235
General Revenues:		
Property taxes	\$ 4,037,645	\$ 3,940,196
State school fund – general support	1,321,757	1,525,167
Services provided other funds	820,055	896,948
Unrestricted state and local sources	36,636	13,140
Other intermediate Sources	442,057	273,298
Earnings on investments	37,936	32,912
Miscellaneous	34,234	60,144
Total General Revenues	\$ 6,730,320	\$ 6,741,805
Expenses:		
Instruction	\$ 7,198,464	\$ 6,762,230
Support services	11,255,390	11,315,429
Community Services	961,699	1,140,656
Facilities and Acquisition	33,286	0
Interest expense on long-term debt	278,316	258,572
Depreciation	128,204	153,348
Amortization	0	0
Apportionment of ESD funds	4,455,679	3,723,939
Total Expenses	\$ 24,311,037	\$ 23,354,172
GASB 68 Pension Income (Note 7)	(6,157,238)	4,036,293
Increase (decrease) in Net Position	\$ (6,451,323)	\$ 4,986,160
Net position – July 1, 2015	3,963,321	
Net position – July 1, 2016	(6,451,323)	(1,022,839)
Net position – June 30, 2016	\$ (2,488,002)	\$ 3,963,321

- Property tax revenues increased by about \$97,449 or 2% (two percent) during the year.
- Operating grants and contributions decreased, showing a decrease in grant amounts awarded to the district.
- Investment earnings increased by \$5,024, reflecting a 15% increase during the year.

**DOUGLAS EDUCATION SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2016

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 relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of net resources available for spending at the end of a fiscal year.

At June 30, 2016, the District's governmental funds reported combined ending fund balances of \$5,879,005 a decrease of (\$123,961) in comparison with prior year. Most of this decrease is in General Fund.

General Fund. The General Fund is the primary operating fund of the District. As of June 30, 2016, unreserved fund balance was \$1,548,441. The fund balance decreased by (\$343,526) during the current fiscal year. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance at June 30, 2016 represented 23% of total expenditures for the year ended June 30, 2016.

Debt Service Fund. The Debt Service Fund has a total fund balance of \$1,485,225, all of which is reserved for the payment of debt service.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets includes land, buildings and improvements, vehicles and equipment, and construction in progress. As of June 30, 2016, the District has invested \$823,838 in capital assets, net of depreciation, as shown in the following table:

Capital Assets (net of depreciation) June 30, 2016		
	2016	2015
Land	\$ 51,996	\$ 51,996
Buildings & improvements	466,172	500,312
Vehicles & equipment	208,008	271,530
Total	\$ 726,176	\$ 823,838

Additional information of the District's capital assets can be found in the notes to the basic financial statements.

During fiscal year 2015-16, the District's investment in noncurrent assets decreased by (\$3,253,540). The major noncurrent asset event for the year ended June 30, 2016 was prepaid PERS unfunded liability and the GASB 68 requirement.

**DOUGLAS EDUCATION SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2016

Long-term debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$3,327,695 consisting of PERS bond debt net of unamortized premium/discount. This is a limited tax pension obligation and not subject to the state statutes limit on the amount of general obligation debt a governmental entity may issue as a percent of its total assessed valuation. Since the District has no general obligation debt, the statutory debt limitation is not an issue. With the implementation of GASB 68, additional long term liabilities as deferred inflow of resources in the amount of \$7,500,608 is reflected on the Statement of Net Position.

PERS is the Oregon public pension system. Under such a plan the actuarial liability is the present value of the plan's current and expected benefit payments, less the plan's assets. If the liability exceeds the assets of the plan, the plan has a shortfall known as an unfunded actuarial liability (UAL). The District issued the bonds to reduce its future pension obligation estimated at \$ 8.7 million at an interest rate below the rate charged by PERS on the UAL.

Additional information on the District's long-term debt and GASB 68 can be found in the notes to the basic financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant economic factor for the District is the State of Oregon's State School Fund. For the year ended June 30, 2016, the State School Fund – General Support provided over 21% of the District's General Fund program revenues.

Salaries and benefits costs are expected to increase in 2016-17, based on negotiated contractual obligations.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Financial Services, 1871 NE Stephens, Roseburg, Oregon 97470.

Basic Financial Statements

DOUGLAS EDUCATION SERVICE DISTRICT

Statement of Net Position - Governmental Activities

June 30, 2016

	Governmental Activities	
ASSETS		
Current Assets:		
Cash and Investments	\$ 6,214,634	
Cash - Early Retirement Asset	330,220	
Accounts Receivable	1,954,724	
Property Taxes Receivable	442,731	
Prepaid Expenses	239	
Inventory-Food, Supplies & Commodities	21,831	
Total Current Assets		<u>8,964,379</u>
Noncurrent Assets:		
Net Pension Asset		
Net OPEB Asset	213,039	
Prepaid Pension Expense	-	
Less: Accumulated Amortization	-	
Total Pension Assets		<u>213,039</u>
Land	51,996	
Buildings & Improvements	1,287,310	
Vehicles	108,507	
Equipment	668,949	
Media Library	-	
Less: Accumulated Depreciation	(1,390,586)	
Total Depreciable Assets		<u>726,176</u>
Total Noncurrent Assets		<u>939,215</u>
Deferred Outflow of Resources:		
Current Year PERS Contributions	1,602,248	
Total Deferred Outflow of Resources		<u>1,602,248</u>
Total Assets		<u>\$ 11,505,842</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 605,697	
Accrued Salaries & Benefits	747,131	
Overdraft Due Bank	-	
Accrued Compensated Absences Payable	-	
Other Postemployment Benefit Obligations	-	
Current Portion of Pension Bonds Payable	126,081	
Total Current Liabilities		<u>1,478,908</u>
Long-Term Liabilities:		
Net Pension Liability	7,500,608	
Long-term portion of Pension Bonds Payable	3,327,695	
Less Current portion of Pension Bonds Payable	(126,081)	
Total Long-Term Liabilities		<u>10,702,222</u>
Deferred Inflow of Resources:		
Actual to Expected Differences		
Changes in Assumptions		
Net Difference PERS Investments	1,812,713	
Total Deferred Inflow of Resources		<u>1,812,713</u>
Total Liabilities		<u>\$ 13,993,843</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	726,176	
Restricted for Debt Service	1,485,225	
Unrestricted	(4,699,403)	
Total Net Position		<u>\$ (2,488,001)</u>

DOUGLAS EDUCATION SERVICE DISTRICT

Statement of Activities - Governmental Activities

For the Year Ended June 30, 2016

		Program Revenues		Net (Expense) Revenue and Change in Net Assets
	(Expenses)	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction				
Special Programs	\$ (7,198,464)	\$ -	\$ 7,038,211	\$ (160,252)
Total Instruction	<u>(7,198,464)</u>	<u>-</u>	<u>7,038,211</u>	<u>(160,252)</u>
Supporting Services				
Students	(6,578,646)	653,690	6,571,790	646,835
Instructional Staff	(1,273,140)	-	1,266,188	(6,953)
General Administration	(426,291)	-	426,291	-
Fiscal Services	(756,047)	-	-	(756,047)
Other Fiscal Services	(26,668)	-	-	(26,668)
Business Services	(236,334)	-	375,323	138,989
Internal Service	(308,137)	-	-	(308,137)
Central Activities	(1,528,281)	-	106,982	(1,421,298)
Supplemental Retirement Program	(121,847)	-	-	(121,847)
Total Support Services	<u>(11,255,390)</u>	<u>653,690</u>	<u>8,746,574</u>	<u>(1,855,126)</u>
Community Services	<u>(961,699)</u>	<u>-</u>	<u>844,013</u>	<u>(117,685)</u>
Facilities and Acquisition	<u>(33,286)</u>	<u>-</u>	<u>-</u>	<u>(33,286)</u>
Interest on Long-Term Debt	<u>(278,316)</u>	<u>-</u>	<u>-</u>	<u>(278,316)</u>
Depreciation	<u>(128,204)</u>	<u>-</u>	<u>-</u>	<u>(128,204)</u>
Amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Apportionment of Funds ESD	<u>(4,455,679)</u>	<u>-</u>	<u>4,144</u>	<u>(4,451,535)</u>
Total Governmental Activities	<u>\$ (24,311,037)</u>	<u>\$ 653,690</u>	<u>\$ 16,632,943</u>	<u>(7,024,404)</u>
General Revenues:				
Local Sources				
Property Taxes, levied for general purposes				4,037,645
Interest and Investment Earnings				37,936
Services Provided other Funds				820,055
GASB 68 Pension Income (Expense)				(6,157,238)
Miscellaneous				34,234
Unrestricted State and Local Sources				36,636
Other Intermediate Sources				442,057
State School Fund - General Support				1,321,757
Subtotal - General Revenues				<u>573,081</u>
Excess (deficiency) of revenues over expenses before special items				(6,451,323)
Net Position, June 30, 2015				<u>3,963,321</u>
Net Position, June 30, 2016				<u>\$ (2,488,002)</u>

DOUGLAS EDUCATION SERVICE DISTRICTBalance Sheet
Governmental Funds

June 30, 2016

	Major Funds					Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Grants Project Fund	Early Intervention Fund	Early Learning Fund	Reimbursement Fund		
ASSETS							
Cash in Bank	\$ 1,339,275	\$ 1,867,923	\$ -	\$ 226,814	\$ 53,017	\$ 1,618,321	\$ 5,105,350
Cash in State Pool	62,872	-	-	-	-	27,374	90,246
Wells Fargo - PERS Bond Account	-	-	-	-	-	30	30
Receivables:							
Accounts	18,004	398,101	1,229,700	258,514	35,989	14,416	1,954,724
Property Taxes	442,731	-	-	-	-	-	442,731
Due From Other Funds	859,207	-	-	-	-	-	859,207
Prepaid Expenses	239	-	-	-	-	-	239
Inventory	-	-	-	-	-	21,831	21,831
Total Assets	\$ 2,722,329	\$ 2,266,024	\$ 1,229,700	\$ 485,327	\$ 89,006	\$ 1,681,972	\$ 8,474,358
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	43,438	69,755	403,943	81,450	2,086	5,025	605,697
Accrued Salaries & Benefits	747,131	-	-	-	-	-	747,131
Due to Other Funds	-	-	828,852	-	-	30,355	859,207
Total Liabilities	790,568	69,755	1,232,794	81,450	2,086	35,381	2,212,034
Deferred Inflows of Resources:							
Deferred Property Taxes	383,319	-	-	-	-	-	383,319
Total Deferred Inflows	383,319	-	-	-	-	-	383,319
Total Liabilities and Deferred Inflows	1,173,887	69,755	1,232,794	81,450	2,086	35,381	2,595,353
Fund Balances (Deficits)							
Non-Spendable		-				21,831	21,831
Restricted		2,196,270	(3,094)	403,877	86,919	1,485,225	4,169,197
Assigned						139,535	139,535
Unassigned	1,548,441					-	1,548,441
Total Fund Balances	1,548,441	2,196,270	(3,094)	403,877	86,919	1,646,591	5,879,005
Total Liabilities & Fund Balances	\$ 2,722,329	\$ 2,266,024	\$ 1,229,700	\$ 485,327	\$ 89,006	\$ 1,681,972	\$ 8,474,358

DOUGLAS EDUCATION SERVICE DISTRICTReconciliation of the Balance Sheet -- Governmental Funds
To the Statement of Net Position

For the Year Ended June 30, 2016

Total governmental fund balances	\$ 5,879,005
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental Capital Assets	\$ 2,116,762	
Less: Accumulated Depreciation	<u>(1,390,586)</u>	
Total Governmental Capital Assets net of Depreciation		<u>726,176</u>

Property taxes will not be available to pay for current-period expenditures and, therefore, are not reported in the funds.	383,319
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The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	1,349,228
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The asset for other postemployment benefits obligation at June 30, 2016 is not recorded in the governmental funds, but is recorded as a prepaid asset and reduces expenses in the government-wide statements.	213,039
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Differences between expected and actual experience

Current year PERS contributions are deferred outflows of resources that will be recognized expense in the subsequent period:	1,602,248
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District's proportionate share of net differences between projected and actual earnings on investments that will be amortized over the next five years:	(1,812,713)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Net Pension liability is not a financial obligation and therefore is not reported in the government funds:	(7,500,608)
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Pension Bonds Payable	<u>\$ (3,327,695)</u>	
Total Long-term liabilities		<u>(3,327,695)</u>

Net Position of Governmental Activities	<u><u>\$ (2,488,001)</u></u>
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DOUGLAS EDUCATION SERVICE DISTRICTStatement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds

June 30, 2016

	Major Funds					Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Grants Project Fund	Early Intervention Fund	Early Learning Fund	Reimbursement Fund		
REVENUES:							
Local Sources	\$ 4,805,256	\$ 1,204,858	\$ -	\$ 90,890	\$ 3,566,120	\$ 766,805	\$ 10,433,930
Intermediate Sources	269,820	180,536	-	-	-	-	450,356
State Sources	1,321,757	504,304	8,311,452	764,339	-	-	10,901,852
Federal Sources	-	411,899	1,689,280	79,675	-	-	2,180,854
Total Revenues	6,396,833	2,301,598	10,000,732	934,904	3,566,120	766,805	23,966,993
EXPENDITURES:							
Instruction							
Special Programs	477,061	6,721,403					7,198,464
Supporting Services							
Students	2,732,572	1,106,607			2,739,466		6,578,646
Instructional Staff	309,958	710,323	188,094		95,308		1,303,682
General Administration	426,291				-		426,291
Business Services	538,594	87,286			366,500		992,380
Internal Service						308,137	308,137
Central Activities	1,086,172	106,982			55,700		1,248,855
Technology Services					279,426		279,426
Community Services		115,056		846,643		-	961,699
Debt Service						404,411	404,411
Apportionment of Funds ESD	1,169,710	4,144	3,281,825	-			4,455,679
Total Expenditures	6,740,358	8,851,801	3,469,919	846,643	3,536,400	745,833	24,190,954
Excess (Deficiency) of Revenues Over Expenditures	(343,525)	(6,550,203)	6,530,813	88,261	29,720	20,972	(223,962)
OTHER FINANCING SOURCES and (USES):							
Operating Transfers In	400,000	6,533,907	(6,533,907)		-	100,000	500,000
Operating Transfers Out	(400,000)	-		-			(400,000)
Total Other Financing Sources (Uses)	0	6,533,907	(6,533,907)	0	0	100,000	100,000
Excess of Revenues Over (Under) Expenditures & Other Financing Source	(343,525)	(16,296)	(3,094)	88,261	29,720	120,972	(123,962)
BEGINNING FUND BALANCE	1,891,967	2,212,566	-	315,616	57,199	1,525,619	6,002,966
ENDING FUND BALANCE - BY CATEGORY							
Non-Spendable						21,831	21,831
Restricted		2,196,270	(3,094)	403,877	86,919	1,485,225	4,169,197
Assigned						90,041	90,041
Unassigned	1,548,441						1,548,441
FUND BALANCE, June 30, 2016	\$ 1,548,441	\$ 2,196,270	\$ (3,094)	\$ 403,877	\$ 86,919	\$ 1,646,591	\$ 5,879,005

DOUGLAS EDUCATION SERVICE DISTRICTReconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2016

Net changes in fund balances - total governmental funds	\$ (123,962)
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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 cost of those assets are allocated over their estimated useful lives as depreciation expense.

Current Year Additions	\$ 30,542	
Current Year Depreciation	<u>(128,204)</u>	(97,662)

Some property tax revenues will not be collected for several months after the District's fiscal year end and are therefore not considered "available" revenues in the governmental funds, instead these funds are shown as deferred revenue. However, these funds are recorded as revenue in the statement of activities.

(3,290)

In statement of Activities, contributions for other postemployment benefits greater than the actuarially determined contribution amount increases the other post-employment benefit obligation. In the governmental funds the entire contribution is recognized as an expenditure. This is amount by which net asset obligation increased:

(92,014)

The net income of the internal service funds is reported with governmental activities

(103,251)

Changes in net pension liability, the related changes in deferred outflows and deferred inflows of resources are not recognized as expenses in the government funds:

(6,157,238)

Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Assets, however, issuing long-term debt increases fund liabilities. Similarly, repayment of bond principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Debt principal repaid	126,095
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In the Statement of Activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount paid. This year these adjustments include the following items.

Other Postemployment Benefit Obligation	<u>-</u>
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Change in Net Position - Governmental Activities	<u>\$ (6,451,323)</u>
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DOUGLAS EDUCATION SERVICE DISTRICT

Statement of Net Position - Internal Service Funds

June 30, 2016

	<u>Internal Service Fund</u>
ASSETS	
Current Assets:	
Cash and Investments	<u>\$ 1,349,228</u>
Total Assets	<u>\$ 1,349,228</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>\$ -</u>
Total Liabilities	<u>-</u>
NET POSITION	
Unrestricted	<u>1,349,228</u>
Total Net Position	<u>\$ 1,349,228</u>

DOUGLAS EDUCATION SERVICE DISTRICTStatement of Revenues, Expenses and Changes in Net Position
Internal Service Fund

June 30, 2016

	Internal Service Funds
REVENUES:	
Local Sources	\$ 53,250
Total Revenues	<u>53,250</u>
EXPENDITURES:	
Internal Service	-
Other Fiscal Services	26,668
Supplemental Retirement Program	29,833
Total Expenditures	<u>56,501</u>
Excess of Receipts Over (Under) Expenditures	(3,251)
OTHER FINANCING SOURCES (USES):	
Operating Transfers In	(100,000)
Total Other Financing Sources	<u>(100,000)</u>
Excess of Revenues Over (Under) Expenditures and Other Financing Sources	(103,251)
NET POSITION	
June 30, 2015	<u>1,452,480</u>
NET POSITION	
June 30, 2016	<u>\$ 1,349,229</u>

DOUGLAS EDUCATION SERVICE DISTRICTStatement of Cash Flows
Internal Service Fund

For the Year Ended June 30, 2016

	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for Services and Other Revenues	\$ (46,750)
Cash paid to Employees	-
Cash paid for Employee Benefits	(56,101)
Cash paid for Purchased Services	(400)
Cash paid for Supplies and Materials	-
	<hr/>
Net Cash Provided (Used) by Operating Activities	(103,251)
CASH AND INVESTMENTS, June 30, 2015	<hr/> 1,452,480
CASH AND INVESTMENTS, June 30, 2016	<hr/> \$ 1,349,229 <hr/>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Net operating income	\$ (103,251)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Change in assets and liabilities	
Accounts payable	<hr/>
Net Cash Provided (Used) by Operating Activities	<hr/> \$ (103,251) <hr/>

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Douglas Education Service District (the District) is a municipal corporation governed by a separately elected seven-member Board of Directors. Administrative officials are approved by the Board. The daily functioning of the District is under the supervision of the Superintendent. As required by accounting principles generally accepted in the United States of America, all activities of the District have been included in the basic financial statements.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) governmental organizations for which the primary government is financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District has no component units.

In June 2012, the GASB issued Statement No. 68, *Accounting and Reporting for Pensions* (GASB 68). GASB 68 establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. This statement requires the employer's statement of net position include the employer's proportionate share of the retirement system's overall unfunded liability (net pension liability). The statement also requires the employer's pension expense be reported as the change in the proportionate share of the net pension liability. See Note 7 for additional information on the implementation of this statement.

A. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District. These statements include all the financial activities of the District. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through property taxes, intergovernmental revenues, and charges for services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to students or others for tuition, fees, rentals, materials, supplies or services provided, (2) operating grants and contributions, and (3) Capital grants and contributions. Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

Net position are reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

A. Basis of Presentation (Cont'd)

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Separate fund financial statements are provided for governmental funds and internal service funds.

Fund Financial Statements

The fund financial statements provide information about the District's funds. Separate statements for each governmental fund category are presented. The emphasis of fund financial statements is on major governmental funds, each being displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The District reports the following major governmental funds:

General Fund - This is the District's primary operating fund and accounts for all revenues and expenditures except those required to be accounted for in another fund. Principal revenue sources are an apportionment from the State of Oregon and property taxes.

Grants, Projects and Special Revenue Fund - This fund is used to account for the expenditures and receipts of various state and federal grants along with other projects and special revenue.

Early Intervention Grant Fund - This fund is used to account for the Early Intervention Grant Funds received through State and Federal Sources.

Reimbursement Fund – This fund is to account for the revenues received from other districts for reimbursement of substitute's wages, business services contracted out to other districts, special education services and superintendent services to outside districts.

The District reports the following non-major governmental funds:

Debt Service PERS - The ESD Board authorized the bonding of a portion of the ESD's unfunded actuarial liability with the Oregon Public Employees Retirement System. An assessment on wages paid by each fund provides the revenue to repay the debt.

Facility Maintenance Fund – This fund is used for the eventual maintenance for parts of the facility that would require substantial resources. Departments may allocate transfers from their general fund budgets to this fund for future use.

Production Services Fund - Provides a full service print shop, operated on a cost recovery basis.

Early Learning Hub Fund - Fund accounts for private sourced contributions and related expenditures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)A. Basis of Presentation (Cont'd)

The District reports the following internal service funds:

Early Retirement Fund - An early retirement plan was adopted by the ESD Board in the 1984 calendar year. On April 18, 2002, the plan was discontinued for new hires. In the collective bargaining agreement with DESD, the plan phased out with specific benefits outlined for existing employees. This fund is established to fund the liability for these benefits. The revenues are provided by assessments to wage accounts.

Unemployment Reserve Fund - This fund accounts for revenues and expenditures for unemployment insurance claims paid to the State of Oregon. The revenues are provided by assessments to wage accounts.

Computer Replacement Fund - This fund accounts for revenue and expenditures related to replacement of technology equipment. The revenues are provided by assessments to other funds.

Facility Reserve Fund - This fund account for revenues and expenditures is related to the facility. The revenues are provided by assessments to other funds.

Government-Wide Financial Statements - The government-wide financial statements are reported using the *economic resource measurement focus* and the *accrual basis of accounting*, as is the fiduciary financial statement. 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 grantor or provider have been met. As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

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

Fund Financial Statements - Governmental fund financial statements are reported using the *current financial resources measurement focus* and *modified accrual basis of accounting*. Under this method of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenue available if collected within 60 days after year end.

Expenditures are recorded when the related fund liability is incurred, except for expenditures for principal and interest on long-term debt which is recognized when due, certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources, and early retirement benefits which are recorded when paid.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)

before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Delinquent property taxes and property taxes for which there is an enforceable legal claim which are not collected within 60 days of the fiscal year end, have been recorded as deferred revenue.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Cash and Investments

The District's cash and investments include amounts in demand deposits, certificates of deposit, savings accounts, secured market deposit accounts and the State Pool. The District's cash management policies are governed by state statutes which authorize the District to invest in bankers' acceptances, time certificates of deposit, re-purchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool. The Local Government Investment Pool is included in the Oregon Short Term Fund which was established by the State Treasurer. The Oregon Short Term Board and the Oregon Investment Council regulate OSTF investments (ORS 294.805-294.895). Cash is stated at cost while investments are stated at fair market value.

D. Property Taxes Receivable

Property taxes receivable which has been collected within sixty days subsequent to the year-end are considered measurable and available and are therefore recognized as revenue in the fund statements. All other property taxes receivable are offset by deferred revenue and, accordingly, have not been recorded as revenue in the fund statements. Both real and personal property taxes attach as an enforceable lien on property as of July 1. All taxes are levied as of the lien date and are payable in three installments on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15, or February 15. Taxes unpaid and outstanding after May 15 are considered delinquent.

Uncollected property taxes are deemed to be substantially collectible or recoverable through liens, therefore, no provision for uncollectibles has been made in the government-wide financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)E. Receivables

Accounts receivable represent federal and state grants and entitlements, as well as various miscellaneous fees and refunds. Due to the nature of the receivables and the likelihood of collection, no provision for uncollectibles has been made.

F. Grants

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues.

G. Inventory

Inventories of supplies and materials in the governmental funds are stated at cost. Inventory items are charged to expenditures of the user department at the time of withdrawal from inventory (consumption method).

H. Capital Assets

Capital assets which include land and improvements, buildings and improvements, vehicles, furniture, and equipment, are reported in the government-wide financial statements.

Print Shop Equipment	25 years
Buildings and Improvements	50 years
Office Equipment	5 years
Vehicle	5 years

Capital assets are defined by the District as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Proceeds from sales of capital assets are recorded as revenue in the fund originally financing the purchase if identifiable; if not, then the revenue is recorded in the General Fund.

I. Retirement Plan

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged as expenses/expenditures as funded. GASB Statements 68 and 71 have been implemented as of July 1, 2014.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

J. Post-Employment Health Care Benefits

Eligible employees who elect early retirement are entitled to participate in the District's group medical insurance plan. A portion of such costs is paid by the District.

K. Compensated Absences

The District's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. The current and long-term liabilities for vested or accumulated vacation leave, compensatory time, and retirement benefits are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave or resignation.

No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures for the reporting period. Actual results may differ from those estimates.

2. BUDGETS

Operating budgets are adopted each year for the General and Special Revenue Funds on a modified accrual basis of accounting, consistent with Oregon Budget Laws.

The District begins its budget process early in each fiscal year with the establishment of the budget committee. Recommendations for a proposed budget are developed through early spring with the budget committee approving the budget in late spring. Public notices of the budget committee meetings and budget hearing are published generally in late spring with a public hearing being held within 25 days. The budget is adopted, appropriations are made and the tax levy declared no later than June 30 of each year.

The resolution making appropriations for each fund is enacted in the major program areas of instruction, support services, community and enterprise services, interagency fund transactions, debt service and contingency. Under State law, the appropriation levels become the legal spending control levels for District operations, and, therefore, no greater expenditure of public money may be made for any purpose other than that for which it was appropriated except where specifically provided by statute. Management may, however, make line item changes at any time within appropriation categories without formal action. If, during the year, the District receives unanticipated revenues that cannot be spent without budget authorization, a supplemental budget is prepared to authorize the spending of the additional revenues. Original and supplemental budgets may be modified by the use of appropriation transfers made within a given fund or from the General Fund to another fund when authorized by Board resolution. The budget data reflected in the combined financial statements and the individual fund financial statements reflect the effects of such approved transfers. All annual appropriations lapse at fiscal year-end.

3. CASH & INVESTMENTSCash DepositsCash Deposits

Deposits with Financial Institutes	\$5,105,350
Cash in State Pool	90,246
	<u>\$5,195,596</u>

The District's cash management policies are governed by state statutes. Statutes authorize the District to invest in bankers' acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

The District's cash management policies are governed by state statutes. Statutes authorize the District to invest in bankers' acceptances, time certificates of deposit, repurchase agreements and obligations of the United States and its agencies and instrumentalities.

Deposits in excess of \$250,000 are covered by Oregon Revised Statute Chapter 295 which require the depository institution to maintain on deposit securities having a value sufficient to cover all public funds in their institution and must apply and be approved by the State of Oregon. Wells Fargo Bank, NA is an approved financial institution and as such, at June 30, 2016 the District was in compliance.

3. CASH & INVESTMENTS (Cont'd)Investments

The Local Government Investment Pool (LGIP) is included in the Oregon Short Term Fund (OSTF), which was established by the State Treasurer. OSTF is not subject to SEC regulation and does not receive credit quality ratings from nationally recognized statistical rating organizations. OSTF is subject to requirements established in Oregon Revised Statutes, investment policies adopted by the Oregon Investment Council, and portfolio guidelines established by the Oregon Short Term Fund Board. The Governor appoints the members of the Oregon Investment Council and the Oregon Short Term Fund Board. The OSTF financial statements are available at <http://www.ost.state.or.us/>. The fair value of the District's deposit with the LGIP approximates the cost.

The Local Government Investment Pool is included in the Oregon Short Term Fund (OSTF), which was established by the State Treasurer. The Oregon Short Term Fund Board and the Oregon Investment Council regulate OSTF investments (ORS 294.805 to 294.895).

The District has no formal investment policy to deal with the interest rate risk and credit risk. In practice, the District has limited the investments in the LGIP and Certificates of Deposits that mature within one year.

Credit Risk. The LGIP's portfolio concentration of credit risk at June 30, 2016 included:

U.S. Government & Agency securities	29.36%
Municipal Government securities	2.35%
Non-U.S. Government debt	4.66%
Corporate Commercial Paper	1.71%
Corporate obligations	43.09%
Asset-backed securities	13.28%
Certificates of Deposits	5.15%
Cash in Banks	0.40%

Interest Rate Risk. While the District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, it has historically invested only in the LGIP.

LGIP investments as of June 30, 2015:

mature within 93 days	72.35%
mature within 94 days to one year	12.05%
mature one year and beyond	15.60%

Douglas Education Service District

Notes to
Financial Statements

at

June 30, 2016

4. CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2016 follows:

	<u>July 01, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
<u>Governmental Activities</u>				
Assets Not Being Depreciated:				
Land	\$ 51,996	\$ -	\$ -	\$ 51,996
Assets Being Depreciated:				
Buildings & Improvements	1,287,310			1,287,310
Vehicles	108,507			108,507
Equipment	1,094,286	30,542	(455,879)	668,949
Media Library	957,872		(957,872)	-
Total Depreciable Assets	3,447,975	30,542	(1,413,751)	2,064,766
Depreciation				
Vehicles	(73,374)	(15,171)		(88,545)
Building Improvements	(786,998)	(34,140)		(821,138)
Equipment	(857,889)	(78,893)	455,879	(480,903)
Media Library	(957,872)		957,872	-
Total Depreciation	(2,676,133)	(128,204)	1,413,751	(1,390,586)
Net Value of Capital Assets				-
Being Depreciated	\$ 771,842	\$ (97,662)	\$ -	\$ 674,180
Total Governmental Activities				
Net Value of Capital Assets	<u>\$ 823,838</u>	<u>\$ (97,662)</u>	<u>\$ -</u>	<u>\$ 726,176</u>

5. LONG-TERM DEBT

	<u>Original Issue</u>	<u>Outstanding June 30, 2016</u>
Pension bonds - issued April 2003, due in installments of \$166,131 to \$682,824, including interest paid at 1.5% to 6.27% through 2028	<u>\$4,597,617</u>	<u>\$ 3,327,695</u>

The District paid \$404,411 in the fiscal year ending June 30, 2016. The payment included interest of \$278,316 and principal of \$126,095.

5. LONG-TERM DEBT (Cont'd)

Future maturities are as follows:

Governmental Activities Year Ended June 30,	Principal	Interest	Total
2017	\$ 126,081	\$ 298,329	\$ 424,410
2018	124,974	319,436	444,410
2019	125,321	344,090	469,411
2020	123,539	365,871	489,410
2021	123,056	391,354	514,410
2022-2026	1,774,724	1,197,309	2,972,033
2027-2028	930,000	69,864	999,864
Total	<u>\$3,327,695</u>	<u>\$2,986,253</u>	<u>\$6,313,948</u>

The pension bonds will be paid from revenues in the debt service fund generated by charges to other funds.

6. PENSION PLAN

General Information about the Pension Plan

Plan Description

Employees of the district are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at <http://www.oregon.gov/pers/Pages/section/financialreports/financials.aspx>.

Benefits Provided

1. Tier One/Tier Two Retirement Benefit ORS Chapter 238

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.

6. PENSION PLAN (Cont'd)

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

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:

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

Disability Benefits

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

Benefit Changes

After Retirement Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2. **OPSRP Pension Program (OPSRP DB)****Pension Benefits**

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

General service: 1.5 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 OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective

6. PENSION PLAN (Cont'd)2. **OPSRP Pension Program (OPSRP DB) (Cont'd)****Death Benefits**

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

Disability Benefits

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

Benefit Changes After Retirement

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

3. **OPSRP Individual Account Program (OPSRP IAP)****Pension Benefits**

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

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

Death Benefits

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

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

6. PENSION PLAN (Cont'd)

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were \$1,197,777, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2016 were 17.10 percent for Tier One/Tier Two General Service Member, 12.41 percent for OPSRP Pension Program General Service Members, and 6 percent for OPSRP Individual Account Program.

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 \$1,812,713 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The 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 entities, actuarially determined. At June 30, 2015, the district's proportion was 0.1306 percent, which was decreased from its proportion of 0.1352 measured as of June 30, 2014.

For the year ended June 30, 2016, the district's recognized pension expense of \$ 1,920,340. 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 Resources
Differences between expected and actual experience	\$ 404,471	
Changes of assumptions		
Net difference between projected and actual earnings on investments		\$ 1,572,298
Changes in proportion		77,746
Difference between employer contributions and proportionate share of contributions		162,669
Total(prior to post-MD contributions)	404,471	1,812,713
Contributions subsequent to the MD	1,197,777	
Total	<u>\$ 1,602,248</u>	<u>\$ 1,812,713</u>

6. PENSION PLAN (Cont'd)3. **OPSRP Individual Account Program (OPSRP IAP) (Cont'd)**

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

<u>Deferred Outflows</u>		<u>Deferred Inflows</u>	
Amortization Period		Amortization Period	
FY2017		FY2017	(713,797)
FY2018		FY2018	(713,797)
FY2019		FY2019	(713,797)
FY2020	716,639	FY2020	
FY2021	16,509	FY2021	
	<u>\$ 733,148</u>		<u>\$ (2,141,391)</u>

Actuarial Assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015 and effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method. For the 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 amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

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

6. PENSION PLAN (Cont'd)**Actuarial Assumptions (Cont'd)**

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

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

Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

6. PENSION PLAN (Cont'd)**Long-term Expected Rate of Return (Cont'd)**

Asset Class/ Strategy	Assumed Asset Allocation		
	Low Range	High Range	Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00%	3.70%
Intermediate - Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Opportunity Funds/ Absolute Return	5.00%	6.01%
Real Estate (property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
Total	100.00%	
Assumed Inflation - Mean		2.75%

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

6. PENSION PLAN (Cont'd)

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

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

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

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.

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 discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability (asset)	\$ 18,102,439	\$ (7,500,608)	\$ (1,433,950)

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

The district reported payables of legally required contributions to the pension plan in the amount of \$35,896.

6. PENSION PLAN (Cont'd)**Changes in Plan Provisions During the Measurement Period**

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

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

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

Changes in Plan Provisions Subsequent to Measurement Date

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

7. OTHER POST-EMPLOYMENT BENEFITS (OPEBs)Early Retirement

Funding Policy - The benefits from this program are fully paid by the District and, consequently, no contributions by employees are required. The Early Retirement Fund also accounts for resources and payment of post-employment health care benefits for early retirees.

For 2014-2015, the early retirement incentive pay was \$5,000 for one employee. For 2015-2016, the liability for early retirement incentive pay is \$0. All eligible employees are now gone. The liability is recorded in the Statement of Net Position per GASB 47.

Post-Employment Health Care Benefits

Plan Description - The District, as a result of collective bargaining agreements, offers post-employment health care benefits for all employees who have completed 10 years of continuous service and are between age 58 and 65, are eligible for full PERS benefits, and elected to retire prior to December 31, 2005.

For these retirees, benefits are fully paid by the District and are available until the retiree is eligible for Medicare.

Effective January 1, 2006, the District's retiree insurance became \$300 per month for major medical coverage. The amount contributed by the District increased by the same percentage as the District's contribution toward regular bargaining unit employees' insurance premiums, up to a maximum of 5% on each insurance anniversary date.

7. OTHER POST-EMPLOYMENT BENEFITS (OPEBs) (Cont'd)

Contributions - Contributions are financed by a transfer from the General Fund. Transfers to the Early Retirement Fund in fiscal years 2016 and 2015 were \$5,225 and \$118,711, respectively. Expenditures are recorded in the Early Retirement Fund on the pay-as-you-go basis. The cost of these benefits in fiscal years 2016 and 2015 amounted to approximately \$29,833 and \$45,709, respectively.

Post-Employment Health Insurance Subsidy

The District implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions (OPEB) for the fiscal year ended June 30, 2010. This implementation allows the District to report its liability for other post-Employment benefits consistent with established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

Plan Description - The District operates a single-employer retiree benefit plan that provides post-employment health, dental vision and life insurance benefits to eligible employees and their spouses. There are 36 total active members in the plan. Benefits and eligibility for members are established through the collective bargaining agreements.

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

Funding Policy - The benefits from this program are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is no obligation on the part of the District to fund these benefits in advance.

Annual OPEB Cost and Net OPEB Asset - The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance within the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the OPEB obligation at the end of the year:

Douglas Education Service District

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7. OTHER POST-EMPLOYMENT BENEFITS (OPEBs) (Cont'd)

	2016	2015
Actual Contribution	\$ 5,225	\$ 118,711
Actual Expense	(29,833)	(45,709)
Excess Contribution	(24,608)	73,002
Annual Required Contribution	97,239	97,239
Actual Expense	(29,833)	(45,709)
Net Annual OPEB (ARC-Actual Expense)	(67,406)	(51,530)
Net Increase in OPEB Asset	(92,014)	21,472
Net Assets at Beginning of Year	305,053	283,581
	<u>\$ 213,039</u>	<u>\$ 305,053</u>

The District's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for 2016 and 2015, were as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Prior Year and Current Year Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
2014	\$ 97,239	\$ 107,340	110%	\$ 283,581
2015	\$ 97,239	\$ 118,711	110%	\$ 305,053
2016	\$ 97,239	\$ 5,225	110%	\$ 213,039

Funded Status and Funding Progress - As of June 30, 2010, the most recent actuarial valuation date, for the period ended June 30, 2010; the District's actuarial accrued liability (AAL) for benefits was \$1,528,202, and the actuarial value of assets was \$317,609, resulting in an unfunded actuarial accrued liability (VAAL) was \$1,210,593. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will eventually present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. The actuarial cost method used to determine the cost and liabilities for this plan was the aggregate cost method. Under this method, the unfunded value of all benefits expected to be paid from the plan is spread over the expected working career of all participants in such a way that annual costs are expected to remain level.

In the June 30, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a discount rate of 1% and a 100% assumption of participants who elect medical coverage at retirement. They also assume medical and prescription drug costs would increase at 5% inflation for the current year, and future years. The demographic assumptions, such as mortality rates, disability incidence rates, retirement rates, and withdrawal rates, are the same as those used by Oregon PERS for School Districts.

8. CLAIMS AND LITIGATION

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, or expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the District expects such amounts, if any to be immaterial.

Management has represented that there are no contingent liabilities that require disclosure or recognition in accordance with FASB Statement No. 5. Such contingent liabilities would include, but would not be confined to: notes or accounts receivable which have been discounted; pending suits; proceedings, hearings, or negotiations possibly involving retroactive adjustments; unsatisfied judgments or claims; taxes in dispute; endorsements or guarantees; and options.

9. RISK

To reduce the risk of loss from liability, fire, theft, accident, medical costs, errors and omissions, the District maintains various commercial insurance. No settlements exceeded insurance coverage in each of the three preceding years.

10. INTERFUND TRANSFERS

The following is a summary of interfund transfers reported in the fund financial statements:

	INTERFUND	
	Transfers In	Transfers Out
General Fund	\$ 400,000	\$ 400,000
Grants Project Fund	6,533,907	-
Early Intervention Fund	-	6,533,907
Facility Maintenance Fund	100,000	-
Unemployment Fund	-	400,000
Facility Reserve Fund	300,000	-
	<u>\$ 7,333,907</u>	<u>\$ 7,333,907</u>

The transfers between funds were operational in nature.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 1, 2016 the date on which the financial statements were available to be issued. No subsequent events were noted.

12. GASB STATEMENT NO. 54

GASB Statement 54 requires analysis and presentation of fund balance in five categories. The fund balance categories are:

- Non-Spendable – Includes items not immediately converted to cash, such as prepaid items and inventory.
- Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- Committed – Includes items committed by the District's Board of Education, by formal board action.
- Assigned – Includes items assigned for specific uses, authorized by the District's Superintendent and/or Director of Finance Operations.
- Unassigned – This is the residual classification used for those balances not assigned to another company.

Douglas Education Service District

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12. GASB STATEMENT NO. 54 (Cont'd)

Below is a schedule of ending fund balance, based on GASB Statement No. 54

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Early Intervention Fund</u>	<u>Early Learning Fund</u>	<u>Reimburse ment Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:							
<u>Non-Spendable:</u>							
Inventories						\$ 21,831	\$ 21,831
	-	-		-		21,831	21,831
<u>Restricted:</u>							
Grant Fund	\$ -	2,196,270	\$ -	\$ -	\$ 86,919	\$ -	2,283,189
Early Intervention			(3,094)	403,877			400,783
Debt Service Fund	-	-	-	-	-	1,485,225	1,485,225
	-	2,196,270	(3,094)	403,877	86,919	1,485,225	4,169,197
<u>Assigned to:</u>							
Production Service Fund						(26,964)	(26,964)
Information Technology						49,494	49,494
Facility Maintenance Fund	-	-	-	-	-	117,005	117,005
	-	-	-	-	-	139,535	139,535
<u>Unassigned:</u>	1,548,441	0		0		-	1,548,441
Total Fund Balances	<u>\$ 1,548,441</u>	<u>\$ 2,196,270</u>	<u>\$ (3,094)</u>	<u>\$ 403,877</u>	<u>\$ 86,919</u>	<u>\$ 1,646,591</u>	<u>\$ 5,879,004</u>

GASB 54 implementation required Board approved action to authorize commitments of fund balance. There were no commitments made for the last fiscal year.

The Board of Education also authorized the Superintendent and the Business Manager to make assignments of ending fund balance. Assignments of fund balance can be done at any time, including after the fiscal year-end date.

Finally, GASB 54 requires a spending policy, as it related to ending fund balance. The spending policy states in what order fund balance categories are spent. The Board of Education approved the following fund balance order of spending policy:

1. Restricted Fund Balance
2. Committed Fund Balance
3. Assigned Fund Balance
4. Unassigned Fund Balance

Required Supplementary Information

Budgetary Comparison Schedule

DOUGLAS EDUCATION SERVICE DISTRICT

Budgetary Comparison Schedule for the General Fund

For the Year Ended June 30, 2016

	Actual	Original Budget	Final Budget	Over (Under) Budget
REVENUES:				
Local Sources:				
Tax Levy-Current Year & Offsets	\$ 3,820,847	\$ 3,616,000	\$ 3,616,000	\$ 204,847
Tax Levy-Prior Years	189,590	260,000	260,000	(70,410)
Payments in Lieu of Property Taxes	30,498	-	-	30,498
Tuition From Other Districts Within State	-	45,000	45,000	(45,000)
Earnings on Investments	37,936	26,000	26,000	11,936
Svcs Prov Other Local Ed Agencies	1,825	-	-	1,825
Services Provided Other Districts	17,588	-	-	17,588
Recovery of Prior Year Expenditures	19,048	-	-	19,048
Fees Charged to Grants	653,690	500,000	500,000	153,690
Miscellaneous	34,234	9,000	9,000	25,234
Total Local Sources	<u>4,805,256</u>	<u>4,456,000</u>	<u>4,456,000</u>	<u>349,256</u>
Intermediate Sources:				
Other Intermediate Sources	269,820	150,000	150,000	119,820
Total Intermediate Sources	<u>269,820</u>	<u>150,000</u>	<u>150,000</u>	<u>119,820</u>
State Sources:				
State School Fund-General Support	1,321,757	1,646,970	1,646,970	(325,213)
Total State Sources	<u>1,321,757</u>	<u>1,646,970</u>	<u>1,646,970</u>	<u>(325,213)</u>
Federal Sources				
SSF-State Fiscal Stabilization Fund				-
Southern Oregon ESD-Autism Spectrum		-	-	-
Total Federal Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>6,396,833</u>	<u>6,252,970</u>	<u>6,252,970</u>	<u>143,863</u>
EXPENDITURES: Schedule C-2	<u>6,740,358</u>	<u>7,937,970</u>	<u>7,937,970</u>	<u>(1,197,612)</u>
Excess of Revenues Over (Under) Expenditures	<u>(343,525)</u>	<u>(1,685,000)</u>	<u>(1,685,000)</u>	<u>1,341,475</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfer In	400,000	585,000	585,000	(185,000)
Operating Transfer Out	(400,000)	(400,000)	(400,000)	-
Total Other Financing Sources	<u>-</u>	<u>185,000</u>	<u>185,000</u>	<u>(185,000)</u>
Excess of Revenues Over (Under) Expenditures and Other Financing Sources	<u>(343,525)</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>1,156,475</u>
FUND BALANCE, June 30 2015	<u>1,891,967</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>391,967</u>
FUND BALANCE, June 30, 2016	<u>\$ 1,548,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,548,441</u>

DOUGLAS EDUCATION SERVICE DISTRICT

Budgetary Comparison of General Fund Expenditures
For the Year Ended June 30, 2016

	Salaries	Employees Benefits	Purchased Services	Supplies and Materials
INSTRUCTION:				
Regular Programs:				
Learning Centers-Galaxy House Students	\$ 166,763	\$ 69,304	\$ 4,049	\$ 1,706
Early Intervention	154,761	75,737	3,509	2,231
Total Instruction	<u>320,524</u>	<u>145,042</u>	<u>7,558</u>	<u>3,937</u>
SUPPORT SERVICES:				
Students:				
Attendance and Social Work	23,532	19,646	1,002	-
Technology	-	-	14,575	-
Nursing Services	64,859	18,588	9,168	603
Psychological Testing Services	-	1,653	30,256	-
Service Area Direction	20,444	9,239	1,429	953
Speech Pathology Services	1,201,100	547,635	124,835	15,363
Other Speech Pathology and Audiology Services	6,702	1,773	-	-
Other Student Treatment Services	239,153	115,408	7,989	1,389
Service Direction, Student Support Services	114,808	43,414	10,800	2,383
POI Coordinator	-	-	78,138	-
Total Students	<u>1,670,599</u>	<u>757,355</u>	<u>278,191</u>	<u>20,692</u>
Instructional Staff:				
Improvement of Instruction Services	0	0	57,542	2,559
Service Area Direction	141,609	65,153	11,368	606
Educational Services - Other	-	-	406	-
Educational Media Services	-	-	20,274	-
Instructional Staff Development	4,627	1,019	0	-
Total Instructional Staff	<u>146,236</u>	<u>66,172</u>	<u>89,590</u>	<u>3,165</u>
General Administration:				
Board of Education Services	-	-	33,386	3,716
Office of the Superintendent	220,655	100,666	39,531	8,171
Total General Administration	<u>220,655</u>	<u>100,666</u>	<u>72,917</u>	<u>11,887</u>
Business:				
Fiscal Services	240,011	105,688	32,239	4,634
Operations and Maintenance of Plant Services	20,450	13,379	72,230	8,642
Warehousing and Distributing Services	8,915	2,687	4,924	14
Total Business	<u>269,377</u>	<u>121,754</u>	<u>109,392</u>	<u>13,290</u>
Central Activities:				
Information Technology	45,896	31,114	19,901	304
Staff Services	167,262	75,582	47,642	6,911
Technology Services	185,826	96,280	179,231	154,072
Records Management Services	-	-	9,794	-
Other Support Services-Central	-	-	1,730	6,751
Total Central Activities	<u>398,984</u>	<u>202,975</u>	<u>258,298</u>	<u>168,037</u>
Total Supporting Services	<u>2,705,852</u>	<u>1,248,922</u>	<u>808,389</u>	<u>217,071</u>
Reserved for Next Year				
Apportionment of Funds by ESD				
CONTINGENCIES:				
Operating Contingency	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 3,026,376</u>	<u>\$ 1,393,964</u>	<u>\$ 815,946</u>	<u>\$ 221,008</u>

(1) Level of Budget Appropriation

Capital Outlay	Other	Transfers	Total Non-GAAP Actual	Original Budget	Final Budget	Over (Under) Budget
\$ -	\$ -		\$ 240,822			
-	-		236,239			
\$ -	-	\$ -	477,061	\$ 526,388	\$ 526,388 (1)	\$ (49,327)
-	-		44,181			
-	-		14,575			
-	-		93,218			
-	-		31,909			
-	540		32,605			
-	4,601		1,893,534			
-	-		8,475			
-	595		364,534			
-	0		171,404			
-	-		78,138			
-	5,736	-	2,732,572			
-	-		60,101			
-	4,795		223,531			
-	-		408			
-	-		20,274			
-	-		5,646			
-	4,795	-	309,958			
-	7,481		44,583			
-	12,684		381,708			
-	20,165	-	426,291			
-	6,975		389,547			
-	17,806		132,507			
-	-		16,541			
-	24,781	-	538,594			
-	797	-	98,012			
-	2,195		299,592			
54,544	-		669,952			
-	-		9,794			
-	342		8,823			
54,544	3,334	-	1,086,172			
54,544	58,811	-	5,093,587	5,224,248	5,224,248	(130,660)
			-	400,000	400,000	(400,000)
		1,169,710	1,169,710	1,169,710	1,169,710	-
-	-	-	-	617,625	617,625	(617,625)
\$ 54,544	\$ 58,811	\$ 1,169,710	\$ 6,740,358	\$ 7,937,970	\$ 7,937,970	\$ (1,197,612)

DOUGLAS EDUCATION SERVICE DISTRICT

Budgetary Comparison Schedule for the Grants Fund

For the Year Ended June 30, 2016

	Total Non-GAAP Actual	Original Budget	Final Budget	Over (Under) Budget
REVENUES:				
Local Sources:				
Tuition from Individuals	\$ 107,987	\$ 121,500	\$ 121,500	\$ (13,513)
Rentals	4,926	7,000	7,000	(2,074)
Contributions from Donations & Private Sources	171,187	150,975	150,975	20,212
Services Provided Other Local Education Agencies	586,108	538,587	538,587	47,521
Miscellaneous Income	334,651	119,410	119,410	215,241
Total Local Sources	1,204,858	937,472	937,472	267,386
Intermediate Sources:				
Other Intermediate Sources	172,237	133,000	133,000	39,237
Assessment & Testing Other Governmental	8,300	-	-	8,300
Total Intermediate Sources	180,536	133,000	133,000	47,536
State Sources:				
Restricted Grants In-aid				
Restricted Grant Revenue-SLP Grant-Cohort	10,400			
Transition Network Facilitator Grant	111,959			
Riverside Center	197,429			
Juvenile Detention Center	184,516			
Total State Sources	504,304	666,430	666,430 (1)	(162,126)
Federal Sources:				
Restricted Through the State From Federal Government				
Extended Assessment	898			
Douglas Co Liaison	298			
Regional SGP	1,500			
Tech Prep	40,210			
Carl Perkins Grant	59,450			
Carl Perkins IV	17,644			
Carl Perkins Non Trad Pilot	735			
Long Term Care and Treatment	14,975			
Juvenile Detention Center	436			
E/ECSE LICC Support	1,200			
SPR&I	9,330			
RSOI Subgrant	87,264			
OTAP Revenue Contract	177,961			
Total Federal Sources	411,899	499,056	499,056	(87,157)
Total Revenues	2,301,598	2,235,958	2,235,958	65,640
EXPENDITURES: Schedule C-4	8,851,801	10,475,428	10,475,428	(1,623,627)
Excess of Revenues Over (Under) Expenditures	(6,550,203)	(8,239,470)	(8,239,470)	1,689,267
OTHER FINANCING SOURCES (USES):				
Operating Transfer In	6,533,907	6,719,575	6,719,575	(185,668)
Operating Transfer (Out)	0	(185,000)	(185,000)	185,000
Total Other Financing Sources	6,533,907	6,534,575	6,534,575	(668)
Excess of Revenues Over (Under) Expenditures and Other Financing Sources	(16,296)	(1,704,895)	(1,704,895)	1,688,599
FUND BALANCE, June 30 2015	2,212,566	1,704,895	1,704,895	507,671
FUND BALANCE, June 30, 2016	\$ 2,196,270	\$ (0)	\$ (0)	\$ 2,196,270
(1) Level of Budget Appropriation				

DOUGLAS EDUCATION SERVICE DISTRICT

Budgetary Comparison of Grant Fund Expenditures

For the Year Ended June 30, 2016

	Salaries	Employee Benefits	Purchased Services	Supplies and Materials
INSTRUCTION:				
Special Programs:				
Early Intervention	\$ 3,542,518	\$ 1,629,121	\$ 564,625	\$ 71,074
Alternative Education	121,292	69,688	4,111	2,791
Designated Programs	130,211	58,172	3,369	138
Total Instruction	<u>3,794,021</u>	<u>1,756,981</u>	<u>572,105</u>	<u>74,002</u>
SUPPORT SERVICES:				
Students:				
Guidance Services	56,467	29,251	13,574	5,511
Other Student Treatment Service	397,084	204,361	4,624	-
Service Direction	174,126	75,036	1,285	423
Total Students	<u>627,678</u>	<u>308,648</u>	<u>19,483</u>	<u>5,935</u>
Instructional Staff:				
Improvement of Instruction Services	14,892	3,386	43,916	97,170
Assessment and Testing	9,925	3,865	167,805	2,728
Instructional Staff Development	201,793	58,098	64,530	4,844
Total Instructional Staff	<u>226,611</u>	<u>65,349</u>	<u>276,250</u>	<u>104,741</u>
Business & Operations:				
Operations & Maintenance	55,974	30,552	760	-
Total Business	<u>55,974</u>	<u>30,552</u>	<u>760</u>	<u>-</u>
Central Activities:				
Direction of Central Support Services	-	-	-	-
Planning, Grant Writing Services	-	-	-	-
Information Services	23,007	3,492	2,146	73
Administrators	14,400	1,262		
Technology Services	19,081	4,913	380	30,882
Total Central Activities	<u>56,488</u>	<u>9,667</u>	<u>2,526</u>	<u>30,955</u>
Total Support Services	<u>966,751</u>	<u>414,216</u>	<u>299,019</u>	<u>141,630</u>
ENTERPRISE & COMMUNITY SERVICES:				
Community Services	<u>56,860</u>	<u>27,640</u>	<u>15,351</u>	<u>15,197</u>
TRANSFERS:				
Transfers of Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER USES:				
Apportionment of Funds by ESD	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING CONTINGENCY				
Planned Reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNAPPROPRIATED ENDING BALANCE				
Reserve for Next Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$4,817,633</u>	<u>\$2,198,837</u>	<u>\$886,476</u>	<u>\$230,830</u>

(1) Level of Budget Appropriation

Capital Outlay	Other Objects	Transfers	Total Actual	Original Budget	Final Budget	Over (Under) Budget
\$ 1,427	\$ 500,032		\$6,308,797			
-	14,523		212,404			
-	8,311		200,201			
<u>1,427</u>	<u>522,866</u>	<u>-</u>	<u>6,721,403</u>	<u>6,922,447</u>	<u>6,922,447</u>	(1) <u>(201,044)</u>
-	9,756		114,559			
-	-		606,069			
-	135,107		385,978			
<u>-</u>	<u>144,863</u>	<u>-</u>	<u>1,106,607</u>			
7,985	6,502		173,850			
-	-		184,322			
-	22,886		352,150			
<u>7,985</u>	<u>29,388</u>	<u>-</u>	<u>710,323</u>			
-	-		87,286			
<u>-</u>	<u>-</u>	<u>-</u>	<u>87,286</u>			
-	6,064		6,064			
-	-		0			
-	1,282		30,000			
-	-		15,662			
-	-		55,256			
<u>-</u>	<u>7,346</u>	<u>-</u>	<u>106,982</u>			
<u>7,985</u>	<u>181,597</u>	<u>-</u>	<u>2,011,198</u>	<u>2,393,116</u>	<u>2,393,116</u>	(1) <u>(381,918)</u>
-	7,20	-	115,056	336,185	336,185	(1) (221,129)
-	-	-	-	185,000	185,000	(1) (185,000)
-	-	4,144	4,144	-	-	(1) 4,144
-	-	-	-	823,680	823,680	(1) (823,680)
-	-	-	-	-	-	(1) -
<u>\$9,412</u>	<u>\$704,470</u>	<u>\$4,144</u>	<u>\$8,851,801</u>	<u>\$10,475,428</u>	<u>\$10,475,428</u>	<u>(\$1,623,627)</u>

DOUGLAS EDUCATION SERVICE DISTRICT

Budgetary Comparison for the Early Intervention Hub Fund

For the Year Ended June 30, 2016

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>	<u>Supplies and Materials</u>	<u>Other Objects</u>
REVENUES:					
Local Sources:					
Contributions from Donations & Private Sources					
Total Local Sources					
State Sources:					
Restricted Grants In-aid:					
EI/ECSE State					
Total State Sources					
Federal Sources:					
Restricted Through the State					
from Federal Government					
EI/ECSE Federal					
Total Federal Sources					
TOTAL REVENUES					
EXPENDITURES:					
Support Services:					
Instructional Staff:					
Improvement of Instructional Staff	<u>\$ 115,787</u>	<u>\$ 49,008</u>	<u>\$ 6,153</u>	<u>\$ 611</u>	<u>\$ 16,535</u>
Excess of Revenues Over (Under) Expenditures					
OTHER FINANCING SOURCES:					
Operating Transfers Out					
Apportionment of Funds by ESD					
Total Other Financing Sources					
Excess of Revenues Over (Under) Expenditures and Other Financing Sources					
FUND BALANCE, June 30 2015					
FUND BALANCE, June 30, 2016					
(1) Level of Budget Appropriation					

<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Over (Under) Budget</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
8,311,452	8,408,878	8,408,878	(97,426)
<u>8,311,452</u>	<u>8,408,878</u>	<u>8,408,878</u>	<u>(97,426)</u>
1,689,280	1,720,682	1,720,682	(31,402)
<u>1,689,280</u>	<u>1,720,682</u>	<u>1,720,682</u>	<u>(31,402)</u>
<u>10,000,732</u>	<u>10,129,560</u>	<u>10,129,560</u>	<u>(128,828)</u>
188,094	204,635	204,635	(16,541)
9,812,638	9,924,925	9,924,925	(112,287)
(6,533,907)	(6,719,575)	(6,719,575) (1)	185,668
<u>(3,281,825)</u>	<u>(3,205,350)</u>	<u>(3,205,350) (1)</u>	<u>(76,475)</u>
<u>(9,815,732)</u>	<u>(9,924,925)</u>	<u>(9,924,925)</u>	<u>109,193</u>
(3,094)	-	-	(3,094)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (3,094)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,094)</u>

DOUGLAS EDUCATION SERVICE DISTRICT

Budgetary Comparison for the Early Learning Hub Fund

For the Year Ended June 30, 2016

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>	<u>Supplies and Materials</u>	<u>Other Objects</u>
REVENUES:					
Local Sources:					
Contributions from Donations & Private Sources					
Total Local Sources					
State Sources:					
Restricted Grants In-aid:					
EI/ECSE State					
Healthy Families - Medicaid					
Total State Sources					
Federal Sources:					
Restricted Through the State					
from Federal Government					
EI/ECSE Federal					
EI/ECSE Federal - ARRA					
Total Federal Sources					
TOTAL REVENUES					
EXPENDITURES:					
Support Services:					
Community Services	<u>\$ 180,363</u>	<u>\$ 99,011</u>	<u>\$ 491,639</u>	<u>\$ 38,080</u>	<u>\$ 37,549</u>
Excess of Revenues Over (Under) Expenditures					
Excess of Revenues Over (Under) Expenditures and Other Financing Sources					
FUND BALANCE, June 30 2015					
FUND BALANCE, June 30, 2016					
(1) Level of Budget Appropriation					

<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Over (Under) Budget</u>
\$ 90,890	\$ -	\$ -	\$ 90,890
<u>90,890</u>	<u>0</u>	<u>0</u>	<u>90,890</u>
730,452	1,065,690	1,065,690	(335,238)
33,887			33,887
<u>764,339</u>	<u>1,065,690</u>	<u>1,065,690</u>	<u>(301,351)</u>
79,675	63,401	63,401	16,273
<u>79,675</u>	<u>63,401</u>	<u>63,401</u>	<u>16,273</u>
<u>934,904</u>	<u>1,129,092</u>	<u>1,129,092</u>	<u>(194,188)</u>
846,643	1,501,610	1,501,610	(654,967)
88,261	(372,518)	(372,518)	460,780
88,261	(372,518)	(372,518)	460,780
<u>315,616</u>	<u>372,518</u>	<u>372,518</u>	<u>(56,902)</u>
<u>\$ 403,877</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 403,878</u>

DOUGLAS EDUCATION SERVICE DISTRICT

Budgetary Comparison for the Reimbursement Fund

For the Year Ended June 30, 2016

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>	<u>Supplies and Materials</u>	<u>Other Objects</u>
REVENUES:					
Services Other Districts Within State					
Total From Services					
TOTAL REVENUES					
EXPENDITURES:					
Support Services:					
Instructional Staff:					
Attendance and Social Work	\$ 65,075	\$ 18,800	\$ 4,680	\$ 3,805	\$ -
Guidance Services	41,450	26,473	2,336	-	-
Psychological Services	118,798	40,150	106,001	4,329	-
Service Direction	2,006,118	296,663	4,172	21	595
Improvement of Instruction Services	20,683	7,002	-	-	-
Assessment and Testing	44,928	19,621	3,018	55	-
Office of Superintendent Services	-	-	-	-	-
Fiscal Services	233,060	126,752	4,135	2,553	-
Staff Services	47,370	7,313	1,017	-	-
Technology Services	181,849	97,577	-	-	-
TOTAL EXPENDITURES	<u>\$ 2,759,331</u>	<u>\$ 640,351</u>	<u>\$ 125,359</u>	<u>\$ 10,764</u>	<u>\$ 595</u>
Excess of Revenues Over (Under) Expenditures					
OTHER FINANCING SOURCES:					
Operating Transfers					
Apportionment of Funds by ESD					
Total Other Financing Sources					
Excess of Revenues Over (Under) Expenditures and Other Financing Sources					
FUND BALANCE, June 30 2015					
FUND BALANCE, June 30, 2016					
(1) Level of Budget Appropriation					

Actual	Original Budget	Final Budget	Over (Under) Budget
\$ 3,566,120	\$ 3,231,130	\$ 3,231,130	\$ 334,990
3,566,120	3,231,130	3,231,130	334,990
3,566,120	3,231,130	3,231,130	334,990
\$ 92,360			
70,260			
269,277			
2,307,569			
27,686			
67,622			
-			
366,500			
55,700			
279,426			
3,536,400	3,231,130	3,231,130 (1)	305,270
29,720	-	-	29,720
0	-	- (1)	-
-	-	- (1)	-
-	-	-	-
29,720	-	-	29,720
57,198.73	65,000	65,000	(7,801)
\$ 86,919	\$ 65,000	\$ 65,000	\$ 21,919

DOUGLAS EDUCATION SERVICE DISTRICT

Schedules of Required Supplementary Information
 Relating to the Oregon Public Employees Retirement System Net Pension Liability
 For the Fiscal Year Ended June 30, 2016

Schedule of Proportionate Share of Net Pension Liability

	<u>2016</u>	<u>2015</u>	<u>2014</u>
OPERS net pension liability (asset) - calculated	\$5,741,461,073	(\$2,266,714,469)	5103146745
District's proportion of the net pension liability (asset)	0.13063936%	0.13516762%	0.13516762%
District's proportionate share of the net pension liability (asset)	\$ 7,500,608	(\$3,063,864)	\$6,897,802
District's PERS covered payroll	\$8,478,062	\$8,381,068	\$7,815,455
District's proportionate share of the net pension liability (asset) as a percentage of it's PERS covered payroll	88.47%	-36.56%	88.26%

Schedule of Contributions

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 1,197,777	\$1,316,707	\$1,307,674
Contributions in relation to the contractually required contribution	(\$1,197,777)	(\$1,316,707)	(\$1,307,674)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District's PERS covered payroll	\$8,478,062	\$8,381,068	\$7,815,455
Contributions as a percentage of PERS covered payroll	14.13%	15.71%	NA

Note: The amounts presented for each fiscal year were determined as of June 30. Additional years will be added to the schedule as information becomes available.

Oregon Public Employees Retirement System
Schedule of Pension Amounts under GASB 68
Employer #4237: Douglas Education Service District

Measurement Date [MD] of the Net Pension Liability/(Asset) [NPL(A)]	June 30, 2015
Actuarial Valuation Date (liability rolled forward to MD)	December 31, 2013
Discount rate	7.75%
Employer's proportionate share at prior MD	0.13516762%
Employer's proportionate share at MD	0.13063936%
Employer's proportionate share of system NPL(A) at prior MD	\$ (3,063,864)
Employer's proportionate share of system NPL(A) at MD	\$ 7,500,608
• Sensitivity: NPU(A) using discount rate 1.00% lower	\$ 18,102,439
• Sensitivity: NPU(A) using discount rate 1.00% higher	\$ (1,433,950)

Employer Pension Expense for Measurement Period

• Employer's proportionate share of system Pension Expense/(Income)	\$ 7,383,114
• Net amortization of deferred amounts from:	
o Changes in proportionate share	\$ (17,670)
o Differences between employer contributions and employer's proportionate share of system contributions	\$ (37,855)
Employer's Total Pension Expense/(Income)	\$ 7,327,589

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 404,471	\$ -
Changes of assumptions	\$ -	\$ -
Net difference between projected and actual earnings on investments	\$ -	\$ 1,572,298
Changes in proportion share	\$ -	\$ 77,746
Differences between employer contributions and proportionate share of system contributions		\$ 162,669
Total (prior to post-MD contributions)	\$ 404,471	\$ 1,812,713
Contributions subsequent to the MD	\$ 1,197,777	\$ -
Total Deferred Outflow/(Inflow) of Resources	\$ 1,602,248	\$ 1,812,713
Net Deferred Outflow/(Inflow) of Resources		\$ (210,465)

Amounts reported as deferred outflows or inflow of resources related to pension will be recognized in pension expense/(income) as follows:

Employer subsequent fiscal years	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
1st Fiscal Year	\$ (713,797)
2nd Fiscal Year	\$ (713,797)
3rd Fiscal Year	\$ (713,797)
4th Fiscal Year	716,639
5th Fiscal Year	16,509
Thereafter	0
Total	\$ (1,408,243)

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated July 29, 2015.

DOUGLAS EDUCATION SERVICE DISTRICTCombining Balance Sheet
All Non-Major Governmental Funds-By Fund Type

June 30, 2016

	Facility Maintenance Fund	Debt Service Fund	Production Service Fund	Information Technology	Total Non-Major Governmental Funds
ASSETS					
Cash in Checking	\$ 90,590	\$ 1,484,237	\$ -	\$ 43,494	\$ 1,618,321
Cash in State Pool	26,415	959	-	-	27,374
Wells Fargo - PERS Bond Account	-	30	-	-	30
Accounts Receivable	-	-	8,416	6,000	14,416
Property Taxes Receivable	-	-	-	-	-
Due From Other Funds	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-
Inventory	-	-	21,831	-	21,831
Total Assets	<u>\$ 117,005</u>	<u>\$ 1,485,225</u>	<u>\$ 30,247</u>	<u>\$ 49,494</u>	<u>\$ 1,681,972</u>
LIABILITIES & FUND EQUITY					
LIABILITIES:					
Accounts Payable	\$ -	\$ -	\$ 5,025	\$ -	\$ 5,025
Accrued Salaries & Benefits	-	-	-	-	-
Due to Other Funds	\$ -	\$ -	\$ 30,355	\$ -	\$ 30,355
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>35,381</u>	<u>-</u>	<u>35,381</u>
FUND BALANCE:					
Fund Balance:					
Reserved for Inventories			21,831	-	21,831
Reserved for Payment of Debt Service		1,485,225			1,485,225
Unreserved, Undesignated	117,005		(26,964)	49,494	139,535
Total Fund Balance	<u>117,005</u>	<u>1,485,225</u>	<u>(5,134)</u>	<u>49,494</u>	<u>1,646,591</u>
Total Liabilities & Fund Balance	<u>\$ 117,005</u>	<u>\$ 1,485,225</u>	<u>\$ 30,247</u>	<u>\$ 49,494</u>	<u>\$ 1,681,972</u>

DOUGLAS EDUCATION SERVICE DISTRICTCombining Schedule of Revenues, Expenditures and Changes in Fund Balances
All Non-Major Governmental Funds - By Fund Type

For the Year Ended June 30, 2016

	Facility Maintenance Fund	Debt Service Fund	Production Service Fund	Information Technology	Total Non-Major Governmental Funds
REVENUES:					
Local Sources:					
Earnings on Investments		\$ -			\$ -
Services Provided Other Funds		436,231	\$ 209,690	\$ 120,885	766,805
Miscellaneous Revenue			-	-	-
Total Revenues	\$ -	436,231	209,690	120,885	766,805
EXPENDITURES:					
Internal Service			212,832	95,305	308,137
Debt Service		404,411			404,411
Total Expenditures	33,286	404,411	212,832	95,305	745,833
Excess of Revenues Over (Under) Expenditures and Other Financing Sources	(33,286)	31,820	(3,142)	25,580	20,972
OTHER FINANCING SOURCES (USES):					
Operating Transfers In (Out)	100,000				100,000
Total Other Financing Sources (Uses)	100,000	-	-	-	100,000
Excess of Revenues Over (Under) Expenditures and Other Financing Sources	66,714	31,820	(3,142)	25,580	120,972
FUND BALANCE, June 30, 2015	50,291	1,453,405	(1,992)	23,914	1,525,619
FUND BALANCE, June 30, 2016	\$ 117,005	\$ 1,485,225	\$ (5,134)	\$ 49,494	\$ 1,646,591

DOUGLAS EDUCATION SERVICE DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
Facility Maintenance Fund

For the Year Ended June 30, 2016

	Supplies and Materials	Actual	Original & Final Budget	Over (Under) Budget
EXPENDITURES:				
Support Services:				
Building Acquisition, Construction, and Improvement	\$ 33,286	\$ 33,286	\$ 100,000	\$ (66,714)
Total Support Services	<u>\$ 33,286</u>	<u>33,286</u>	<u>100,000</u>	<u>(1) (66,714)</u>
Total Expenditures		<u>33,286</u>	<u>100,000</u>	<u>(66,714)</u>
Excess of Revenues Over (Under) Expenditures		(33,286)	(100,000)	66,714
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)		<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total Other Financing Sources (Uses)		<u>100,000</u>	<u>100,000</u>	<u>-</u>
OPERATING CONTINGENCY				
Planned Reserve		<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures and Other Financing Sources		66,714	-	66,714
FUND BALANCE, June 30 2015		<u>50,291</u>	<u>-</u>	<u>-</u>
FUND BALANCE, June 30, 2016		<u>\$ 117,005</u>	<u>\$ -</u>	<u>\$ 66,714</u>

(1) Level of Budget Appropriation

DOUGLAS EDUCATION SERVICES DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
Debt Service Fund

For the Year Ended June 30, 2016

	<u>Actual</u>	<u>Original & Final Budget</u>	<u>Over (Under) Budget</u>
REVENUES:			
Local Sources			
Earnings on Investments	\$ -	\$ -	\$ -
Services Provided Other Funds	436,231	\$ 413,311	22,920
Total Revenues	<u>436,231</u>	<u>413,311</u>	<u>22,920</u>
EXPENDITURES:			
Supporting Services			
Staff Services	-	-	-
Reserved for Next Year	<u>-</u>	<u>1,450,491</u>	<u>(1,450,491)</u>
	<u>-</u>	<u>1,450,491</u>	<u>(1,450,491)</u>
Debt Service			
Debt Service - Principal	126,095	126,095	-
Debt Service - Interest	278,316	278,316	-
Total Debt Service	<u>404,411</u>	<u>404,411</u>	<u>(1) -</u>
Excess of Revenues Over (Under) Expenditures	31,820	(1,441,591)	1,473,411
FUND BALANCE, June 30 2015	<u>1,453,405</u>	<u>1,441,591</u>	<u>11,815</u>
FUND BALANCE, June 30, 2016	<u>\$ 1,485,225</u>	<u>\$ -</u>	<u>\$ 1,485,225</u>

(1) Level of Budget Appropriation

DOUGLAS EDUCATION SERVICE DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
Production Services Fund

For the Year Ended June 30, 2016

	Salaries	Employee Benefits	Purchased Services	Supplies and Materials	Actual	Original & Final Budget	Over (Under) Budget
REVENUES:							
Local Sources							
Services Provided Other Funds					\$ 209,690	\$ 232,000	\$ (22,310)
Miscellaneous Revenue					-	-	-
Total Revenues					<u>209,690</u>	<u>232,000</u>	<u>(22,310)</u>
EXPENDITURES:							
Internal Service							
Printing, Publishing and Duplicating Services	\$ 91,380	\$ 43,600	\$ 36,752	\$ 41,100	212,832	232,000 (1)	(19,168)
Excess of Revenues Over (Under) Expenditures					(3,142)	-	(3,142)
FUND BALANCE, June 30 2015					<u>(1,992)</u>	<u>-</u>	<u>(1,992)</u>
FUND BALANCE, June 30, 2016					<u>\$ (5,134)</u>	<u>\$ -</u>	<u>\$ (5,134)</u>

(1) Level of Budget Appropriation

DOUGLAS EDUCATION SERVICE DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balance
Actual and Budget
Information Technology Fund

For the Year Ended June 30, 2016

	Salaries	Employee Benefits	Purchased Services	Supplies and Materials	Other Objects	Actual	Original & Final Budget	Over (Under) Budget
REVENUES:								
Local Sources								
Services Provided Other Funds						\$ 120,885	\$ 118,317	\$ 2,568
Miscellaneous Revenue						-	-	-
Total Revenues						<u>120,885</u>	<u>118,317</u>	<u>2,568</u>
EXPENDITURES:								
Internal Service								
Printing, Publishing and Duplicating Services	\$ 43,211	\$ 28,694	\$ 622	\$ 22,777	0	95,305	118,317 (1)	(23,012)
Excess of Revenues Over (Under) Expenditures						25,580	-	25,580
FUND BALANCE, June 30 2015						<u>23,914</u>	<u>-</u>	<u>23,914</u>
FUND BALANCE, June 30, 2016						<u>\$ 49,494</u>	<u>\$ -</u>	<u>\$ 49,494</u>

(1) Level of Budget Appropriation

DOUGLAS EDUCATION SERVICE DISTRICTCombining Statement of Net Position
Internal Service Funds-By Fund Type

June 30, 2016

	Unemployment Fund	Early Retirement Fund	Computer Replacement Fund	Facility Reserve Fund	Total Internal Service Funds
ASSETS					
Cash in General Checking	\$ 65	\$ 138,542	\$ 112,170	\$ 555,968	\$ 806,745
Cash in State Pool	190,396	330,220	0	21,867	542,483
Total Assets	<u>\$ 190,461</u>	<u>\$ 468,762</u>	<u>\$ 112,170</u>	<u>\$ 577,835</u>	<u>\$ 1,349,228</u>
LIABILITIES & FUND EQUITY					
NET POSITION:					
Fund Balance:					
Unreserved, Undesignated	<u>\$ 190,461</u>	<u>\$ 468,762</u>	<u>\$ 112,170</u>	<u>\$ 577,835</u>	<u>\$ 1,349,228</u>
Total Liabilities & Fund Balance	<u>\$ 190,461</u>	<u>\$ 468,762</u>	<u>\$ 112,170</u>	<u>\$ 577,835</u>	<u>\$ 1,349,228</u>

DOUGLAS EDUCATION SERVICE DISTRICTCombining Schedule of Revenues, Expenditures and Changes in Net Position
Internal Service Funds-By Fund Type

For the Year Ended June 30, 2016

	Unemployment Fund	Early Retirement Fund	Computer Replacement Fund	Facility Reserve Fund	Total Internal Service Funds
REVENUES:					
Local Sources	\$ -	\$ 5,225	\$ 48,025		\$ 53,250
Total Revenues	-	5,225	48,025	\$ -	53,250
EXPENDITURES:					
Internal Service			-		-
Other Fiscal Services	26,668			-	26,668
Supplemental Retirement Program		29,833			29,833
Total Expenditures	26,668	29,833	-	-	56,501
Excess of Receipts Over (Under) Expenditures	(26,668)	(24,608)	48,025	-	(3,251)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	(400,000)			300,000	(100,000)
Total Other Financing Sources	(400,000)	-	-	300,000	(100,000)
Excess of Revenues Over (Under) Expenditures and Other Financing Sources	(426,668)	(24,608)	48,025	300,000	(103,251)
NET POSITION, June 30, 2015	617,129	493,370	64,145	277,835	1,452,480
NET POSITION, June 30, 2016	\$ 190,461	\$ 468,762	\$ 112,170	\$ 577,835	\$ 1,349,228

DOUGLAS EDUCATION SERVICE DISTRICT

Budgetary Comparison Schedule for the Unemployment Fund

For the Year Ended June 30, 2016

	<u>Employee Benefits</u>	<u>Purchased Services</u>	<u>Actual</u>	<u>Original & Final Budget</u>	<u>Over (Under) Budget</u>
REVENUES:					
Local Sources					
Earnings on Investment					
Services Provided Other Funds			\$ -	\$ -	\$ -
Total Revenues			-	-	-
EXPENDITURES:					
Internal Service					
Fiscal Services			-		-
Other Fiscal Services	\$ 26,268	\$ 400	26,668	25,400	1,268
	<u>\$ 26,268</u>	<u>\$ 400</u>	<u>26,668</u>	<u>25,400 (1)</u>	<u>1,268</u>
OTHER FINANCING SOURCES (USES):					
Operating Transfers Out			(400,000)	(400,000)	-
Total Other Financing Sources			(400,000)	(400,000)	-
OPERATING CONTINGENCY					
Planned Reserve			-	191,600	(191,600)
Excess of Revenues Over (Under) Expenditures			(426,668)	(217,000)	(1,268)
FUND BALANCE, June 30 2015			617,129	617,000	129
FUND BALANCE, June 30, 2016			<u>\$ 190,461</u>	<u>\$ 400,000</u>	<u>\$ (1,139)</u>

(1) Level of Budget Appropriation

DOUGLAS EDUCATION SERVICE DISTRICT**Budgetary Comparison Schedule for the Early Retirement Fund**

For the Year Ended June 30, 2016

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Actual</u>	<u>Original & Final Budget</u>	<u>Over (Under) Budget</u>
REVENUES:					
Local Sources					
Services Provided Other Funds			\$ 5,225	\$ -	\$ 5,225
Total Revenues			<u>5,225</u>	<u>-</u>	<u>5,225</u>
EXPENDITURES:					
Support Services					
Supplemental Retirement Program	\$ -	\$ 29,833	29,833	89,012	(59,179)
	<u>\$ -</u>	<u>\$ 29,833</u>	<u>29,833</u>	<u>89,012</u>	<u>(59,179)</u>
OPERATING CONTINGENCY					
Planned Reserve			-	310,988	(310,988)
Excess of Revenues Over (Under) Expenditures			(24,608)	(400,000)	375,392
FUND BALANCE, June 30 2015			<u>493,370</u>	<u>400,000</u>	<u>93,370</u>
FUND BALANCE, June 30, 2016			<u>\$ 468,762</u>	<u>\$ -</u>	<u>\$ 468,762</u>

(1) Level of Budget Appropriation

DOUGLAS EDUCATION SERVICE DISTRICT

Budgetary Comparison Schedule for the Computer Replacement Fund

For the Year Ended June 30, 2016

	<u>Supplies and Materials</u>	<u>Actual</u>	<u>Original & Final Budget</u>	<u>Over (Under) Budget</u>
REVENUES:				
Local Sources				
Earnings on Investment				\$ -
Services Provided Other Funds		\$ 48,025	\$ 49,710	\$ (1,685)
Total Revenues		<u>48,025</u>	<u>49,710</u>	<u>(1,685)</u>
EXPENDITURES:				
Support Services				
School Administration	\$ -	-	50,000	
Internal Service		-		-
	<u>\$ -</u>	<u>-</u>	<u>50,000</u>	<u>(1) (50,000)</u>
OPERATING CONTINGENCY				
Planned Reserve		<u>0</u>	<u>63,710</u>	<u>(63,710)</u>
Excess of Revenues				
Over (Under) Expenditures		48,025	(64,000)	112,025
FUND BALANCE, June 30 2015		<u>64,145</u>	<u>64,000</u>	<u>145</u>
FUND BALANCE, June 30, 2016		<u>\$ 112,170</u>	<u>\$ -</u>	<u>\$ 112,170</u>

(1) Level of Budget Appropriation

DOUGLAS EDUCATION SERVICE DISTRICT**Budgetary Comparison Schedule for the Facility Reserve Fund**

For the Year Ended June 30, 2016

	<u>Capital Outlay</u>	<u>Actual</u>	<u>Original & Final Budget</u>	<u>Over (Under) Budget</u>
REVENUES:				
Local Sources				
Contributions				-
Total Revenues		<u>\$ -</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Building, Acquisition, and Construction				
Capital Outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435,000</u>	<u>\$ (435,000)</u>
	<u>\$ -</u>	<u>-</u>	<u>435,000 (1)</u>	<u>(435,000)</u>
Excess of Revenues Over (Under) Expenditures		-	(435,000)	435,000
OTHER FINANCING SOURCES (USES):				
Operating Transfers In		300,000	300,000	-
Total Other Financing Sources		<u>300,000</u>	<u>300,000 (1)</u>	<u>-</u>
OPERATING CONTINGENCY				
Planned Reserve		<u>-</u>	<u>142,000</u>	<u>(142,000)</u>
Excess of Revenues Over (Under) Expenditures and Other Financing Sources		300,000	(277,000)	577,000
FUND BALANCE, June 30 2015		<u>277,835</u>	<u>277,000</u>	<u>835</u>
FUND BALANCE, June 30, 2016		<u>\$ 577,835</u>	<u>\$ -</u>	<u>\$ 577,835</u>

(1) Level of Budget Appropriation

DOUGLAS EDUCATION SERVICE DISTRICT

Schedule of Taxes

For the Year Ended June 30, 2016

Assessed Valuation, 2015-16 Tax Roll	<u>\$ 8,110,091,428</u>
District's Permanent Tax Rate	<u>0.5296</u>
Net Tax Levy	<u>\$ 4,295,104</u>
Taxes Imposed by Douglas County	<u>\$ 4,075,615</u>

	Uncollected Balance July 1, 2015	Discounts	Tax Collector's Adjustment Increase (Decrease)	Interest	Collections During the Year	Uncollected Balance June 30, 2016
2015-16	4,075,615	(101,606)	(911)	2,314	3,792,290	183,122
2014-15	187,938	23	(1,721)	5,869	89,705	102,404
2013-14	105,611	23	(681)	6,800	42,243	69,510
2012-13	74,380	16	188	10,238	40,544	44,278
2011-12	47,737	5	761	8,094	40,017	16,580
2010-11	13,540	6	(378)	1,095	3,352	10,911
2009-10	10,189	-	(135)	834	2,255	8,633
2008-09 & Prior	8,323	-	(1,261)	680	448	7,294
Totals	<u>\$ 4,523,333</u>	<u>\$ (101,533)</u>	<u>\$ (4,138)</u>	<u>\$ 35,924</u>	<u>\$ 4,010,854</u>	<u>\$ 442,732</u>

	Total	Current	Prior
Current Year Collections:			
Tax Levies-Cash Basis	\$ 4,010,854	\$ 3,792,290	\$ 218,564
Add: Accrued Property Taxes June 30, 2016	59,693	28,557	31,136
Less: Accrued Property Taxes June 30, 2015	(61,110)		(61,110)
Total Accrual Basis	<u>\$ 4,009,437</u>	<u>\$ 3,820,847</u>	<u>\$ 188,590</u>
		C-1	C-1

Auditor's Comments and Disclosures
Required by State Law

NEUNER, DAVIDSON, COOLEY & RAPP, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Thomas J. Davidson, C.P.A.
Jeffrey R. Cooley, C.P.A.
Vickie L. Rapp, C.P.A.
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INDEPENDENT AUDITOR'S REPORT **REQUIRED BY OREGON STATE REGULATIONS**

Board of Directors
Douglas Education Service District
Roseburg, OR 97470

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 basic financial statements of Douglas Education Service District, as of and for the year ended June 30, 2016, and have issued our report thereon dated December 1, 2016.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not 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.
- Public charter school requirements.

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, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

Member:

American Institute of Certified Public Accountants
Oregon Society of Certified Public Accountants
Private Companies Practice Section

OAR 162-10-0230 INTERNAL CONTROL

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Deficiencies in internal control, if any, were communicated separately. This report is intended solely for the information and use of the Board of Directors, Oregon Secretary of State Audits Division, and management and is not intended to be and should not be used by anyone other than these specified parties.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors, Oregon Secretary of State Audits Division, and management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Neuner, Davidson Cooley & Rapp LLC". The signature is written in a cursive, flowing style.

Neuner, Davidson, Cooley & Rapp, LLC

Roseburg, Oregon

December 1, 2016

Single Audit Requirements

NEUNER, DAVIDSON, COOLEY & RAPP, LLC

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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
Douglas Education Service District
1871 NE Stephens St
Roseburg, OR 97470

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of DOUGLAS EDUCATION SERVICE DISTRICT 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 1, 2016.

Internal Control over Financial Reporting

In planning and performing our audit, we considered DOUGLAS EDUCATION SERVICE DISTRICT'S internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the DOUGLAS EDUCATION SERVICE DISTRICT'S internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the DOUGLAS EDUCATION SERVICE 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 District'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 that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Member:

American Institute of Certified Public Accountants
Oregon Society of Certified Public Accountants
Private Companies Practice Section

**Douglas Education Service District
GAS Report of Internal Control and Compliance**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DOUGLAS EDUCATION SERVICE DISTRICT'S financial statements are free of material misstatement, we performed test 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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of 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.

Neuner, Daudon Goly & Rapp LLC

December 1, 2016

NEUNER, DAVIDSON, COOLEY & RAPP, LLC

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

Board of Directors
Douglas Education Service District
1871 NE Stephens St
Roseburg, OR 97470

Report on Compliance for Each Major Federal Program

We have audited the Douglas Education Service District'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 Douglas Education Service District's major federal programs for the year ended June 30, 2016. Douglas Education Service 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Douglas Education Service 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).¹ 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 Douglas Education Service 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 Douglas Education Service District compliance.

Opinion on Each Major Federal Program

In our opinion, the Douglas Education Service District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

**Douglas Education Service District
Independent Auditor's Report on Compliance**

Report on Internal Control over Compliance

Management of the Douglas Education Service District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Douglas Education Service District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Douglas Education Service District's internal control over compliance.

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

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

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



Neuner, Davidson, Cooley & Rapp, LLC
Roseburg, Oregon
December 1, 2016

Douglas Education Service District

Notes to Schedule of Expenditures of Federal Awards
June 30, 2016

Note 1. **Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of DOUGLAS EDUCATION SERVICE DISTRICT and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. **Sub-recipients**

Of the federal expenditures presented in the schedule, DOUGLAS EDUCATION SERVICE DISTRICT provided no federal awards to sub-recipients.

Douglas Education Service District
Auditors Comments
For the Fiscal Year ended June 30, 2016

Summary of the Auditor's Results

The audit report issued December 1, 2016, on the general purpose financial statements of DOUGLAS EDUCATION SERVICE DISTRICT as of and for the year ended June 30, 2016, was an unqualified opinion. The audit did not disclose any reportable conditions in internal control for either major or nonmajor programs, nor did the audit disclose any noncompliance which may be material to the financial statements. The audit report on compliance for major programs was an unqualified opinion. There were no audit findings required to be reported in accordance with 2 CFR section 200.216(a).

The major programs identified by DOUGLAS EDUCATION SERVICE DISTRICT were:

- 84.181 – Special Education – Grants for Infants and Families with Disabilities
- 84.027 – Special Education – Grants to State

The threshold used to distinguish between Type A and Type B programs was \$750,000. The District did qualify as a low-risk auditee under Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Findings required to be reported in accordance with generally accepted government auditing standards (GAGAS):

No Findings.

Findings and questioned costs for Federal awards:

Current Year:

No Findings or Questioned Costs.

Summary Schedule of Prior Audit Findings:

No Findings or Questioned Costs

DOUGLAS EDUCATION SERVICE DISTRICT

Schedule of Federal Financial Assistance

For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant Period	Grant Amount	2015-16 Revenues	2015-16 Expenditures
<u>U.S. Department of Education</u>					
Passed Through State Department of Education:					
EBISS	84.323	2014-16	3,000		236
Douglas Co. Liason Training	84.196	2014-16	500	298	298
Regional SGP Workshops	84.367	2015-16	1,500	1,500	1,500
IDEA Enhancement 15-16	84.027	2015-16	2,652	-	-
Perkins Reserve Fund 15-16	84.048	2015-16	46,526	40,210	40,210
Perkins Basic Fund 15-16	84.048	2015-16	79,334	59,450	59,450
Perkins Reserve Fund	84.048	2014-15	40,356	7,452	7,452
Perkins Basic Fund	84.048	2014-15	64,575	10,192	10,192
Perkins Oregon PIPE Regional	84.048	2015-16	5,000	735	735
Extended Assessment 15-16	84.027	2015-16	13,500	898	898
Title ID - Long-Term Care & Treatment	84.013	2015-16	8,853	8,853	8,853
Special Education - Long-term Care & Treatment	84.027	2015-16	6,121	6,121	6,121
Juvenile Detention Education Program	84.027	2015-16	1,397	436	436
SPDG Youth Correction Meeting	84.323	2015-16	527	-	-
Local Interagency Coordination Council	84.173	2015-16	750	750	750
Local Interagency Coordination Council	84.181	2015-16	750	450	450
Focused Network Funding	84.412	2015-16	112,625	74,342	74,342
RTT Vroom Grants	84.412	2015-16	10,000	3,062	3,062
RTT Vroom Grants	84.412	2015-16	10,000	2,270	2,270
IDEA-SPR&I Formula	84.027	2015-16	13,136	9,330	9,330
				<u>226,349</u>	<u>226,585</u>
Statewide Consultative and Resource					
Services for Orthopedic Imp	84.027	2015-17	200,000	87,264	87,264
Oregon Technology Access program	84.027	2015-17	418,088	177,961	177,961
				<u>265,225</u>	<u>265,225</u>
Passed through Douglas ESD as contracts to other agencies					
Special Education	84.027	2015-16	965,052	965,052	965,052
Federal IDEA, Spec Purpose Funds, Part C	84.181	2015-16	511,770	511,770	511,770
Special Education-Preschool Grants	84.173	2015-16	212,458	212,458	212,458
				<u>1,689,280</u>	<u>1,689,280</u>
Total U.S. Department of Education					<u>\$ 2,181,090</u>
TOTAL FEDERAL ASSISTANCE				<u>\$ 2,180,854</u>	<u>\$ 2,181,090</u>

SUPPLEMENTAL INFORMATION, 2015-2016

School District Business Managers and Auditors:

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

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

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

	Objects 325 & 326
Function 2540	\$ 36,923
Function 2550	\$ 0

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

1113, 1122 & 1132
1140
1300
1400

Co-curricular Activities
Pre-Kindergarten
Continuing Education
Summer School

Exclude these functions:

4150
2550
3100
3300

Construction
Pupil Transportation
Food Service
Community Services

\$	0
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